



राष्ट्रीय मुक्त विद्यालयी शिक्षा संस्थान
NATIONAL INSTITUTE OF OPEN SCHOOLING

आईएसओ 9001 : 2008 प्रमाणित/ISO 9001 : 2008 Certified

(स्कूल शिक्षा और साक्षरता विभाग, मा.सं.वि.मं., भारत सरकार के अंतर्गत एक स्वायत्त संस्था)
(An Autonomous Institution Under Deptt. of School Education and Literacy, M.H.R.D., Govt. of India)

F-61(69)/2015/NIOS/Fin/90

Dated : 28 December, 2015

NOTIFICATION - 297/2015

In pursuance of the approval by the Executive Board of the NIOS taken at its 69th Meeting held on 11th September 2015, NIOS has brought out Internal Audit Manual. It is intended to serve as an efficient resource to explain the main principles and identifying the relevant standards underlining the conduct of internal audit activities.

This manual documents the existing audit practices, in-built safeguards against discrimination and arbitrary exercise of accounting principles. These are in the shape of basic rules, regulations and order governing Accounting Reforms in Autonomous organizations. It is a valuable document to ensure transparency, enables to review its practices and to bring about necessary changes in practices and procedures as and when required.

This manual will enable functionaries at various levels to function in a transparent manner, exercise their administrative and financial powers and discharge their responsibilities in conformity with the avowed objectives of the Institute. It will guide the Heads of the Departments and the Regional Directors in running their offices with financial propriety and efficiency and will also facilitate the junior level officers in expeditious and correct disposal of their day to day work.

The manual has been prepared in the right spirit and will strengthen the financial discipline in various facets of NIOS and enhance the professional capability of all concerned.

(C. Dharuman)
Secretary

Encl : Copy of Internal Audit Manual

Distribution

1. All Heads of the Departments, NIOS
2. All Regional Directors of NIOS
3. Assistant Director (CMO) for kind information of Chairman, NIOS
4. SAP, NIOS with the request to upload in NIOS website.
5. Assistant Director (A/c), NIOS
6. All Officers at the level of Section Officers and above.
7. Guard File

Internal Audit Manual

**Approved by the Executive Board of NIOS in its
69th Meeting held on 11th September, 2015**



National Institute of Open Schooling (NIOS)

ISO 9001 : 2008 Certified

(An Autonomous Institution under MHRD, Govt. of India)
A-24-25, Institutional Area, N.H.-24, Sector-62, Noida-201309

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December, 2015 (300 copies)

Published by the Secretary, National Institute of Open Schooling (NIOS), A-24/25, Institutional Area, Sector-62, Noida-201309, UP and printed at M/s Sachdeva Printing Press, Delhi.

FOREWORD

The National Institute of Open Schooling (NIOS), formerly known as National Open School (NOS), was established in November, 1989 as an autonomous institution in pursuance of the National Policy on Education (1986) by the Ministry of Human Resource Development (MHRD), Government of India. NIOS is providing a number of Vocational, Life Enrichment and community oriented courses besides General and Academic Courses at the Secondary and the Senior Secondary levels. It also offers Elementary level Courses through its Open Basic Education Programmes (OBE). The Government of India through a gazette notification vested NIOS with the authority to examine and certify learners registered with it upto pre degree level courses – Academic, Technical or Vocational. The Institute, is unique in several aspects. It is not only a centre of excellence for academics, but also look forward for innovation in devising an administrative structure conducive to realisation of the new goals. It is expected to set standards in Open and Distance Learning (ODL). It acts as a leader in school education which or inspires the State Open Schools and other ODL institutions in India. Its main aim is to reach the unreached.

Keeping in view that NIOS works through a complex network of stakeholders, development of a manual listing the norms and procedures for auditing would inter alia bring in the much needed transparency.

I congratulate the committee of experts comprising of Shri B. S. Ramaswamy, Former Additional Secretary to Govt. of India, Shri R. Thyagarajan, Head (Admn. & Fin.), CEMCA and Mrs. Neelam Gautam, the then Deputy Director (Accounts), NIOS for their efforts in developing an Internal Audit Manual of NIOS. I believe that this manual will not only provide appropriate guidelines for internal audit functions in NIOS but would also benefit the State Open Schools in India as the framework and structure described in this manual are based on accepted auditing standards and best practices.

I would also like to place on record the support and assistance rendered by Shri S. K. Jha Assistant Director (Accounts), NIOS and Shri R.N. Jha, former Deputy Registrar, IGNOU.

I am sure that application of the rules in the manual in the right spirit will strengthen the financial discipline and enhance the professional capacity of all concerned.

I would like to convey my sincere thanks to Sh. C. Dharuman, Secretary, NIOS and the team for having brought out such a valuable document.

(Prof. C.B. Sharma)
Chairman, NIOS

September, 2015

PREFACE

Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organization's operations. It helps the organization to accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes. With commitment to integrity and accountability, internal auditing provides value to governing bodies and senior management as an objective source of independent advice.

The Internal Manual outlines the internal audit processes and activities. It is intended to serve as an efficient resource to explain the main principles and identify the relevant standards underlying the conduct of internal audit activities.

This manual documents the existing audit practices, in-built safeguards against discrimination and arbitrary exercise of accounting principles. These are in the shape of basic rules, regulations and orders governing Accounting Reforms in Autonomous organizations. It is a valuable document to ensure transparency, enables the institution to review its practices and to bring about necessary changes in practices and procedures as and when required.

We have no hesitation in assuming that this manual will enable functionaries at various levels to function in a transparent manner, exercise their administrative and financial powers and discharge their responsibilities in conformity with the avowed objectives of the Institute. It will guide the Heads of the Departments and the Regional Directors in running their offices with financial propriety and efficiency and will also facilitate the junior level officers in expeditious and correct disposal of their day to day work. This manual has been designed to be flexible and unrestrictive. Internal Auditors can bring new initiatives based on prior work experience, knowledge and skills. It is intended to provide a safe platform to the Internal Auditors for exercising their professional judgements and skills.

The Internal Manual was prepared under the guidance of a committee comprising of Shri B. S. Ramaswamy, Former Additional Secretary to Govt. of India, Shri R. Thyagarajan, Head (Admn. & Fin.), CEMCA and Mrs. Neelam Gautam, the then Dy. Director (Accounts), NIOS. We are thankful to the committee members for providing technical inputs and expert guidance. We would also like to commend the invaluable support provided by Shri R. N. Jha former Deputy Registrar, IGNOU and Shri S. K. Jha, Assistant Director (Accounts), NIOS for compilation of this manual and Shri Amit Kumar, Junior Assistant for rendering secretarial assistance.

(C. Dharuman)
Secretary, NIOS

September, 2015

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1 INTRODUCTION

1.1 Genesis of NIOS

The genesis of NIOS can be traced to a project of the Central Board of Secondary Education (CBSE) started in 1979. In November 1989, the Department of Education, Ministry of Human Resource Development, Government of India established the National Open School (NOS) and the Project of CBSE was merged into NOS. It was started as per the recommendations given by the National Policy on Education (1986) and registered under the Societies Registration Act of 1860. Subsequently, vide Resolution No. F.5-24/90 Sch.3 dated 14 September 1990 published in the Gazette of India on 20 October 1990 vested in NOS, the authority to examine and certify learners registered with it up to Pre-Degree level courses.

In July 2002, the Ministry of Human Resource Development amended the nomenclature of the organization from the National Open School (NOS) to the National Institute of Open Schooling (NIOS) with a mission to expand its horizon and work as a Resource Organization for open schooling in the country, while providing relevant continuing education at the school stage, up to pre-degree level, through Open Learning System to prioritized client groups as an alternative to formal education system.

The National Institute of Open Schooling has risen to the occasion to provide responses to certain educational challenges, particularly the challenge of “reaching the unreached”.

1.2 Vision

- ❖ To provide “Sustainable inclusive learning with universal and flexible access to quality school education and skill development.”

1.3 Mission

- ❖ Providing relevant continuing and holistic education up to pre degree level through Open and Distance Learning System.
- ❖ Contributing to the Universalisation of School Education.
- ❖ Catering to the educational needs of the prioritized target groups for equity and social justice.

The NIOS plays a very important role in the National System of Education and it has its own distinct characteristics. The main **objectives** of NIOS are:

- ❖ to provide professional advice to the Government of India, and to the States, regarding proper development of Open and Distance Learning System at school level, in response to requests from the concerned Government/s or suo moto.

- ❖ to develop need based Academic and Vocational Education Programmes for livelihood and lifelong learning up to pre-degree level.
- ❖ to attain excellence in developing quality Open and Distance Education Curricula and courseware for learners.
- ❖ to accredit institutions for developing effective learner support system to facilitate learning up to pre-degree level.
- ❖ to strengthen the Open and Distance Learning System through research and development activities.
- ❖ to promote open schooling at national and global level by networking, capacity building, sharing of resources and quality assurance.

Anybody irrespective of caste, creed and location, can seek enrolment in the courses/programmes offered by NIOS. Its prioritized client groups are:

- ❖ Rural and urban people
- ❖ Disadvantaged groups
- ❖ Underprivileged sections of the society
- ❖ Unemployed and partly employed people
- ❖ School dropouts
- ❖ People with special needs i.e., physically and mentally challenged persons
- ❖ Minority communities.

1.4 Programmes and Activities

NIOS carries out six major sets of activities. These are:

- ❖ Providing academic education at the Open Basic Education level.
- ❖ Providing academic education at the Secondary and the Senior Secondary levels.
- ❖ Teacher Education (D. El. ED.) Programme for training of untrained elementary teachers as mandated by RTE Act, 2009)
- ❖ Vocational Education
- ❖ Research and Training
- ❖ Learner support services

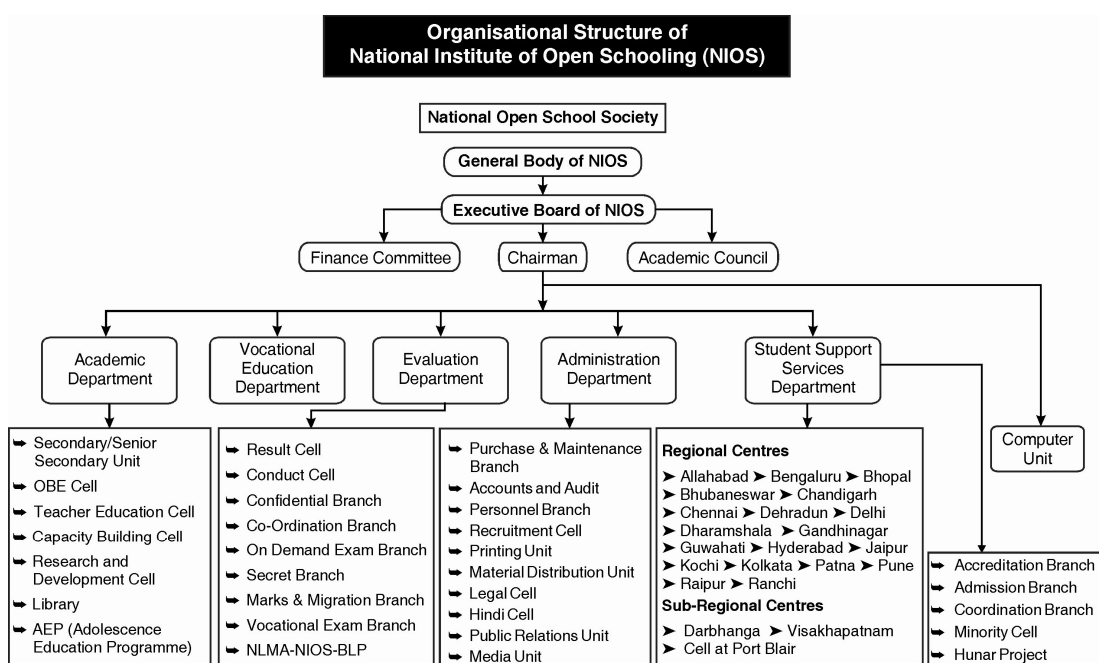
(The secondary and the senior secondary certificates issued by the NIOS are recognized by the Association of Indian Universities, the University Grants Commission (UGC), several universities and institutes of higher learning, several boards of school education, the Ministry of Human Resource Development (MHRD) and the Ministry of Labour & Employment.

The above activities of NIOS are carried out by its five departments:

- ❖ Academic Department
- ❖ Vocational Education Department
- ❖ Student Support Services Department
- ❖ Evaluation Department
- ❖ Administration Department

1.5 Organizational Set up

NIOS an autonomous institution set up under MHRD is vested with the authority to examine and certify learners up to pre-degree level. At the apex, the General Body, the Executive Board, and Finance Committee are the main authorities of NIOS. The Chairperson of NIOS, appointed by the Government of India, is the Chief Executive of the organization.



The different competent authorities specified for the management of the NOS society are:

- i) General Body
- ii) Executive Board
- iii) Finance Committee
- iv) Academic Council

i) The General Body

The General Body of NIOS is the apex body vested with the responsibility to assist the Society by providing sound and professional advice to generate a vision and give broad policy directions. It ensures that the Organization remains publicly accountable in exercising its powers and functions in accordance with the mission and objectives of the Society. The Union Minister for Human Resource Development is the President of the Society and he/she chairs the meetings. In his/her absence, the Minister of State for Human Resource Development, who is the Vice-President of the Society, chairs the meetings. The Secretary of NIOS is ex – officio Member Secretary of the General Body of the society. After Audit of the Accounts of NIOS is conducted by the statutory auditors, the Annual Accounts along with the Audit Report, duly recommended by Executive Board are placed before the General Body for approval and thereafter sent to the Ministry of Human Resource Development, Govt. of India, so that the document could be placed on the tables of both the houses of parliament latest by the end of October every year.

ii) The Executive Board

The Executive Board of NIOS is vested with all the powers of the Society to manage its affairs to function smoothly and effectively. This Board is mainly concerned with forward planning for preparation of the policies and programmes of action, to make appropriate decisions to ensure effective implementation of the programmes and also to review the functions of the organization.

