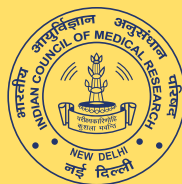


ICMR Internal Audit Manual



**Indian Council of Medical Research
Department of Health Research
Ministry of Health & Family Welfare
New Delhi**

2021

ICMR

Internal Audit

Manual



Indian Council of Medical Research
New Delhi
2021

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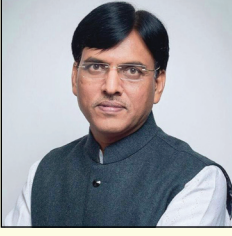
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मनसुख मांडविया
MANSUKH MANDAVIYA



**स्वास्थ्य एवं परिवार कल्याण
व रसायन एवं उर्वरक मंत्री
भारत सरकार**
**Minister for Health & Family Welfare
and Chemicals & Fertilizers
Government of India**

ICMR has always been a frontrunner in the field of biomedical research and has always committed itself to the cause of finding practical solutions to the health-related issues in the country. This has been more than evident during the present COVID-19 pandemic situation. ICMR has come a long way in pursuit of quality medical research in the country. There is still so much to be done.

ICMR and its institutions are funded by the Grants-in-aid from the Government of India. These are subject to compliance of procedures outlined in various Rules, Regulations and Guidelines issued by the Government of India time to time. With a view to strengthening the Internal Control Systems in the ICMR and its Institutes across the country as well as to lay down a set of guidelines to ensure effective internal audit procedure, the Council has brought this Internal Audit Manual.

This book exhibits the core principles and guidelines applicable to internal audit functions of the Council and its Institutes and is a good resource that will familiarize the officers and staff about financial management in the Council and its Institutions.

I congratulate all the officers and staff of ICMR and DHR for bringing this valuable documents and extend my best wishes for all its future endeavors.

(Mansukh Mandaviya)



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सचिव, भारत सरकार

स्वास्थ्य अनुसंधान विभाग

स्वास्थ्य एवं परिवार कल्याण मंत्रालय एवं

महानिदेशक, आई सी एम आर

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Secretary to the Government of India

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Ministry of Health & Family Welfare &

Director-General, ICMR



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भारतीय आयुर्विज्ञान अनुसंधान परिषद

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New Delhi - 110 029

FOREWORD

ICMR is the apex body in India for the formulation, coordination and promotion of biomedical research and is one of the oldest medical research bodies in the world, with a network of 27 research institutes spread across the country. It is fully funded by the grant-in-aid from the Government of India. ICMR has been providing necessary guidelines and support to the Internal Audit Division/Teams on different aspects of internal audit to strengthen the Internal Audit activities in ICMR and its Institutions/Units/Divisions and to establish effective internal audit controls for better financial management. However, it was felt necessary to have a document that will provide guidelines over administrative policies and procedures that affect the Internal Audit, keep the Internal Audit staff abreast with the changes in the policies and procedures and to provide the Internal Audit staff with a general understanding of their responsibilities as Internal Auditors and the spectrum of activities that would form part of their audit functions. The Accounts of the Council are audited by the Comptroller and Auditor General (CAG) of India and the internal audit is conducted both by the internal audit teams of the Council as well as by the teams from the Pay & Accounts Office of Ministry of Health & Family Welfare from time to time.

The Public Accounts Committee (PAC) in its 95 Report (16th Lok Sabha) while examining an Audit Para pertaining to the ICMR has inter alia recommended development of an Audit Module of the ICMR to ensure up gradation of knowledge for proper application of rules and regulations, effective coordination with other audit wings for monitoring of payments and timely redressal of issues. Based on the recommendations of the PAC, an Internal Audit Manual has been developed, aimed at strengthening the Internal control Systems in the ICMR and its institutes across the country and is an attempt to lay down a set of guidance to ensure effective internal audit procedure for directing and regulating internal audit function in ICMR. It covers the entire ambit of core principles and guidelines application to internal audit, Pre-audit, Financial review, Performance Review, Capacity Building, etc.

I appreciate the sustained efforts put in by Shri Rajeev Roy, Sr. Financial Advisor, ICMR and his team of the Finance & Accounts Division of the ICMR and officers of Department of Health Research, Ministry of Health and Family Welfare for finalizing and bringing out this manual. My appreciation also goes to all the officers who have given their valuable suggestions and feedback, contributing to the final shaping of this manual.



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PREFACE

Internal Audit is an independent appraisal function within an organization for review of system of control and quality of performance. The necessity of having an internal