The Chairperson of NIOS is the Chairperson of the Executive Board and the Secretary of NIOS is its Member Secretary. On the recommendation of the Finance Committee, the Annual Accounts and Budget Estimates are placed before the Executive Board for its approval so that the Annual Accounts and Budget Estimates could be sent to the Principal Director of Audit (Civil Audit) Lucknow, Branch Office-Allahabad by the end of June every year for its Audit.

iii) The Finance Committee

The Finance Committee is vested with Powers to approve/ recommend the financial estimate and new proposals for new financial outlay and other financial matters. Besides, it has the power to vet the proposals under Plan/Non-Plan budgets. The Chairperson of NIOS is the Chairperson of the Finance Committee. The Secretary of NIOS is the Member Secretary of the Finance Committee.

- a) The powers and functions of the Finance Committee of NIOS are as under.
 - i. The Finance Committee shall meet at least thrice a year to examine the accounts and scrutinise the expenditure.
 - ii. All proposals relating to revision of grade, upgradation of the scales and those items which are not included in the budget, shall be examined by the

Finance Committee before these are considered by the Executive Board and the General Body of NIOS.

- iii. The Annual Accounts and Budget Estimates of the Institution prepared by the Accounts Section shall be laid before the Finance Committee for consideration and comments; and thereafter submitted to the Executive Board and the General Body, with the recommendation of the Finance Committee.
 - iv. The Finance Committee shall fix limits for the total recurring and non-recurring expenditure for the year, based on income and resources of the Institution. No expenditure shall be incurred by the Institution in excess of the limits so fixed.
- b) The following proposals shall also be examined by the Finance Committee before these are considered by the Executive Board.
- i. Investment of any money belonging to the Institution, including any unapplied income, in such stocks, funds, shares or securities as it thinks fit or in the purchase of immovable property in India with power of varying such investment from time to time.
 - ii. Creation of administrative, ministerial and other necessary posts.
 - iii. To fix the remuneration payable to Course Writers, Translators, Vettors, Graphic Artists, Paper Setters, Moderators, Counsellors, Examiners and Invigilators etc., and travelling and other allowances payable.

iv) The Academic Council

The Academic Council deals with academic matters of NIOS. It monitors and controls all academic programmes and activities of the Departments and other constituents of NIOS.

Departments

The Chairperson of NIOS, appointed by the Government of India, is the Chief Executive of the Organization. He/ She is assisted by five Heads of Departments, namely,

1. Secretary
2. Director (Academic)
3. Director (Vocational Education)
4. Director (Evaluation)
5. Director (Student Support Services)

Regional Centres (RCs)

For implementation of different programmes throughout the country effectively, 20 Regional Centres have been established at Allahabad, Bengaluru, Bhopal, Bhubaneswar,

Chandigarh, Dehradun, Gandhinagar, Hyderabad, Delhi, Guwahati, Jaipur, Kochi, Kolkata, Patna, Pune, Raipur, Ranchi, Chennai, Dharamshala and Visakhapatnam. One Sub-Regional Centre (SRC) at Darbhanga and a Cell at Andaman and Nicobar Islands have also been established. The Executive Board has also approved the establishment of Regional Centres in Jammu & Kashmir and Haryana.

Study Centres

Several financial powers have been delegated to the Coordinators of the NIOS study centres for carrying out various activities, to provide satisfactory student support services. Data pertaining to the expenditure in all study centres is maintained at NIOS Headquarters/Regional Centre. The Regional Director is required to periodically review study centre-wise and head-wise expenditure in order to ensure that expenditure has been incurred as per prescribed norms, and that it is reasonable considering the number of academic programmes offered as well as the enrolment figures at the study centre. He/she will advise the coordinator if the expenditure is less or more than what is should be.

2 ESTABLISHMENT OF AUDIT CELL

2.1.0 The need for a separate Audit Cell with the objective of supervising and scrutinizing the accounts and records of all offices, branches, section, units and Regional Centres as well as Sub-Regional Centres of NIOS was strongly felt. Thus in October-2011, a separate Cell for Internal Audit for auditing and financial concurrence was established under the supervision of the Deputy Director (Accounts) of the Institute and headed by the Secretary of the Institution. Accordingly, Audit Rules and Regulations are being followed as framed and adopted by NIOS from time to time. The Internal Audit Reports are to be submitted to the Deputy Director (Accounts) for finalization and issue thereafter, for further action wherever necessary. Besides, the major outcomes of the Internal Audit of the Regional Centres have to be reported to the Finance Committee.

Audit Manual

2.2.0 The very purpose of this Audit Manual is to ensure a standard procedure of auditing and to achieve uniformity in all auditing procedures rather than following one's own personal interpretations and opinions at the time of actual auditing. It is therefore mandatory for all auditors to follow and adhere to the instructions provided in the manual rather than to rely on personal interpretation and opinion. The purpose of audit is to enable the Departments, offices and Regional Centres/Sub-Regional Centres to carry out efficiently their various activities. It is not aimed at finding faults but to streamline the procedure. The rules and norms etc., related to accounts and audit mentioned in the manual need to be followed strictly. Clarifications sought about audit and accounts may be responded taking cue from the manual. The concerned parties/staff should maintain a healthy and mutually beneficial professional relationship.

Duties and Powers of the Office of the Internal Auditors

- i) The Internal Audit Cell shall complete the audit of the accounts of all the Departments within nine months commencing from the month of May of each accounting year and shall submit the Audit Reports thereof to the Deputy Director (Accounts) within 11 months commencing from the end of the concerned accounting year i.e., latest by the end of February so that such Reports could be presented to the Statutory Auditors during the period of audit conducted every accounting Financial Year. The Internal Auditor has to Pre-Audit all bills before payment related to NIOS Headquarters. Internal Audit of selected Regional Centres is to be undertaken annually on rotation basis.
- ii) **Administrative and financial concurrences** The Internal Audit Cell shall be responsible to exercise the following duties for conducting the audit of all Departments including all RCs/SRCs, and Projects running under their supervision.

- a) Examine thoroughly all kinds of proposals including opening of new RCs/SRCs, In-house Project/Projects funded by outside Agencies for the purpose of giving concurrence for administrative approval of the Competent Authority, Financial implications, Cost effectiveness, Budget Provision and available budget under the respective Heads of Expenditure.
 - b) Pre-auditing of all bills/vouchers in terms of administrative approval of the Competent Authority before the financial sanction of the Competent Authority for releasing any payment is accorded.
 - c) Pre-auditing of proposals for releasing budget to RCs for different activities at RCs level.
 - d) Pre-auditing of Pay fixation cases of the employees of NIOS due to appointment, promotion, granting MACP and due to revision of Pay etc.
 - e) Similarly, Pre-auditing of fixation of pensionary benefits of Pensioners, revision of Pension due to revision of Pay etc.
 - f) Pre-audit of personal claims of staff members and LS & PC of the staff on Deputation.
 - g) Pre-audit of procurement procedure.
- iii) The Internal Audit Cell shall complete the audit of the accounts of all the funded projects simultaneously when the expenditure is incurred and debited to the Project. In case of recurring sanction, Utilisation Certificate and Report thereof shall be submitted before release of the next year's final instalment. Internal Audit should also check the accounts of individual projects and ensure that the total of the balances of all individual projects agrees with the balance in the Control Account in the General Ledger.
 - iv) The Internal Audit Cell shall have the power to review and check the compliance of Previous Internal Audit Reports.
 - v) The discrepancies or cases which ultra vires the principles of accounting revealed in the course of review audit shall be reported to the Secretary through the Deputy Director (Accounts) within the stipulated time period but not later than one month from the date of conducting the Review Audit.



AUDIT PROCEDURES AND PRINCIPLES

3.1.0 Audit Objectives

The auditor is to ensure that the prescribed standards of accounting are observed and that the transactions are entered under proper heads. He/She is further required to see that:

- i) The expenditure is incurred according to the sanctioned budget;
- ii) The expenditure is in compliance with the objectives of the amount sanctioned;
- iii) The purposes of the sanction have been fulfilled;
- iv) Efforts are made for judicious expenditure;
- v) Price quotations, proper bills and receipts are obtained, quality control is maintained and the tax laws of the resident country are duly observed;
- vi) Proper requisition for special sanction is complied with and that the expenditure so incurred does not exceeds the amount so sanctioned;
- vii) The receipts from all sources are obtained;
- viii) Investment of funds properly.

3.2.0 Audit Procedures

Audit procedures as prescribed in the Rules and Regulation of NIOS as given hereunder, shall be observed strictly.

- i) The Internal Audit Cell shall exercise checks to ensure that standardized and prescribed books of account are maintained, system of accounting is followed properly, proforma of receipt and disbursement, income and expenditure and balance sheet of all its units are prepared properly. For this purpose, it may train personnel if so required. But no staff of Internal Audit Cell shall write or extend help to write the books of account of any unit.
- ii) All accounts and other related documents after being verified by a competent authority should be submitted to the Deputy Director (Accounts) within the specified time as per the instructions of the Accounts Section issued from time to time.
- iii) In case of any units failing to submit the books of account and the other related documents within the stipulated period of time, the Secretary shall make inquiry and issue notification to the concerned Unit/Section/ Division/Department/RCS and SRCs.
- iv) During the course of audit, all the books of accounts relating to Fee and other Receipts and Payments, Cash Balance, Bank Statement and other related files and

documents shall be produced before the auditor. If need be, even confidential documents should be produced before the Internal Auditor for scrutiny.

- v) During the course of audit, the unit shall immediately give explanation and clarify all audit queries or discrepancies raised by the auditor. Any unconvincing queries or errors shall further be dealt with the competent Head of the concerned unit. If still unconvincing and un-clarified, cases shall finally be submitted to the Chairman, NIOS through the Secretary, NIOS for further necessary action.
- vi) The Internal Audit Cell shall conduct System Audit and Performance Audit:
- vii) The Internal Audit Cell shall also execute special audit as and when circumstances demand, or when the Chairman orders a special audit to be done of a particular transaction(s) or of Departments.

3.3.0 Audit Planning

- i) Planning of audit is very essential for an efficient conduct of audit. While planning audit, the following aspects shall be taken into account.
 - a) Nature of business and its operation
 - b) Accounting policy and procedure and
 - c) Reliability of internal checks and control system
- ii) As per annual audit allocation, after every three months, detailed information specifying the units which were audited, being audited and remaining un-audited must be submitted to the Secretary, NIOS.

3.4.0 Audit Programme

The Audit programme is a blue print containing details about what should be done, by whom and how much time it should take. It plays a vital role in an efficient and timely completion of the audit. The Audit program must be prepared before commencement of Audit of every Financial Year.

The following aspects must be highlighted in the audit program.

- i) Procedure to be adopted during the course of examination.
- ii) Distribution of work among the staff.
- iii) Anticipated time for the completion of an audit work.
- iv) Discussion of Audit Programme with the head of a branch office or concerned Deputy/ Assistant Director at the NIOS Headquarters and Unit, or the concerned Regional Director in the RC/SRC is necessary. The Auditor should execute audit work according to the audit program and if any change is needed in the audit program, it needs to be discussed with the above concerned officers.

3.5.0 Audit Observation Note

All observations made during the course of an audit should be properly recorded. This would serve as an important tool to the auditor for future reference and evidence of the work done. All observations shall be recorded, with all necessary information, in the manner as prescribed.

3.6.0 Audit Memo

In the course of audit, the unit shall immediately give explanation and clarify all audit queries or discrepancies raised by the auditor. Any unconvincing queries or errors shall further be dealt with the competent Head of the concerned unit. Still unconvincing and un-clarified cases, if any, shall finally be appended with the Audit Report which must be compiled with before the next audit. For this, an Audit Memo has to be issued.

An Audit Memo is an audit query on audit observation, in writing, to the competent authority whereby an explanation/clarification in writing is sought.

3.7.0 Audit Diary

Every Audit Team must maintain a Diary to record daily work/activities undertaken during the course of an audit including proceedings of any meeting/discussion held, verbal explanations and clarifications given etc.

3.8.0 Intimation to the Auditee

Before commencement of any audit, it is important to inform the auditee concerned well in advance about the audit.

3.9.0 Any Problem Faced while Auditing

Auditor may face many complex issues or uncertainties in the interpretation of rules and regulations. In such cases, instead of subjective interpretation, further instructions are to be obtained from the Headquarters.

3.10.0 Quality and Time Control for Audit Work

- i) The progress of the audit work will be monitored regularly by the Deputy Director (Accounts) at Head Office to ensure that the work has been performed in accordance with the audit program and quality is maintained.
- ii) Before completion of audit work for the year, a review will be carried out by the Deputy Director (Accounts) for all Departments at the Headquarters and Regional Centres/Sub-Regional Centres.

4 INTERNAL CHECK AND CONTROL

4.1.0 Ascertaining the System

At the outset, the auditor should acquaint himself/herself with the internal check and control system of the unit under audit. This will help the auditor to identify those areas where he can rely upon without any detailed investigation/examination. This will also allow the auditor to devote more time to other important issues/matters.

The auditor may execute the following tasks or exercise to study the internal check and control system:

- i) Discussion with staff of various levels,
- ii) Studies of:
 - a) Procedural manual-norms or procedural requirements;
 - b) Job description- responsibility and accountability of each staff;
- iii) Observation of the system.

4.2.0 System Evaluation

After having acquainted with the system of internal check and control, the auditor should evaluate whether:

- i) The internal check and control systems and procedures are adequate enough to detect material errors and omissions;
- ii) The system provides any chance of collusion among the staff or not;
- iii) There are sound reasons for changes in the control system, if any; and
- iv) The system is a cost effective one.

4.3.0 Compliance Test

After evaluation of internal check and control systems, the auditor may find certain areas where he can decide not to exercise detailed examinations. Before taking such a decision, a compliance test must be taken to ensure that the internal check and control systems are adopted in practice also. This can be done by selecting a few representative samples of different transactions and examining them in depth, especially the procedural and the check and balance aspects. Based on this evaluation, an audit programme can be chalked out, keeping in view the nature of the audit and the time available. In the areas where the internal check and control system is inadequate, detailed scrutiny should be done.

4.4.0 Report on Weaknesses of Internal Check and Control System

Any weakness detected in the internal check and control systems should be discussed with the management and necessary steps to bring changes should be recommended in the report.



5 COMMENCEMENT OF AUDIT

5.1.0 Study of Organisation

Before the commencement of actual audit, the auditor must study the following:

- i) Organisational set up by referring to organisational charts.
- ii) Main objectives and functions of the organisation.
- iii) Delegation of administrative and financial responsibilities and powers.
- iv) Rules and Regulations prescribed, if any.
- v) Previous years' audit reports and statements of account and explanations submitted.
- vi) Minutes of the meetings of the Executive Board and the General Body.
- vii) Annual Report.

5.2.0 Analysis of Accounting System

The auditor must study the accounting manual, policies and procedures thereof to understand the accounting system. In this regard, the auditor shall conduct following checks and see:

- i) Whether the accounting system adopted is in conformity with the Generally Accepted Accounting Principles and the unit has maintained all the relevant records.
- ii) Whether there exists a sound system to check the errors or irregularities in recording financial transactions.
- iii) Whether there exist an effective budgetary control and any variations between the actual expenditure and budgeted amount have been promptly analysed.
- iv) Whether the accounting records maintained are clear and adequate to give all necessary information.

5.3.0 Compliance of previous Audit Report

It is required that all auditee must study the preview audit report and see that necessary audit recommendations are complied with. To ensure this, the auditor shall unfailingly analyse the compliance report and the progress. Lapses, if any, must be highlighted in the audit report.



AUDIT OF PAYMENTS

6.1.0 While Carrying Out the Audit of Payments, Check Whether

- i) Sanction has been accorded to all expenditure by the competent authority.
- ii) There is sufficient provision in the budget as per Expenditures Control Register, along with a target to be achieved during the said period and the budget will not be exceeded after making the payment.
- iii) The expenditure incurred is in accordance with the budget and financial rules and regulations. The Expenditure Control Register should be subjected to scrutiny by Internal Audit.

6.2.0 Vouching

Vouching is an examination of all documentary evidence available to support the authenticity of a transaction, recorded in the book. While vouching, the auditor should ensure that:

- i) The payment is supported by proper vouchers duly authorized or sanctioned by the competent authority.
- ii) The date of the bill or invoice relates to the period under audit.
- iii) The payment and the actual payees' receipt are genuine.
- iv) There is proper internal check and control available on the self made bill or invoice on plain paper; such payments should be at least certified by two people.
- v) All bills are properly verified by the staff concerned. In case of purchase, it should be verified and the charge of stock is duly accepted by the store in-charge.
- vi) All vouchers are properly defaced after verification.
- vii) All adjustment/transfer entries have been verified and authorised/sanctioned by a competent authority.

6.3.0. Audit of Purchases

While auditing purchases, the auditor shall see that:

- i) All purchases are made economically and in accordance with rules or direction, policy decision of NIOS and in terms of Rule 135 and 185 of GFR-2005, as amended from time to time.
- ii) Purchase of goods without quotation has been made for the items upto the cost of 15,000/- under Rule 145 of GFR-2005 and through Local Purchase Committee upto

Rs. 100,000/- under Rule-146 of GFR-2005. Limited Quotations have been called for all purchases exceeding amount of Rs. 100,000/- but upto Rs. 25,00,000/- under rule 151 of GFR-2005. Preference has been given to purchase the items upto the cost of Rs. 25,00,000/- under DGS&D Rate Contract under Rule 141, 142 and 147 of GFR-2005. Open Tenders have been invited for all purchases exceeding the amount of Rs. 25,00,000/- under Rule 150 of GFR-2005. Wherever possible, procurement of Assets is made under '**Buy Back Scheme**' under Rule 162 of GFR with the entries (a) to record the transaction, (b) examination of vouchers offered by the supplier for the assets being handed over to him in exchange-Reasonableness; Book Value of old assets and condition of old assets, (c) How to choose L-1 in Buy Back Cases.

Under Rule 162 of GFR, the provision for Buy Back Scheme is as under

"When it is decided with the approval of the competent authority to replace an existing old item(s) with a new and better version, the department may trade the existing old item while purchasing the new one. For this purpose, a suitable clause is to be incorporated in the bidding document so that the prospective and interested bidders formulate their bids accordingly. Depending on the value and condition of the old item to be traded the time as well as the mode of handing over the old item to the successful bidder should be decided and relevant details in this regard suitably incorporated in the bidding document. Further, suitable provision should also be kept in the bidding document to enable the purchaser either to trade or not to trade the item while purchasing the new one".

Under such an arrangement, a supplier may be prepared to supply a new equipment, and buy back the old equipment. He quotes a price for the new equipment and a price he is prepared to offer for the old equipment, as a reduction from the price of the new equipment he has quoted. The actual payment will in such a case be the net price and handing over to him of the old equipment.

While considering the price, he has quoted for the new equipment, the reasonableness of the price has to be kept in view. Secondly the reasonableness of the price he is offering for the old equipment has also to be considered with reference to the book value of the old asset at that point of time and the condition of the old asset.

In cases involving Buy Back arrangement under the tender system, not only the net price, but also the profit or loss on the disposal of the old asset (which is being given away) should be taken into account, while coming to a conclusion who is the lowest tenderer. The net price should be adjusted with the profit/loss on the disposal of the asset, in respect of all the tenderers, to decide who is the lowest.

The accounting entries to be passed when assets are acquired under such an arrangement are:

1. New Asset (with the gross price) Dr.....
 To old Asset (Price for the old asset)
 To Bank (Net Price Paid)
 (Recording the purchase of equipment under Buy Back arrangement).
2. Loss on Sale of Assets Dr.....
 To old Asset

 (Loss suffered i.e., Book Value minus price realised for the old asset where the latter is lower than the Book Value)
3. New Asset (Gross Price) Dr.10,000/-
 To old asset (Book value) 1,000/-
 To Profit on Sale of assets 500/-
 To Bank (Net Price Paid) 8,500/-

 (To record the transaction under Buy Back arrangement where the price offered for the old asset is more than the Book Value at the point of time)

Internal Audit has to check and ensure whether Tender Procedure has been followed and wherever necessary Two bid system has been followed as laid down in GFR-2005, Rule-152:- For purchasing high value plant, machinery etc., of a complex and technical nature, bids may be obtained in two parts as under:-

- a) Technical bid consisting of all technical details along with commercial terms and conditions; and
- b) Financial bid indicating item-wise price for the items mentioned in the technical bid.

The technical bid and the financial bid should be sealed by the bidder in separate covers duly super scribed and both these sealed covers are to be put in a bigger cover which should also be sealed and duly super scribed. The technical bids are to be opened by the purchasing Ministry or Department in the first instance and evaluated by a competent committee or authority. At the second stage, financial bids of only the technically acceptable offers should be opened for further evaluation and ranking before awarding the contract.

- iii) The purchase has been made from the lowest quotation unless there are recorded reasons to the contrary;

- iv) Rate paid is that of the rate shown in the quotation approved;
- v) Certificate of quality and quantity are furnished by the store in-charge and verified by the Accountant before any payment is made;
- vi) All purchases are made strictly as per the requirements;
- vii) A wide publicity is given for calling the quotations. At least three Tender Enquiries from different suppliers must have been made in every case;
- viii) Specific article required must be mentioned in the publicity inviting such quotation and the Internal Audit has to see whether proprietary articles certificate has been furnished by the concerned Department in the prescribed format under Rule 154 of GFR-2005;
- ix) In case of immovable property, documents such as title deed, sale deed, Encumbrance certificate, registration and mutation papers etc., are properly secured.
- x) The conditions of EMD/Bid Security and Performance Security Deposit have been strictly complied with in term of Rules 157 and 158 of GFR-2005.
- xi) All the CVC guidelines on tender system have been followed meticulously along with provisions in GFR.

6.4.0 Salary and Allowances

While auditing salaries and allowances, the following essential points have to be checked:

- i) The amount of salary drawn by an employee is in accordance with the relevant entitlement rules and orders;
- ii) Appointment of staff is as per the rules and regulations and post sanctioned;
- iii) The pay drawn by a newly appointed employee is as per the appointment letter;
- iv) All contributions and other necessary deductions have been made in accordance with the relevant rules and orders.
- v) Salaries paid have been properly recorded in the Salary Register.
- vi) The payment of salary must be duly acknowledged by the payee only; and
- vii) Salary increments are as per the rules and orders.
- viii) Any govt. servant/NIOS employee engaged/retained in NIOS Service beyond the date of superannuates in the rules and regulation must be highlighted in a report.

6.5.0 Travelling Allowance (Tour TA and Transfer/Retirement TA and/or LTC)

While auditing travelling allowance, the following points should be checked in accordance with the rules of Govt. of India as approved by NIOS:

- i) The claims are in accordance with the relevant TA/DA rules and orders;

- ii) The purpose of the journey is official and duly authorised by the competent authority;
- iii) TA claims are duly supported by receipts and proper sanction obtained;
- iv) Rent receipts in original are produced for all reimbursement of room rent;
- v) All travelling bills/claims are settled within one month from the date of completion of the journey. If advance is taken, the bills should be adjusted within 15 days from the date of return journey/completion of tour or rejoining duty if proceeded on leave in continuation of tour. Any delay beyond 15 days will attract penalty at the rate of GPF interest.
- vi) All TA advances paid and adjustment claims are in accordance with the relevant TA/DA rule and order.
- vii) LTC Claim/Advance/Adjustment of LTC advances are in accordance with the rules of Govt. of India as adopted by NIOS.

6.6.0 Audit of Vehicle Log Book

While auditing Vehicle Log Book, the following points should be examined to ensure that:

- i) A separate log book is maintained for each vehicle in the prescribed form;
- ii) There should be prior written approval for all vehicle running;
- iii) In the case of private use, proper hire charges have been collected;
- iv) The purpose of journey is always recorded in detail with the signature of person using the vehicle. (Use of term simply “official use” is not at all adequate and hence be discouraged);
- v) In case of low mileage per litre of petrol or diesel, causes should be investigated in time;
- vi) Vehicle in-charge should maintain separate register of tools and equipment and repairs and maintenance for each vehicle.
- vii) There is prior written approval for all repairs of vehicle.
- viii) In case of hiring private vehicles from outside agencies whether empanelment of such transport agencies/Private operators, the procedure as laid down in GFR-2005 has been followed.
- ix) To check whether payments are made as per the approved rate and under the approval of the sectioning Authority as delegated under Delegation of Financial Powers of NIOS.

6.7.0 Audit of Telephone Register

While auditing telephone expenses, the following points should be examined to ensure that:

- i) A separate telephone register is maintained for each telephone (number) in the prescribed form.
- ii) All long distant calls are made under proper authority and duly signed by the person making the call with his name and the phone numbers and duration of the call;
- iii) Purpose of the call whether official or private is clearly mentioned;
- iv) In case of official calls, purpose must be described briefly with full details of the person called;
- v) In case of private calls, recoveries have been made; and
- vi) The bills received from the Telecom Department tally with the entries made in the register and deviation, if any, is examined thoroughly.

6.8.0 Audit of Contract and Construction

While auditing the contract of works or supplies, the following checks must be exercised in accordance with the Rule 123 to 134 of GFR-2005 and CPWD Code as well as policy decision, if any, taken by NIOS:

- i) Terms of the contract are precise and definite;
- ii) Necessary advice on legal and financial matters, if required, have been sought from experts before the contract is finalised;
- iii) Terms of contract are not altered without prior approval of a competent authority and reasons recorded thereof;
- iv) No uncertain liabilities or conditions of an unusual nature have been included.
- v) While accepting any quotation, financial status, track record, disputes, liquidated damages paid and technical capacity of the person or institution submitting the tender are taken into consideration besides other aspects.
- vi) No payment is made, either in violation of terms and conditions of the contract or in excess of the contract amount, without appropriate reason and necessary sanction by a competent authority. Work contracts/estimates are to be checked as per CPWD schedule of standard rates.

Before nominating members to the Local Purchase Committee or Tender Committee, it should be ensured that they have no direct or indirect dealings with the suppliers, i.e., there should not be any conflict of interest.

- vii) In case, evidence is found that any concerned officer has any undue interest with the contracting party, it is brought to the knowledge of the concerned authority and also highlighted in the report.
- viii) If the contracting rates accepted are higher than the prevailing rates, reason thereof shall be highlighted in the audit report.
- ix) No payments are made to any person other than the actual contracting firm or person.
- x) Security amount mentioned in the contract deed is collected on time. Also, in the event of any default, penalties liable under the terms of the contract are fully enforced.
- xi) During the audit of contract documents, it is important to see that the quality control clauses, testing and inspection clauses and escalation clauses are mentioned in the contract deed.
- xii) On presentation of bill by the contractor, ensure that claims made by the contractor are checked by the construction supervisor or site engineer from measurement books, and certified by the Architect.
- xiii) Proper linkage or comparison of various bills submitted by the contractor.
- xiv) Scrutinize payment relating to extra items that are not the parts of the agreement.
- xv) Auditor should take proper care while scrutinizing the final bills and bills submitted thereafter.
- xvi) Check arithmetic accuracy of the bills and ensure that the rate quoted in it is as per the contract deed.
- xvii) Blue print and cost estimate is prepared and adheres to Legal Requirement.
- xviii) After making a blue print and cost estimate by the Architect, permission to construct first from the Town Planning and thereafter from the Municipal Corporation has been obtained or not.
- xix) Permission from the Municipal Corporation for any alteration in initial blue print should be obtained.
- xx) After completion of building, whether no objection certificate (NOC) from the Municipal Corporation and authorities like Electricity Department and Fire Safety Department etc., are obtained or not.

6.9.0 Audit of Bills of Lesson Writers, Editors, Translators and Graphic Artists etc.

While auditing, examine the following points :

- i) Administrative approval for the above assignment has already been obtained.
- ii) To see whether the lesson writers, editors, translators and graphic artists are approved by the competent authority.
- iii) Rates are charged as per the approved rate.

- iv) Work assigned for the purpose of lessons, writings etc., has been completed satisfactorily as per the terms and conditions given in the job order.
- v) Bills are verified by the job assigning unit.
- vi) Due to delay in completion of the job or due to any lapse in execution of the job, liquidated damage has been imposed.

6.10.0 Audit of Expenditure

While carrying out audit of expenditure, the auditor has to see that expenditure is governed by the following essentialities.

- i) The expenditure has been incurred according to the budget sanctioned by the Authorities like the Finance Committee, the Executive Board and the General Body of NIOS.
- ii) The expenditure has been incurred in consonance with the objectives of the amount sanctioned.
- iii) The purposes of the sanction have been served.
- iv) Efforts have been made for incurring expenditure judiciously.
- v) Price quotations, proper bills and receipts have been obtained, quality controls have been exercised and the tax laws of the resident state have not been violated.
- vi) Proper requisition for special sanction has been complied with and the expenditure so incurred does not exceed the limit sanctioned.
- vii) All purchases of fixed assets must be recorded in the Fixed Assets Register.
- viii) All payments above Rs. 20,000.00 must be made only through crossed cheque/demand draft/Pay Order/ directly to the Bank Account of the Claimant through NEFT or RTGS.

6.11.0 Compliance/Regularity Audit

Compliance audit is an important aspect of audit. It is the duty of the auditor to ensure that expenditure incurred conforms to the relevant provisions of financial rules, regulations and orders issued from time to time. In case any particular event is not covered within the rules and regulations, it should be brought to the notice of the competent authority and must be highlighted in the audit report. In regularity audit, the auditor is required to ensure that following are strictly observed.

- i) Powers to frame such financial rules and regulations are within the limit.
- ii) Powers to accord sanction and incur expenditure are in order.
- iii) Financial rules, regulations and orders etc., are not inconsistent with the charter, rules and regulations formulated there under and the audit and account requirements as prescribed by the Comptroller and Auditor General of India (Statutory Audit) from time to time.

- iv) No undue advantage is taken of any rules, regulations and orders by any person making such rules, regulations and orders.
- v) Rules and orders don't impair any financial control efficiency.
- vi) Financial rules, regulations and orders are observed not merely in letter but also in spirit.

6.12.0 Economy / Propriety Audit

Even with proper accounting order and regularity, improper utilization and waste of money or stores could happen. This needs to be checked while conducting the audit of expenditure. Such exercise is called "Propriety Audit". In propriety audit, the auditor has to examine that reasonably high standard of financial morality and interests of the institution have been satisfactorily maintained by the person incurring the expenditure and the sanctioning authority. In this regard, the auditor has to ensure that following basic principles are strictly observed.

- i) The expenditure is not prima facie more than reasonably required.
- ii) The expenditure is made with same degree of vigilance, as a person of ordinary prudence would exercise in respect of his own money.
- iii) The officer involved has not derived any personal benefit from the expenditure either directly or indirectly.
- iv) The expenditure is really necessary in furtherance of the objective.
- v) Optimum benefits have been obtained in respect of all the expenditure.

6.13.0 Efficiency Audit

Efficiency audit looks into whether the various schemes/projects operations are conducted and executed economically, and the relationship between goods and services produced and resources used to produce them are acceptable and the results expected have been achieved fully.

6.14.0 Effectiveness Audit

Effectiveness audit is the appraisal of the performance of programmes, schemes and projects with reference to the overall objective arrived at as well as efficacy of the means adopted to attain the objectives. The gamut of the programme, scheme or project, right from conception to execution and functioning is covered in such appraisals.

6.15.0 Test Audit

- i) Head of the branch office and Deputy/Assistant Director in the Head Office will discuss with the higher authority in the Head Office and decide which Department/unit will be undertaken for a test audit.
- ii) Time allotment for audit, detailed months and account heads to scrutinize, and all the transaction crossing the prescribed limit of amount will also require to be discussed/ decided as above.

- iii) Any major irregularities, if observed, need to be informed to the Head Office and further instructions will be given by the Head Office in discussion with the head of the Branch Office, to what extent it has to be further scrutinized.
- iv) It is sufficient to state in the opening paragraph that a test audit was conducted without specifying the months but in the office file, however, a note should be kept as to months and accounts which were subjected to detailed audit. The auditor will not be liable for any error ascertained from the months, which were not subjected to scrutiny.
- v) The auditor responsible to conduct test audit will be decided in consultation with the higher authority in the head office.



AUDIT OF RECEIPTS

7.1.0 Receipt Audit

While auditing receipts, the auditor is required to ensure the followings:

- i) Receipt books are serially numbered and stocked. A certificate thereof is recorded under the initial of a competent officer.
- ii) Issues of the receipt book and the return of the used booklet are properly recorded.
- iii) Original copies are not detached for cancellation of any receipt.
- iv) All receipts are posted daily in the cash book under proper account head.
- v) All sources of revenue are properly assessed and collected within every set interval. In case of long interval, surprise cash verification must be done to ensure that no mis-utilisation of the funds has occurred.
- vi) Printed official receipts are issued for all the receipts, whether in cash or by cheque.
- vii) All receipts are duly signed by the Accountant and the Cashier.

The Cashier at the RC keeps average minimum cash of Rs. 10,000/- Surplus Cash should be deposited in the bank account of Regional Director of RC. The Cashier should have insurance policy/indemnity bond for cash holding.

- viii) All receipts are issued by the Accountant and not by the Cashier.
- ix) Checks/drafts received are deposited into the bank on the very next working day.
- x) The number of receipt book agrees with the purchased/printed quantities and are kept under lock and key by the responsible person.
- xi) At the beginning of a financial year, the Department/ Unit instead of using the remaining part of a receipt book uses a new receipt book. Always make sure to discourage it. If part of a receipt book is un-utilized, it is necessary to deface it.

7.2.0 Audit of Sales

All sales recorded in the books of account represent cash or credit sales at the fixed rate. The Auditor must vouch for all sales with reference to stock issue, delivery challan, rate fixed, sales invoice and cash/credit sales register. In addition to above, the auditor must also see that:

- i) All sales made during the period under audit have been properly recorded in the books of account with proper classification between cash sale, credit sale, export sale and sales tax;
- ii) There is a proper system of obtaining an acknowledgement of the goods receipt from the customer on delivery challan;
- iii) Sales invoices are raised for all goods delivered to the customers;
- iv) All credit sales have been accounted in the books of account;
- v) Any sales at a price lower than the fixed price must be supported by proper reasons and approval;
- vi) There is clear-cut policy/authorisation of credit sales;
- vii) There is fixed credit time limit and such limit is strictly observed;
- viii) The sale proceeds should be immediately deposited in the bank account of the office.



CASH BOOK/BANK BOOK AUDIT

8.1.0 Cash Book Audit

Cash Book is one of the books of original entry and hence very important. All transactions pertaining to cash and bank are recorded in this book. While examining the cash book, the auditor must ensure the following:

- i) Opening balances of cash and bank are correctly brought down in each Cash Book and Bank Book against each account.
- ii) All receipt entries are supported by carbon copies of the receipts issued as well as Bank Statement issued against on line receipt.
- iii) All payments are properly supported by relevant documents.
- iv) All transactions are recorded in the Cash Book/Bank Book on the same day. Non-recording of any transaction must be brought to the notice of the competent authority for clarification.
- v) Cash Book/Bank Book is closed every day and closing balances so ascertained are verified at least once in a month by the competent officer, the Accountant and the Cashier with their initials.
- vi) Entries once recorded in the Cash Book/Bank Book are not altered or erased. In case of such instances, it has to be attested by the competent officer.
- vii) That there is no tendency to keep unduly large cash balance and also ensure that daily cash balance maintained is not in excess of the prescribed norms.
- viii) That private cash is not mixed with the regular office cash balance.
- ix) Bank Reconciliation Statement should be prepared regularly and accounting action including action on stale cheques is to be taken for write back or treating it as income depending on whether the cheque became stale within the same financial year or in the next financial year. Stale cheques should not be revalidated under any circumstances. In such cases, only fresh cheque should be issued after taking all precautions including obtaining/undertaking on Indemnity Bond.
- x) There should be a system in position, for surprise check of physical cash by a person other than an employee of the Accounts Section, nominated by a Senior Officer at random. After a surprise check, the person so nominated should submit a report about the result of physical verification. He should also record in the cash book under his dated signature the amount as found by him.



AUDIT OF FIXED ASSETS, STORES AND STOCK

9.1.0 Introduction

Since a great importance is placed on the Financial Statement of a Concern, it is important to see that the Balance Sheet represents a true and fair view of the financial position of a concern. With a mere tally of Balance Sheet, the work of the Auditor does not come to an end. The Auditor still requires to ensure that no overstatement, understatement, mis-presentation or manipulation of any financial figure is being done in any manner. Balance Sheet format is standardised and every Auditor should see that preparation of Balance Sheet is as per the standard format. Brief guidelines to audit a few of the Balance Sheet items are as under:

9.2.0 Fixed Assets

Fixed Assets include all those assets of long-term nature, acquired for use in business, possessing physical substance that provides service at least for a few years such as land, building, machinery, furniture etc. While auditing fixed assets, the following points must be ensured.

- i) All fixed assets depicted in the balance sheet do exist physically and are in working order.
- ii) Any asset purchased is necessarily required and a sanction is obtained.
- iii) Ownership/title of all assets is with the Concern itself.
- iv) Proper amount of depreciation, as prescribed, is charged.
- v) Proper records of fixed assets are maintained in the fixed Asset register.
- vi) In case of newly acquired fixed asset, relevant documents such as invoice, title deeds etc., are in order.
- vii) Neither purchase of any fixed asset nor any expenditure of capital nature is accounted as repairs and maintenance.
- viii) In case the title of any asset is held by some other person(s), necessary arrangement is made to secure the title. In such cases a special and irrevocable power of attorney is a good instrument to retain the title. Such instance must be mentioned in the report;
- ix) No expenditure of revenue nature such as renovation, replacement, etc., is treated as addition to fixed asset.
- x) Small Value Asset costing Rs. 10,000.00 or less (except Library Books) is to be charged 100% depreciation. Record of such assets must be placed in the Fixed Assets Register. However, physical accounting and control are continued by the holders of such assets.
- xi) Small Value Assets also to be in the Fixed Assets Schedule of Balance Sheet.

9.2.1 Verification of Fixed Asset

Verification of fixed asset pertains to examination of relevant records and physical checking of the asset. The auditor must pay particular attention to the verification system and see whether the system in practice is adequate and reliable. In case of an inadequate system, a random verification must be done to ensure actual existence and good condition of the asset.

9.2.2 Valuation of Fixed Asset

The Auditor must see that the values of the assets have been fixed properly as under:

- i) All fixed assets are valued at cost.
- ii) In case of direct purchases, the cost shall comprise of the cost price and all other expenses incurred on its acquisition, installation and commissioning.
- iii) In case of self-built or manufactured asset, the cost shall comprise of those direct expenses incurred to have the asset built or manufactured.
- iv) In case of donated asset, the cost shall be the value, if any, mentioned in the deed of donation or transfer document, otherwise market value and all other expenses incurred on its acquisition and installation, subject to the present condition of the Asset.
- v) In case of hire purchase asset, the cost shall be the total amount paid or payable till date.

9.2.3 Obsolete Asset

In case of any asset becoming obsolete (non-performing), the same should have been eliminated from the books and disposed off in the manner as prescribed in clause **8.1.4** Rules 196 to 202 of GFR-2005.

9.2.4 Disposal of Asset

In case of disposal of any fixed asset, the following aspects should be observed.

- i) The disposal is properly authorised by the competent person. Also appropriate procedures such as calling quotations, public auctions etc., are adopted.
- ii) The profit and loss on the proceeds of such disposal should be accounted in the Income and Expenditure and should be highlighted in the Audit Report also.
- iii) If the realisation is more than the Book Value of the Asset, profit on sale of assets has to be booked in the accounts through the following entry on the Receipt side of the Cash/Bank Book.

To Fixed Assets _____ A/c (Book Value. Rs.....)

To Profit on Sale of Asset (excess over Book Value) Rs.....)

9.2.7 Token Value

In the case of straight line method of depreciation, where the depreciation amount is reduced from the asset value every year and where such asset value is reduced to nil, a token value of Re. 1.00 is to be provided so long it is held and used till the complete disposal of such asset. This is to ensure an accounting control so long as it is held and used and not scrapped.

This stage will not be reached, where Diminishing balance method is adopted. There will always be a balance left where this method is adopted.

9.2.8 Loss of Asset

Any loss of asset due to a natural calamity, theft etc., must be dealt with asunder.

- i) The asset lost must be eliminated from the books by reducing from the Asset and after adjustment of the accumulated amount of depreciation, if any, (Book value)
- ii) Details of elimination should be mentioned in the report.
- iii) Thorough investigation of such loss is carried out.
- iv) write off such loss is duly authorised in writing by the authority with powers.
- v) Losses must be written off under Rule 202 of GFR-2005 and Rule B-53 of the Delegation of Financial Powers of NIOS.

9.3.0 Stores and Stocks

The audit of stores or stocks is mainly done to ensure that the purchases, receipts and issues etc., are properly carried out and adequate records are maintained. Since mismanagement of stocks is as serious as mismanagement of funds, due care should be taken while carrying out the audit of stores and stocks. Generally the audit of stores and stocks must be conducted in accordance with the rules or directives laid down. In case there are no such rules or directives laid down or any grave defects in the system of control are detected during audit, these must be brought to the notice of management by highlighting it in the report.

9.3.1 Purchases: In case of purchases of stores, the following must be examined

- i) There is efficiency and effectiveness of purchase function and system in the Department and material management as a whole.
- ii) The purchases are properly sanctioned and are economically made in accordance with rules or directives. In case of huge and bulk purchases, quotations are called to derive optimum benefit;
- iii) The stocks so purchased are properly recorded in the Stock Books in terms of quantity, rates, etc.
- iv) The rates quoted are strictly as per the quotation tendered;

- v) No unnecessary accumulation of stocks, representing blocking of capital is done. In order to avoid this problem, there must be prescribed, maximum, minimum and Reorder levels for each item of stock. Maximum limit shall not exceed the total quantity required (either sale or issue) for the next two months unless where it is necessarily required.

If no such limits are fixed, it shall be mentioned in the report with necessary suggestion;

- vi) All receipts, whether purchase or obtained otherwise, are booked as and when received; and before payment is made, it is important to get acknowledgement from dealing incharge regarding quality and quantity.
- vii) Purchase is made only on a stock item reaching the Reorder level, so that fresh stocks are received by the time minimum level is reached.

9.3.2. Issue/Sale: In case of issue of stores/stocks, the following points must be seen to ensure that

- i) All issues of stores/stocks are supported by an indent or a requisition slip approved by the competent authority, and properly acknowledged by the recipient;
- ii) All sales/issues/transfers are properly recorded through either debit notes or invoices;
- iii) All issues/sales/transfers are booked as and when they take place;
- iv) Stocks issued on account of gifts and complimentaries must also be properly booked Debit Gift/ Presentation and Credit Stock Presented and shown in Profit/Loss and Trading Account respectively;
- v) Daily closing balances are correctly worked out;
- vi) There are adequate systems of check and inter-reconciliation between indents, customers orders, delivery/shipment challans and invoices; and
- vii) All issues are made as judiciously as possible.
- viii) Paper and Publication accounting, classification of stock valuation

9.3.3. Stocks on Consignment: In case of stocks on consignment, the following points must be seen

- i) A confirmation duly certified is obtained from the consignee in case of any stock held on consignment.
- ii) Value of the stock on consignment shall be shown in the final account at cost price.
- iii) Proper record of stock on consignment, stock received on consignment (stock list, consignor's name etc) must also be maintained for each kind of stock.

9.3.4 Physical Verification of Stock

Though it is not mandatory for the Auditor to personally carry out the physical verification of stocks, yet the Auditor has a serious responsibility to ensure the fairness of stock position as certified by the management. As such, the Auditor is required to examine whether the management has carried out proper physical verification of stocks before issuing such certificate. If no physical verification of stocks is done at all, a random verifications of stocks must be done to ascertain the actual position. In addition, the Auditor is also required to see that:

- i) If physical verification is done on a day other than year end, the method of adjustment made must be reviewed to ascertain correctness of the actual balance. While conducting physical verification of Assets as well as non-consumables inventory should be taken into consideration;
- ii) All the verification statements are duly verified and signed by an independent competent authority and the store in-charge;
- iii) All purchases and sales/issues are correctly recorded in the stock book and balances updated;
- iv) Difference, if any, between the book and physical balance is properly probed into and necessary action is taken;
- v) Only the actual (physically verified) balance is taken in the closing stock and shown in the statement.
- vi) In case of any doubt on the stock position as shown in the certified statement, the auditor shall do physical verification at random to verify the actual position. The below given method may be adopted in such cases.

Balance as per physical verification	xxx
Add: issues from the date of closing to the date of physical verification	xxx
Total	xxx
Less: purchases/productions from the date of closing to the date of physical verification	xxx
Position of stocks as on the closing date	xxx

Position of stocks as per last Physical verification

Position of stock found excess/shortage

9.3.5 Stock Excess

Stock found in excess during physical verification should be added to the book balance.

9.3.6 Stock Shortage

Stock found in shortage during physical verification should be reduced from the book balance.

9.3.7 Adjustment of Shortage

- i) The net of the stock shortages and excesses must be shown as recoverable from the stock incharge at the last selling price of the year.
- ii) In case the net value is positive, nothing shall be done.
- iii) The recoverable amount shall be credited to **STOCK SHORTAGES ACCOUNT** and shown in the trading account as usual.
- iv) It is to be observed strictly that stock shortage shall be allowed to adjust against the excess stock of homogeneous nature. Homogeneous here refers to the product as well as the material of the product.

Example: There should be difference between gold and brass and cotton cloth and brocade.

9.3.8 Valuation of Stock

Every care should be taken to ensure that closing stocks are properly valued at justifiable rates. Valuation must be done in accordance with the method “market price or cost price (FIFO) whichever is less” and in addition to that the following points must be ensured.

- i) Proper method of valuation is adopted.
- ii) Values are justifiable keeping in view the actual condition of the stocks.
- iii) The same valuation method is consistently applied every year.
- iv) Stock excesses and shortages are duly adjusted.
- v) Cost of physically verified stock balance only should be accounted.
- vi) Work in progress is to be valued at cost.
- vii) Setting up Inventories as on 31st March: - After ascertaining from the various Departments about the quantities and values of Stationery, Paper and any other items of consumables (if material), inventories have to be set up in the Accounts. Only the actual consumption of such items can be debited (under the accrual system) to the Income and Expenditure Account for the year (as opposed to the practice under Cash Accounting System of charging off the Purchases of such items as and when paid for, as expenditure in the Income and Expenditure Account).

2. The Journal entry to be passed is:

Inventories- Stationery	Dr.....
-Paper	Dr.....
-Others	Dr.....

To Printing and Stationery	----
To Purchase of Paper	----
To Purchase of Other items of inventory	----

(To set up inventory of the items held in stock as on 31st March.....)

3. This journal entry should be reversed on the 1st April of the next financial year.
4. Same Procedure can be followed for postage in hand (Physical as well as balance in the Franking Machine) on 31st March.

9.3.9 Damaged and Obsolete Stock

Damaged and obsolete stocks shall be written off under Rule 202 of GFR-2005 and Rule B-53 of the Delegation of Financial Power of NIOS, only with proper sanction by a competent authority. In case there is no such sanction available, a list of damaged/obsolete stocks shall be separately maintained. Such list must be reviewed and verified every year till the stocks are completely disposed off/written off by the competent authority.

9.3.10 Disposal of Obsolete Stock

While examining the disposals of obsolete or damaged stocks, the Auditor must see that:

- i) Unserviceable, obsolete and damaged stocks are disposed of in time;
- ii) Unnecessary sanctions are accorded by a competent authority for such disposal;
- iii) Proceeds from such disposal are properly accounted in the books.

9.4.0 Audit of Consumers Stores where Accrual System is adopted

While auditing, the following points should be examined to ensure that:

- i) All purchases shown in purchase a/c are recorded in the purchase register;
- ii) Sales remittances are made daily or as approved by the management;
- iii) Where supplies have been received and payment not made, outstanding liability as on 31st March of the year should be set up.
- iv) Check and control is applied from time to time in order to give no room for malpractices, like unauthorised price revision and keeping private goods etc.;
- v) Damaged stocks are certified by the Competent Authority and removal from the Books when write off is approved by the Competent Authority. A Journal entry is to be passed to record the write off.

9.5.0 Cash Verification

It is important for the Auditor to carry out surprise cash verification at least once, either at the year-end or at any time during the audit, to ascertain the actual cash position. While carrying out physical verification the auditor must ensure that:

- i) All receipts and payments are duly recorded in the cash book;
- ii) No unaccounted payment bills or advance receipts (directly paid by the Cashier) maintained by the cashier be treated as cash in hand.
- iii) A surprise verification of the cash balances of various sections must also be done to ascertain the actual position.
- iv) After cash verification is certified by the official in-charge, explanation of any kind like cash and bills not included in cash verification will not be entertained.

9.5.1 Statement of Physical Cash Verification

Name of the Concern:

Date of Physical Verification:

Name of the Cashier:

Details of Cash in Hand:

Denominations	Amount
500x	
100x	
50x	
20x	
10x	
5x	
2x	
1x	
Coins	
Total	xxxxxxx
Add : Stamps	xxxxxxx
Total Cash in hand	xxxxxxx
Cash balance in cash book	xxxxxxx
Cash Shortage/ Excess	xxxxxxx

Manager
(Signature)

Accountant
(Signature)

Cashier
(Signature)

Auditor
(Signature)

9.5.2 Cash Excess

Cash excess, if any, should be added to the balance by crediting in a suspense account. If the reason for excess is identified, such excess cash is to be credited to proper Head of Account. In case no reason for the excess cash is found during the audit of the next accounting year, the same shall be treated as miscellaneous income.

9.5.3 Cash Shortage

Cash shortage must be made good by the Cashier/dealing person immediately.

9.5.4 Cashier's Cash/Day Book

Cashier must also maintain a cash book in which daily cash receipts and payments are recorded. The Auditor may go through this Cash Book particularly in the cases of any cash excesses or shortages. The cashier shall be advised not to record any non-cash transaction in this book and also not to pay any loan or advance directly without entry in the main (accountants') Cash Book. The Cashier shall also be advised not to keep heavy Cash Balance at hand preferably restricting the balance to Rs. 10,000/- or even less depending on the volume of cash transactions for day to day expenditure.

9.6.0 AUDIT OF BANK ACCOUNT

While examining the bank transactions, the following points should be given attention to ensure that:

- i) The operation of the account is duly authorised by a competent authority in writing;
- ii) The transactions are operated jointly, at least by two officers.
- iii) No surplus or idle money should lie in the saving/current account unnecessarily. If so an appropriate amount shall be kept in term deposits for higher interest earning. Concerned Bank and RC shall be given proper instruction for weekly transfer of amount from Secretary Account at RC to Headquarters leaving balance not exceeding of Rs. 10,000/-.
- iv) A proper register of fixed deposit is maintained and it is reviewed frequently to avoid any delay in realisation of the deposits. Each fixed deposit should have a separate folio and renewal of the deposit should be recorded in the same folio. On the transfer of fixed deposit to saving /current account, it should be closed;
- v) A proper Bank Reconciliation Statement is drawn after every month and Accounting action is taken, where necessary;
- vi) The interest given by bank but not taken in Cash Book should be taken on receipt side; similarly the charges levied by the bank are to be taken on expenses side.
- vii) A proper year-end balance confirmation certificate is obtained from the concern bank;

- viii) All pay-in-slips are maintained in bound form or attached with the payment voucher.
- ix) Interest received should be taken into account.
- x) Interest accrued but not due as on 31st March should be calculated upto 31st March and provided in the Accounts through a journal entry;

Interest accrued but not

due on Term Deposits

Dr.....

To Interest income

9.6.1. Bank Reconciliation Statement

Bank reconciliation statement must be prepared to ensure the correctness of bank balance shown. While scrutinising the Reconciliation Statement, the following points must be examined to see that:

- i) All deposits are given due credit in the Pass Book. Any undue delay should be discussed and cleared.
- ii) Amount withdrawn from the bank must appear in the Cash Book on the same day. If not, it must be properly probed into;
- iii) Bank accounts are reconciled after every month and all entries related to credits and debits by banks are passed in the cash book in time to avoid lengthy bank reconciliation statement.
- iv) In case the Accountant has not prepared the bank reconciliation statement, the Auditor should prepare it and also advise the Accountant how to prepare it.
- iv) Accounting Action:-
 - i. Bank Charges
 - ii. SB interest
 - iii. Stale cheques : Write back to expenditure if in the same year.
: Misc income if expenditure was debited in the previous year but the cheque has become stale in the current year.
 - iv. Follow up with Bank of amounts deposited but not credited
 - : Local cheques – 4 days
 - : Outstation cheques- 15 days
 - : Dishonoured cheques – Legally worded notice to be issued.

9.7.0 Sundry Debtors

While auditing debtors, the following points must be seen to ensure that:

- i) There are clear policies and rules regarding credit system;
- ii) Balance confirmations from the customers are obtained to ascertain the correctness of the balances shown;
- iii) In case of any difference, necessary steps are taken to investigate and clear the difference;
- iv) All debtors are scrutinized so as to determine the prospects of realisation keeping in view the age, nature, debtors whereabouts, and the number of claims so far made to recover the debts;
- v) All debtors are classified into:
 - a) Good debtors;
 - b) Doubtful debtors;
 - c) Bad and irrecoverable debtors
- vi) Write off of the debts is being done as per the rules and procedures, with approval by the competent authority;
- vii) A periodic review of the debtors position is done and suitable action is taken against the defaulting debtors;
- viii) Amounts in the list of debtors tallies with the figures of the main and the individual ledgers;
- ix) Postings from the main ledger to individual ledgers are done properly to avoid any mis-presentation of the debtors position; and difference between the control Account and the total of individual Accounts.
- x) Ascertain whether there is a provision for doubtful debts.

9.8.0 Loans & Advances

While auditing the loans and advances, the following points should be observed to ensure that:

- i) The purpose of the loan/advance given is strictly in pursuance of the activities of the NIOS;
- ii) Prior and proper arrangement is made judiciously for its recovery before any loan/advance is given;
- iii) Loan/advance given is duly authorised by a competent person;

- iv) No fresh loan/advance is given if the balance of the previous loan/advance is still unsettled;
- v) Loans and advances are classified into;
 - a) Good;
 - b) Doubtful; and
 - c) Bad
- vi) The amount of interest payable or receivable is calculated and accounted;
- vii) Amounts in the list of loans and advances tally with the main and the total of the individual ledger figures; and
- viii) Loans/ advances given are strictly as per the directives of the Govt. of India as followed by NIOS.
- ix) HBA, Motor Car, Motor Cycle/Scooter and Computer Advances:- Interest accrued but not due as on 31st March each year to be calculated and shown in the accounts. Interest recovery, however, starts only when the principal has been repaid in full; they then become interest paying cases. Interest recovered from Interest Paying cases should be credited to the Head interest accrued but not due on HBA, MCA, etc., appearing under Loans and Advances, as interest has been taken as income every year earlier on accrued basis, and not reversed on 1st April.

9.9.0 Investments

Since many of the organisations are going in for the investment option of its surplus money for better generation of income, it is important that a fair investment position is shown in the statements of accounts. In order to fulfil this, the following points must be seen.

- i) Whether all receipt from all Regional Centres are transferred.
- ii) Whether the Investment register maintained provides all necessary details regarding name, amount, period, rate of return, date of payment, date of maturity etc.

(For this check all the investment certificates and reconciliation with the ledger figures)

- iii) Whether all the investments made are fully secured.
- iv) Whether all investments made are duly authorised in writing.
- v) Whether certificates in original of all the investments are properly maintained.
- vi) Investments in Fixed Deposits are shown under Cash and Bank Balances in the Balance Sheet.

- vii) Interest accrued but not due should be worked out and taken as income in the Income and Expenditure Account and in the Balance Sheet under Current Assets, Loans and Advances- Interest accrued but not due on investments. These entries are reversed in the next Financial Year (unlike in the case of interest accrued but not due in HBA, MCA etc., which get accumulated every year till recovery of interest starts and not reversed).
- viii) Investment from earmarked Funds to be shown separately as a distinct head in the Balance Sheet. Interest accrued but not due on 31st March is set up but the credit of interest should be to the relevant Earmarked fund, if the funds invested are of Earmarked funds. (eg: Pension fund)
- ix) Whenever the maturity value of FDs is reinvested (without encashing them), two entries have to be passed on the Receipts side of the Cash Book, viz., (i). Investment and (ii) interest on investments. On the payments side, there will be one entry of the total of (i) and (ii) as investment in FDs

9.10.0 Sundry Creditors

Sundry creditors as shown in the balance sheet must be true and correct. In order to ensure this, the following points must be looked into:

- i) Amount in the List of Creditors tallies with the main and individual ledger figures.
- ii) Additions during the period are in accordance with the purchase invoices.
- iii) All settlements are duly authorised after proper verification.
- iv) All settlements of Rs. 20,000.00 or above are made through crossed cheque/demand draft/Pay Order/Bank Transfer only.
- v) All long outstanding creditors are thoroughly probed into to determine whether they are really required to be paid or there have been incorrect entries.
- vi) Postings from main ledger to individual ledger are properly verified to ascertain true and correct position of each creditor.

9.11.0 Outstanding Liability

It is required that all incomes and expenses pertaining to a particular accounting period are duly accounted in that period itself, so as to present:

- i) A fair operational result of the period; and
- ii) A fair financial position (liabilities and assets) at the end of the period.

a) Outstanding Expenses

All expenses payable at the year end such as wages, salaries, rent, electricity and water charges, commission, interest etc., are properly charged to Income and Expenditure Account and shown in the Balance Sheet as “Outstanding Expenses/ Expenses Payable”

b) Income Received in Advance

Generally certain incomes relating to the following years are received in advance during the current year. Such incomes are treated as **Income Received in Advance** and shown as liability in the Balance Sheet.

9.12.0 Write Off

Any amount of asset or liability shall be written off only with prior authorisation. Presently, the competent bodies to accord such authorisation are as under:

- i) Chairman and Secretary as per Delegation of Financial Power-‘B-53’
- ii) For the amount exceeding Rs. 5 Lakh, the Executive Board, after it is approved in the meeting of the Financial Committee.

10 **EARMARKED FUNDS**

10.1.0. These are long term funds earmarked for specific purposes. Each of the funds has a separate bank account. Those with large balance also have investment in Government Securities, Debentures and Bonds and Term Deposits with Banks. The income from investments on accrued basis and interest on Savings Bank Accounts are credited to the respective Funds. The Income on Advances on accrued basis and savings bank interest and recovery of instalments are also credited to the respective funds, if they have been treated as Earmarked Funds (Revolving Funds). The expenditure and advances (in the case of House Building and Conveyance/Computer) are debited to the fund. The assets created out of Earmarked Funds where the ownership vests in the Institution, are merged with the assets of the Institution by crediting an equal amount to the Capital Fund. The balance in the respective funds is represented on the assets side by the balance at Bank, Investments and accrued interest.

The Earmarked Funds have the following characteristics

- a) Generally long term
- b) Specific objective(s) (Earmarked for)
- c) Accompanied by investments
- d) Income from investments flows back to be fund (and not as income of the organization)
- e) Expenditure on the objectives of the fund (Revenue and Capital) is met out of the fund.
- f) Balance is carried forward from year to year and is represented on Assets side by cash and bank balances, investments, and income accrued but not due.

In NIOS, presently the following Earmarked funds appear in the Balance Sheet:

- a)
- b)
- c) Pension Fund

There is a Head Earmarked/Endowment Funds on the liabilities side of the Balance Sheet and a Head "Investments from Earmarked/ Endowment Funds" on the Assets side. These are two distinct heads on the Balance Sheet. Both are supported by schedules forming part of the Balance Sheet. The schedule on the liabilities side depicts each earmarked/endowment fund individually in separate columns and the total balance in this schedule appears on the liabilities side. The Schedule on the

Assets side has two parts the first part shows the investment category wise (nature of investment- Govt Securities, Bonds, Debentures and Term Deposits in Banks)

The second part gives the fund wise investment. The total of the first part should be the same as the total of the second part. Though Term Deposits in Banks are not part of investments but have to be shown under Current Assets- Balances in Scheduled Banks in Term Deposits, an exception is made in respect of Earmarked Funds by including them under Investments from Earmarked Funds as it has to be ensured that there are investments more or less equal to the balance in the funds (Characteristic of Earmarked Funds) and as it enables such a comparison, if the investments include Term Deposits.

The Schedule of income from investment is a Schedule forming part of the Income and Expenditure Account but has two parts viz., income from investments of Earmarked funds and income from other investments. The total of the first part is transferred to the respective earmarked funds and the balance in this part is shown as nil. The total of the second part appears as income in the Income and Expenditure Account. This presentation fulfils the other characteristic of Earmarked Funds viz., income from investments flow back to the funds.

10.1.1 Fund Audit

While performing the audit of Fund (earmarked) the auditor shall ensure the following points:

- i) The fund is created for a specific purpose and long term.
- ii) The fund is created with a self-explanatory account head (generally the purpose)
- iii) The fund is utilised only on the set purpose.
- iv) All the subsequent incomes (interest) are credited to the fund itself.
- v) Purchase of any asset is shown in the Balance Sheet as usual.
- vi) A sum equal to the cost of an asset purchased out of a fund is added to the General or Asset fund, as the case may be (Incase fund amount is to be written down)

10.1.2 Investments of Earmarked Funds and Interest Accrued on such Investments:

To the extent not immediately required for expenditure, the amounts available against such funds are investment in approved Securities and Bonds or deposited for fixed term with Banks, leaving the balance in Saving Bank Accounts.

Interest received, interest accrued and due, and interest accrued but not due on such investments are added to the respective funds and are not treated as income of the Institution.

11.1.0. (i) In respect of ongoing Sponsored Projects, the amounts received from sponsors are credited to the Head "Current Liabilities and Provision - Current Liabilities – Other Liabilities- Receipts against ongoing sponsored project." As and when expenditure is incurred/ advances are paid against such project, or the concerned project account is debited with allocated overhead charges, the liability account is debited care should be to watch the adjustment of advances from sponsored project funds, in a separate Ledger.

(ii) In addition to the Earmarked Funds for Junior Research Fellowships funded by the Government, Fellowships and Scholarships are also sponsored by various organizations. These are accounted in the same way as Sponsored Projects except that the expenditure generally is only on disbursement of Fellowships and Scholarships, which may include allowances for contingent expenditure by the Fellows and scholars.

(iii) The Institution itself also awards Fellowships and Scholarships, which are accounted as Academic expenses.

iv) Under Rule 215 of GFR, the guidelines for Funding of Sponsored Projects or Schemes have been laid down.

- a. Ministries or Departments or Government sponsored projects or schemes to be undertaken by Universities, Indian Institutes of Technology and other similar autonomous organizations such as ICAR, CSIR, ICMR, etc., the results from which are expected to be in national interest. Normally, the entire expenditure on such projects or schemes including capital expenditure is funded by the Ministry or the Department. The funds released for such projects or schemes in one or more instalments are not treated as grants-in-aid in the books of the implementing agency. Apart from the requirement of submission of technical and financial reports on completion of the project or scheme, a stipulation should be made in such cases that the ownership in the physical and intellectual assets created or acquired out of such funds shall vest in the sponsor. While the Project or Scheme is ongoing, the recipients should not treat such assets as their own assets in their Books of Accounts but should disclose their holding and using such assets in the Notes to Accounts specifically.

- b. On completion of the Projects or Schemes and the receipt of technical and financial reports, the Ministries or the Departments should decide and communicate to the implementing agencies whether the assets should be returned, sold or retained by them.
- c. If the assets are to be sold, the proceeds there from should be credited to the account of the sponsor. If the assets are allowed to be retained by the Institution/ Organization, the implementing agency should include the assets at book value in their own accounts.

Accounting for Project Assets:- (As per B.S. Ramaswamy's Accounting Handbook for Central Autonomous Organization and Universities)

Budgeting: - Budgets of Sponsored Projects may provide for capital expenditure specifically needed for project, e.g., Computers, Furniture, Laboratory equipment, Office equipment and vehicles for field work.

Ownership of assets retained by sponsor:- Sponsoring agencies of Government invariably stipulate a condition, while sanctioning such projects including capital expenditure, that the ownership in the assets created out of their funds vests in them and that the assets cannot be disposed of /transferred without their consent and the Recipient should help them in selling such assets, if required. The stipulation is based on the provisions in the General Financial Rules. As these assets are not owned by the organization, it cannot merge them with the assets of the organization and exhibit them in the Balance Sheet. However, since these assets are held and used by the organization, it is necessary to disclose the existence of these assets not owned but held and used by the organization, in the Schedule: Contingent liabilities and Notes to Accounts. The disclosure should include the opening balance of original cost against the classified asset heads, the additions during the year, the accumulated depreciation (notional, as depreciation cannot and is not actually charged in the accounts on assets not belonging to the organization) and the book value (closing balance). The exhibition of the book value would reflect the correct position as these assets are being continuously used and subjected to wear and tear.

Specimen form for disclosure:- A specimen form for disclosure of such assets in the Notes to Accounts is shown below:

Schedule: Contingent Liabilities and Notes to Accounts:

Fixed Assets as set out in schedule.....,do not include assets purchased out of funds of sponsored projects, held and used by the organization, as project contracts include stipulation that all such assets purchased out of project funds will remain the property of the sponsors. The details of such assets are:

Sl. No.	Assets	Original cost as on	Additions during the year	Total	Notional Depreciation	Total Book value as on.....
1.	Office equipment					
2.	Audio-visual equipment					
3.	Computers					
4.	Furniture, Fixtures					
5.	Vehicles					
	Total					

Ownership of assets passed to the organization:- Where there is no stipulation by the sponsor about the ownership of the Assets, the assets belong to the organization and have to be merged with the Fixed Assets by credit to Capital Fund, as and when such expenditure is met from a project. A journal voucher should be passed simultaneously with debit to the control account and Individual Project Account, of the payment made for the assets. Depreciation at rates provided in the Accounting policies should be provided on such assets.

Completion of Project:- If on completion of the project, the sponsors decide to gift the assets or sell the assets at book value to the organization, the assets will have to be brought into the organization's accounts and merged with its Fixed Assets. If they are gifted, Asset Accounts are debited by credit to Capital Fund, with the book value on the date of transfer of ownership after completion of the project. If they are sold at book value, asset accounts are debited with the book value, through the Bank Book (on payment being made) or by credit to the Sponsor's Account (through a journal voucher). The assets so merged should also be disclosed in a separate note on the Accounts and depreciation charged at applicable rates thereafter.

11.1.1 The following points must be seen while auditing the Sponsored Project Account:

- i) Proper estimates are prepared for each project proposal.
- ii) All conditions mentioned in the agreement are duly complied.
- iii) The fund is used only for the purposes for which the fund was made.
- iv) No fund is transferred to any other activities without prior sanction of the donor or the competent authority.
- v) Audit should also try to ascertain how far the overall objectives of the major schemes have been attained and that there was no wasteful expenditure.

- vi) Internal Audit should ensure that financial and technical reports have been submitted to the sponsor. The unspent balance should be accounted for as per the terms and conditions of the agreement. If there are debit balances in individual sponsored Project Accounts (NIOS has spent more than what was received from the sponsors), such debit balances should be shown on the Assets side of the Balance Sheet and not set off against credit balances of other Projects.
- viii) If a Post-completion review has been prepared to reveal whether the object of conducting the project was achieved and if not, what went wrong, what went right and the lessons learnt for the future, the auditor should go through such reviews.

12 GRANTS

12.1.0. (i) Grants are accounted on realization basis. However, where a sanction for release of grants pertaining to the financial year is received before 31st March and the grant is actually received in the next financial year, the grant is accounted on accrual basis and an equal amount is shown as recoverable from the Grantor.

- (ii) To the extent utilized towards capital expenditure (on accrual basis), grants are transferred to the Capital Fund.
- (iii) Grants for meeting Revenue Expenditure (on accrual basis) are treated, to the extent utilized, as income of the year in which they are realized.
- (iv) Unutilized grants (including advances paid out of such grants) are carried forward and exhibited as a liability in the Balance Sheet.

12.1.1. Central Educational Institutions generally get grants under Plan and Non-Plan heads. The grants under Plan may be general and /or for specific schemes (e.g. construction of Science Centre; Auditorium etc). Plan grants may be for Capital as well as Revenue expenditure. Non-Plan grants are generally for meeting the deficit on Revenue Accounts, based on the Annual Budget of the Institution in which the estimated Revenue expenditure, as well as the estimated internal Generation of resources are Projected. The Non-Plan grant takes into account both the Revenue expenditure and internal generation of resources projected in the Budget and the deficit. In such institutions, the internal generation of Resources is far less than the revenue expenditure. This is the reason why the term grants/subsidies is used, as the grant subsidises the deficit. Educational Institutions where the internal generation of Resources is more than the estimated Revenue expenditure do not get Non-Plan grants.

12.1.2. The Schedule includes a detailed disclosure of the opening balances (Plan and Non Plan separately), the receipts during the year, refunds, if any, the amounts utilized for capital expenditure, the amounts utilized for Revenue expenditure and the unutilized balances at the end of the year.

12.1.3. While finalizing the accounts of the Financial Year.

- a) A three way agreement of capital expenditure met out of grants between the figure in Capital fund, the figure in the Grants schedule and the figure in the Fixed Assets schedule (Additions during the year pertaining to assets acquired out of grant funds), should be ensured. The Capital expenditure during the year will include the net capital works in progress (i.e. , Additions during the year minus completed Capital Works in Progress transferred to assets during the year).
- b) The revenue expenditure met out of non plan grants should be calculated as follows:

Expenditure as per Expenditure Schedules (Non Plan column) of the Income and Expenditure Account	xxx
Less: Provision made in the year for retirement benefits	xxx
Add: Actual payments made in the year for retirement benefits	xxx
Revenue expenditure met out of non-plan grants	— — —

(The total of the expenditure side in the Income and Expenditure Accounts can be used for the above deductions and addition, but there will be another deduction in that case, representing Depreciation in respect of which also there is no cash outgo.)

Generally, the Revenue expenditure, as calculated above, will be more than the non Plan grants available after meeting capital expenditure. If so, that balance itself should be shown as the Revenue expenditure utilized from Non Plan grants, resulting in unutilized Non Plan grants as nil. The presumption in such cases is that the excess expenditure over Non Plan grants is met out of internally generated resources.

If, however, grants for the next year have been received in the current year as Advance grants, it has to be ensured that such advance grants are carried forward and shown as unutilized in the Grant Schedule. To this extent, the Non Plan grants available after meeting capital expenditure will include the advance grants; Hence for comparison of grants available and actual revenue expenditure, the grants available as reduced by Advance grant should be considered. In a note below the grants schedule, it should be disclosed that the utilized non-plan grants represent Advance grant for the next year.

12.1.4. Normally, the figure of grants received as per the Receipts and Payments Account should agree with figure of receipts in the Grant Schedule (Sch. 10....). If however sanctions dated on or before 31st March have been received by the Institution, against which the amount is actually received in the first week of April, they are accounted on accrual basis in the year in which sanctions have been issued, by debiting Grants Receivable (shown under “Loans Advances and Deposits”) and crediting “Grant Account”. In such a case there will be a difference in the figures of grants received, between the figures as per Receipts and Payment Account and the figure in the Grants Schedule, equal to the Grants Accrued.

12.2.0. GRANT AUDIT

The following points must be seen while auditing the grant account.

- i) Proper estimates are prepared for each project proposal.
- ii) All conditions mentioned in the grant agreement are duly complied.
- iii) The fund is used only for the purposes for which the grant was made.
- iv) No fund is transferred to any other activities without prior sanction of the donor or the competent authority.
- v) Audit should also try to ascertain how far the overall objectives of the major schemes have been attained and that there was no wasteful expenditure.

13.1.0. Instructions:- Final statement of account should deal with Schedules forming part of the Balance Sheet, Schedules forming part of the Income and Expenditure Account and Schedules forming part of the Accounts.

13.1.1. Educational institutions should disclose their significant accounting policies and this disclosure should be made at one place. (Ref. Schedule 23-Accounting Policies-**Formats of Financial Statements for Central Higher Educational Institutions**)

13.1.2. In respect of funds, educational institutions should disclose the following in the schedules/notes to accounts:

- a) In respect of each major fund, opening balance, additions during the period, deductions/utilisation during the period and balance at the end;
- b) Assets, such as investment, and liabilities belonging to each fund separately;
- c) Restriction, if any, on the utilization of each fund balance;
- d) Restrictions, if any, on the utilization of specific fixed assets.

A. CONTINGENT LIABILITIES

1. Claim against the Entity not acknowledged as debts	-----
2. Guarantees and Letters of Credit outstanding	Liability towards Guarantees given by the entity or by Banks on its behalf and Letters of Credit outstanding as at the year-end are required to be disclosed.
3. Other items for which the Entity is contingently liable	Included here would be disputed statutory and other demands/claims, bills rediscounted, and other items for which the Entity is contingently liable such as suits filed, arbitration cases pending.

4. NOTES ON ACCOUNTS

1. Commitments on capital Account not provided for	This would arise in terms of contract/arrangements in respect of which amounts would have to be paid for acquisitions/construction of assets as and when they take place. The amount, net of advances, is required to be disclosed as committed.
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<p>2. Educational institution should host following information in public domain so as to enable all other stakeholders to have a bird's eye view of educational institution's capacity and capability:</p> <ul style="list-style-type: none"> i. Number of students ii. Number of teachers iii. Collection on account of building fund and expenditure thereof iv. Collection for sports activities and expenditure thereof v. Collection for co-curricular activities and expenditure thereof vi. Collection on account of development charges and expenditure thereon vii. Collection for medical expenses and expenditure thereon viii. Compliance with statutory dues like EPF and ESI ix. Salary structure of teachers <p>The above information can also be calculated on per student basis.</p>	
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3. Related Party Disclosures

Accounting Standard (AA) 18, Related Party disclosures, issued by the Institute of Chartered Accountants of India, require disclosures to be made in respect of related party transactions. Keeping in view the involvement of public funds, in the context of an educational institution, the following disclosures should be made in a note to the financial statements of the educational institution:

- i. Transactions between the educational institution and the trust or society managing the educational institution.
- ii. Transactions between the educational institution and the trustees or the members of the governing body of the educational institution.
- iii. Transactions between the educational institution and the author of the trust or the founder of the institution.
- iv. Transaction between the educational institution with another educational institution or any other educational entity managed by the same trust or society, if permitted by the relevant legislation/bye-laws etc.

- v. Transactions between the educational institution and the relatives of the trustees, or members of the governing body managing the educational institution or the author of the trust or the founder of the institution. Father and mother who may be expected to influence, or influenced by, that individual in his/her dealing with the educational institution.
- vi. Transactions between the educational institution and its 'key management personnel' or the relatives of the key management personnel would represent those persons in the educational institution who have the authority and responsibility for planning, directing and controlling the activities of the educational institution. In case of an educational institution, an example of key management personnel is the Principal/Vice Chancellor.

If there have been transactions between related parties, during the existence of a related party relationship, the educational institution should disclose the following:

- i. The name of the transactions related party;
- ii. A description of the nature of transactions;
- iii. Volume of the transactions; either as an amount or as an appropriate proportion;
- iv. The amount or appropriate proportions of outstanding items pertaining to related parties at the Balance Sheet date and provision for doubtful due from such parties at the date; and
- v. Amounts written off or written back in the period in respect of debts due from or to related parties.

The following are examples of the related party transactions in respect of which disclosures may be made by an educational institution:

Purchases or sales of fixed assets; rendering or receiving of services:

Leasing or Hire purchase arrangement.

Items of a similar nature may be disclosed in aggregate by type of related party except when separate disclosure is necessary for an understanding of the effects of related party transactions on the financial statements of the educational institution.

Disclosure of details of particular transactions with individual related parties would frequently be too voluminous to be easily understood. Accordingly, items of a similar nature may be disclosed in aggregate by type of related party. However, this is not done in such a way as to obscure the importance of significant transaction, e.g., purchases or sales of books are not aggregated with purchases or sales of fixed assets. Nor a material related party transaction with an individual party is clubbed in an aggregated disclosure.

13.2.0. While presenting the final statements of account, the auditor must ensure that following aspects are also fulfilled.

- i) It is important to start the Receipts and Payments account receipt side with opening cash and bank balances and close the payment side with closing cash and bank balances.

- ii) Receipts and Payments Account must always be presented in Horizontal format.
- iii) As it is a summary of the Cash/Bank Book, Receipts and Payments Account must show the actual receipts and payments during the year. The opening balances in the Receipts and Payments Account should agree with the closing balances in the previous year's Receipts and Payments Account. The opening balance should also agree with the previous year's figures of Cash and Bank balance shown in the current year's Balance Sheet. The closing balances in the Receipts and Payments Account should agree with the current year's Cash and Bank Balances in the Current year's Balance Sheet.
- iv) Statements of all Regional Centres must be consolidated so as to show an overall position of the Institution.
- v) Inter Unit transactions or balances must be set off against each other while consolidating a balance sheet.
- vi) In case of schedules or list of payables and receivables such as advances, creditors, debtors, etc., it is important to show the total (gross) payables in the liability side and receivables in the asset side of the balance sheet.
- vii) Figures of the Trial balance must correlate with the ledger figures. (The Auditor must mark the ledger figures with initials to check any future alteration)

13.2.1. Excess of Income over Expenditure over 15% should be added to Building, Equipment and Education Development Fund in order to avoid it being taxable and the amount so kept should be spent within next five years.

13.3.0. Receipts and Payments Account

At the time of finalization of the Accounts for the year, the following should be ensured.

- i. The figure of Receipts of Grants during the year in Schedule 10 – Grants/ Subsidies agrees with the figure of Receipts of Grants in the Receipts and Payment Account. If the Grants Schedule shows a higher figure, it should represent the amount shown as Grants Receivable under Schedule 8, Loans, Advances and Deposits, accounted on accrual basis in respect of sanctions dated 31st March of earlier year, against which the amounts have been received in April of next year
- ii. The opening Cash Bank balances agree with the previous year's figures of closing balances in the Receipts and Payments Account as well as the previous year's figure under Current Assets in Schedule 7.
- iii. The current year's Cash and Bank Balances under Schedule 7, "Current Assets", agree with the closing Cash and Bank balance in Receipts and Payment Account for the current year. (Ref. Schedule 7, 8 & 10 - Accounting Policies- **Formats of Financial Statements for Central Higher Educational Institutions**).

14 **AUDIT OF ADMINISTRATION**

14.1.0 Recruitment and Promotion of NIOS Staff

To see whether recruitment and Promotion of all categories of staff are made in terms of R&P Rules of NIOS against the sanctioned posts followed by the roster point of Govt. of India prescribed for SC/ST/OBC etc., besides it is also to see whether seniority list of staff has been properly maintained.

14.1.1 Service Record of NIOS Staff

- a) To see whether Personal File and Service Book of each staff are maintained, relevant entries regarding appointment, promotion, fixation of pay, release of annual increment, family declaration, availing of LTC and all kinds of leave except Casual Leave and Compensatory Leave and granting award, liquidated damage and punishment etc., are made. The leave Account has to be updated regularly.
- b) To see whether personal claims of staff are processed as per rules.

14.1.2 Printing and Publication of Study Materials etc.: To see whether

- a) The paper as per the specification and quantity required are procured and study materials, Blank Answer Books etc., got printed timely.
- b) Selection procedures for empanelment of Printers in terms of provision as laid down in GFR-2005 are followed.
- c) Job orders for printing of materials are given after assessing the requirement based on the number of learners enrolled and to appear in the public examination and under On Demand Examination System (ODES)
- d) Paper issue, consumption and balance accounts against each empanelled printers are maintained.
- e) Payment of bills of printers are made as per approved rates as agreed between NIOS and Printers.
- f) For delay in printing and loss of papers, necessary liquidated damages are levied.
- g) Payments of printing bills are made within the budget provision under the Head "Printing of Material".

14.1.3 Storage of Printing and Printed Materials and hiring of Warehouse

- a) Space for warehouse for storage of Printing and Printed Materials is hired after assessing the requirement taking into consideration the quantum of paper available in the stock, to be procured and the study materials available in the stock as well as to be got printed for the use of learners enrolled in each Regional Centre all over the country and abroad.

- b) Materials are stored in proper manner.
- c) Pesticides are sprayed from time to time to protect the material from damage. Adequate security exists to protect the stock.
- d) Study materials are dispatched/ mailed to the learners as per the schedules drawn for the same.
- e) All related subsidiary books are maintained properly to maintain the accounts of study materials and answer books etc.
- f) Payment of rent of warehouse is released timely in terms of agreement with the owner of the warehouse.
- g) Payment to postal department towards postage and courier agencies for the dispatch of study material etc., is made timely.
- h) Payment to agency for packing and handling of parcels.
- i) Physical verification of stores is conducted in terms of the provision as laid down in GFR-2005.

14.2.0. Hiring of Space for Office Buildings, Maintenance of the Building and Equipments

- a) Procedures for hiring space for Office Building and warehouse for Headquarters as well as all RCs are followed in terms of provision of GFR-2005.
- b) Payment of rent of the hired building is released in terms of the provision laid down in the agreement.
- c) Expenditure incurred on maintenance of building and equipment as per norms and terms of the contract.
- d) All assets including land, building, equipments, stores and library are insured with the insurance company.
- e) Payments to the maintenance contractor are released in terms of the provisions in the contract.

14.2.1. Selection of Security as well as Housekeeping Agency for providing manpower

- a) Procedure for selection of Security and Housekeeping Agency for providing security and housekeeping services are followed in terms of provision of GFR-2005.
- b) Whether agreement/contract are signed by the authorised signatory of both the parties.
- c) Payments of bills towards wages of the manpower provided by such agencies are made in terms of the provision of the agreement/contract.
- d) While making payment of the bills of such agencies, it is to be seen whether contribution towards ESI and EPF are deposited by the agencies to the concerned department and benefits are provided to the persons deputed to NIOS by the agencies.

15 **INCOME TAX**

15.1.0 All Auditors must check whether following provisions of the Income Tax Act 1961, have been properly observed or not. If not, proper instructions shall be given to observe the same.

- i) All payments from Rs. 20,000.00 onward must be made both by account payee's cheque or crossed demand draft, and not in cash.
- ii) All receipts or payments of deposits/advances must be made by crossed cheque or demand draft, if the amount exceeds Rs. 19,999.00
- iii) In case of institution/trust registered under Income Tax Act, all corpus or accumulated fund must be invested/ deposited only in the following modes.
 - a) Government Saving Certificates
 - b) Post Office Saving Account
 - c) Co-operative Society Bank
 - d) Scheduled or Nationalised Bank

15.2.0 In NIOS, the excess of Income over expenditure of over 15% is transferred to Building Equipment and Educational Development Fund, to claim exemption of such income from Income Tax. This is allowed by Tax Authorities provided, the amount so credited is spent within the next 5 years.

It should be ensured in Audit that action has been accordingly by both in respect of credit to the fund and spending the amount on stipulated purpose in the next 5 years. Every year's credit should be tracked to ensure its being spent in the next 5 years.



PENSION AND PROVIDENT FUND AUDIT

16.1.0 Audit of Pension

Audit of pension consists of verifying that the qualifying conditions governing the grant of pension are fulfilled and that the amount of pension sanctioned and drawn is correct in accordance with the Pension Rules of the Govt. of India as adopted in NIOS.

The points to be seen during the check of pension are:

- i) Check the statement of service, statement of leave with reference to the entries in the service book and unpaid leave, if any, to be excluded from his service.
- ii) Check whether pension has been worked out correctly on the basis of his/her service and as per the rules and regulations as applicable in NIOS.
- iii) Ensure that receipts from Pensioners (vouchers) in respect of pension payments, are properly attached. In case, pension is drawn by another person on behalf of the retired person, it is necessary to see that instruction is given in writing by the person, who is entitled as per authorization by the pensioner to receive pension.

16.1.1 Retirement Benefits

Retirements benefits i.e., pension, gratuity and leave encashment are provided on the basis of actuarial valuation to be carried out every year. Capitalized Value of pension and gratuity received from previous employers of the Institute's employees, who have been absorbed in the Institution, is credited to the respective Provision Accounts. Pension contribution received in respect of employees on deputation is also credited to the Provision for Pension Accounts. The Actual payments of Pension, Gratuity and Leave encashment are debited to the respective Provisions. Other retirement benefits viz., Deposit Linked Insurance. Contributions to New Pension Scheme, Medical reimbursement to retired employees and Travel to Home Town on retirement are accorded on accrual basis (actual payments plus outstanding bills at the end of the year).

During audit, the calculations of provision to be made in the accounts of the year, with reference to the actuarial valuation, should be checked, along with the entries passed in the Books of Accounts. The closing balance of provisions shown in the Balance Sheet should agree with the liability on 31st March projected by the Actuary.

16.2.0 Audit of Provident Fund

While auditing the provident fund of staff, the following points should be seen in accordance with the Rules and Regulation of the Govt. of India.

- i) Check whether the rates of deduction of Provident Fund are in compliance with the rules and regulation.
- ii) Interest is worked out at the rate as prescribed from time to time.
- iii) Interest so calculated is invariably credited to the respective subscribers at the end of each year.
- iv) Amount of the individual is correctly entered in his ledger.
- v) Temporary or final withdrawals of Provident Fund are as per the rules and regulation.
- vi) Before the final withdrawal of Provident Fund, No dues certificate is submitted.
- vii) Ensure that vouchers for payments of Provident Fund are properly attached.
- viii) Ensure that investments of Provident Fund are strictly in accordance with the pattern of investments prescribed by the Ministry of Finance.
- ix) Internal Audit should check the Annual Account of Provident Fund and also check whether the closing balance of the Fund as shown in the Balance Sheet agrees with the total of the balances in all the individual members' accounts.

17 RECORDS FOR AUDIT

17.1.0 Financial Year

- i) From April 1 to March 31.
- ii) If not audited, period commencing from the latest handing and taking over records up to March 31 the previous year.

17.2.0 Necessary Books and Documents

- i) Audit should be done based on the Cash Book/Bank Book maintained; if not, they should be advised and trained on how to maintain it.
- ii) In case the Cash Book is not maintained, a receipt and payment account prepared based on daily receipt and payment should be tallied with the reconciliation statement issued by the concerned bank. Every journal entry should be checked.
- iii) List of all the staff and its pay structure of the Autonomous Institution in the region.
- iv) Contribution register book.
- v) Register of budgeted expenses.
- vi) Stamp register, showing stamp received, issued and its balance.

17.3.0 Receipt Audit

- i) Examine whether all the salaried staff coming under NIOS have remitted the compulsory contribution on salary. Special emphasis should be given to the salaries of faculty and staff coming under NIOS, which are not audited by the NIOS Audit. Non-remittance, if any, should be reported.
- ii) Any Regional Centre/Department audited by NIOS Audit, should be guided to deduct the salary deduction before making payment and the same should be accounted in the books of account.
- iii) Verify that 15% Institutional Charges have been collected from the respective Department/Unit (Listed in the Annual Budget).
- iv) Revenues are properly classified against voluntary contribution, salary deduction, profit percentage and donation (extra contribution).
- vii) See that the remittance of revenue to Department of Finance is made within the period stated in article 15(4) of the voluntary tax rules & regulation.

- viii) Interest received from the balance revenue kept with the bank should also be remitted to the Secretary, NIOS Account.
- ix) See whether the balance amount available at RD's Account is a large amount much in excess of the requirement. If so, may be advised to transfer the amount in proportion leaving the balance as required for RC's use.

17.4.0 Procedure to Audit Stamp

- i) a) It is essential to examine whether all collections from learners towards admission (Registration) fee, examination fee, TOC fee, charges for issuing duplicate I-Card, Mark Sheet and Migration Certificate are as per the fee structure of NIOS. Whether the amount collected is tallied with the actual amount chargeable for the number of students enrolled as per the norms of NIOS. In case any discrepancies are noticed, the reasons for the same should be asked for from the RDs of RCs concerned and may also be advised to reconcile the same. Besides, it is also to be seen whether or not under the instruction of the Headquarters, weekly transfer of the amount at the credit of the Secretary's Account of the Regional Centres to Secretary Account of NIOS Headquarters are made regularly. If necessary, instructions should be given to the concerned Regional Centres of NIOS so that the said amount after accumulation at the Headquarters could be invested further.
- i) b) To see whether or not the receipts against the sale of wastes, used Answer Books, old Question Papers, unused old blank Answer books and study material etc., are deposited into the Secretary Account at the Headquarters/concerned Regional Centres. If necessary, instructions should be issued and reasons for such lapses should be clarified by the concerned Department/Regional Centre.

18 ALLOWANCES AND COMPENSATION FOR NIOS STAFF

18.1.0 Travelling Expenses:

- i) Members of Staff are entitled to travel as per the TA/DA rule of Govt. of India

18.2.0 Transfer Allowance

- i) Transfer TA/DA is admissible to the staff of NIOS as per Transfer TA Rules of Govt. of India.

18.3.0 Remote Area Allowance, City Allowance, Difficult Areas Allowance

- i) As per rule of Govt. of India.

18.4.0 Medical Allowance

- i) NOS Society Medical Benefit Rule as amended from time to time is applicable to the Regular Employee and Retired Employee of NIOS, as detailed in chapter 12 of NOSS Service Rule 1994.

18.5.0 Provident Fund

- i) Govt. of India Rules with regard to Provident Fund as applicable to the Central Govt. Employees will be applicable to the employees of NIOS. **(Chapter 25 of NOSS Service Rule)**. The rule is not applicable to the faculty and staff under the New Pension Scheme (NPS)

18.6.0 House Rent Allowance

- i) As per rules of Govt. of India.

18.7.0 Officiating Allowance

Staff officiating in a higher post, will get 10% of the basic pay of the higher designation and also be entitled to draw travel and per diem benefit of higher post.



AUDIT OF REGIONAL CENTRES AND SUB-REGIONAL CENTRES

19.1.0 Audit of Regional Centres

While auditing the Regional Centres, a few specific guidelines to be taken note of are as follow:

- a) Examine whether the collection of fees is as per prescribed norms of NIOS. Admission Fee Register, bifurcating learner paying/exempted fees is annually maintained. Examine the list of fees receivable and fees received in advance, at the year-end.
- b) Examine the availability of qualified and experienced coordinators in AIs and AVIs and whether they are provided with required training at regular intervals.
- c) To see the number of dropout learners. If it rises to a large scale, the reasons for the same.
- d) Availability of basic facilities in RCs like library, number of bathrooms and toilets are commensurate with learner's strength etc.
- e) Examination Hall with proper facility for On Demand Examination (ODE).
- f) To see whether Examination Centres are decided as per the norms/guidelines of the NIOS as given in the RD's Manual;
- g) To see whether advance paid for public examination to the exam centres out of the funds released from HQ, have been adjusted timely. If not, what remedial action has been taken by the RC to adjust all pending advances and final settlement of bills.
- h) To see whether funds released for PCP (Personal Contact Programme) to RCs have been paid to the AIs/AVIs/Study Centres as per the guidelines issued from the Headquarters for the same. If so, whether utilization certificates supported with relevant vouchers are received from such centres before releasing the second instalment of PCP grant. If the second instalment of PCP grant has been released to the centres, whether necessary checks have been exercised to monitor the payments made by the PCP Centre as per the guidelines of NIOS as well as utilization certificates supported with relevant vouchers have also been received for the same.

- i) To see whether payment of Bills of evaluators/secretary officers/OSDs and Flying Squads etc., deputed on duty of conduct of public examination as well as on demand examinations are made within the approved budget as per the norms of NIOS. Similarly payment of bills pertaining to Seminar/ Workshop/Training/TLC etc., held at the Regional Centres are made as per the approved budget, sanction and approved rate of NIOS as well as in terms of DFP of NIOS.
- j) To see whether payment of rent of Office Building, Security agency and advertising agency are made as per the terms and conditions as laid down in the agreement/contract ensuring that the selection of the parties are made in terms of the provision of GFR-2005. In the case of payment of Advertisement bills, it is to see whether payment is made as per approved rates of DAVP.
- k) To see the correctness of payment of postal charges bills, courier bills, maintenance of postage account and stamps in franking are made properly.
- l) To see whether payment made for course writing etc., in regional language is as per the approved budget as conveyed by the Headquarters and as per the approved rates of NIOS.
- m) To see whether relevant registers in the prescribed format as given in the RDs Manual for writing Cash Book/Bank Book, Cheque Issue Register, Centre Advance Register, Contingent Advance Register, Stock Register (consumables and non-consumables), Repair and Maintenance Register etc., are maintained as well as relevant entries and certification etc., are made regularly.
- n) To see whether Bank Statements are regularly received at the end of every month from the concerned Bank against all the bank accounts maintained in Regional Centres and reconciliation is made of the difference between Cash Book and Bank Statement and accounting action, wherever necessary, has been taken in all cases.

20 **AUDIT REPORT**

20.1.0 A most vital object of audit report is to stimulate management's action to correct problem areas. The auditor's contribution to the organisation is measured not in findings disclosed or length of reports issued, but in increasing operational effectiveness and efficiency and economy that results from corrective actions taken by management. However, there are number of instances where the management has not acted upon the recommendations. An effective reporting needs to be carried out in order to initiate improvements.

20.2.0 Importance of Report

An Audit Report should show findings in a positive manner, specially the corrective measures taken by the management. Negative and inconsiderate audit report destroys auditor-auditee co-operative spirit. Destruction of this spirit spells the end of audit effectiveness. Auditor's empathy is essential when evaluating why a problem exists and how the auditor can act as a contributing partner with management in creating a positive remedy to the problem. The audit report should be a report of findings as well as means of stimulating actions. The audit report should pinpoint the real control weaknesses. Report should contain analysis of the problems and evaluate the severity and effect of those problems. It should convince the reader that auditors' recommendations or suggestions should be put into practice.

20.3.0 Readers of the Report

Report should consider the reader to whom it is directed. Reader here does not mean only the concerned official to whom the report is addressed, but all those who are to make use of the report. Since an Audit Report should be a report of findings and means of stimulating action, it should be directed to the immediate level of management whose activity has been audited and make every attempt to achieve the stated purpose of correcting the weaknesses. The report should be so written in such a way that it is taken as an aid to the organisation.

20.4.0 Contents of Report

An audit report should consist of the following five elements:

- i) What should be done: This is the basis that the auditor uses to measure a given subject under audit. It may be a procedure, practice, law, policy of accounting principle.
- ii) What is being done: This is what the auditor has observed while auditing a factual record. It needs to be stated simply and clearly with necessary data in absolute or relative terms.

- iii) What made the deviation: Here causes that led to deviations are stated. This is a very delicate part of the report, as the auditor has to use his expertise to pinpoint.
- iv) What is the effect of deviation: Here effect of the deviation on the organisation is to be stated. It may indicate the risk the auditee is being exposed to.
- v) What is the recommendation: This is auditor's specific recommendation or suggestion for corrective action to be taken by the auditee.

20.5.0 Discussion of Draft Report

An opportunity must be given to the auditee for explanation on audit observations before giving shape to the final report. The draft report must be conveyed and discussed with the responsible officer(s) of the auditee concern. This primarily is intended to bring out quality and factual audit report, by giving an opportunity to the auditee to place their clarifications and also to avoid occasional mistakes either due to wrong information or lack of information, misinterpretation etc., by the auditor. It is important that any explanation/ clarification given against any audit observation placed in the report must also be mentioned in the report in brief. All auditors are necessarily required to complete the draft report at the place of audit. Initials of the concerned authority must also be obtained to acknowledge the discussion of the report/statements of account.

20.6.0 Report Submission

Report on audit of any kind must be submitted within fifteen days after the completion of audit.

20.7.0 Secrecy of Report

No contents or information of the audit report shall be disclosed un-officially to any one until the report is officially released.

20.8.0 Important Points to Keep in Mind while drafting Audit Report

- i) The full financial implications of each objection, or approximate value thereof, calculated from the data in hand should be brought out in the audit report to stress the significance and gravity of the audit objection.
- ii) Any minor and procedural objections which could not be settled on the spot should be included in the audit register and not be mentioned in audit report, but followed up in the next audit.
- iii) No supposition, assumptions or allegations should be included in the audit report. Only facts should be mentioned and inevitable conclusions drawn.
- iv) Auditor should also note any large variations in the income and expenditure of the year as compared with the figures for the last year and as far as possible give the causes which have contributed to this.
- v) It is important that statement and figures in relation to any defects or irregularities discovered should be based on clear documentary evidence.

- vi) It is not required to clarify any explanation given to the audit report by the Department after the release of the report. Explanations shall be compulsorily reviewed during the next audit period and further mention may be made in the report, if required.
- vii) While reviewing the previous year's audit report, auditor must see the explanation furnished by the Head Office/Department/RC of NIOS. If not complied with, the explanation of head of the office must be included in the audit report. If explanation made was incorrect, it must be stated clearly in the audit report.
- viii) In case of any indictment of either the auditor or the genuineness of any remark made in the report, the Secretary, NIOS may take steps as he may deem fit.
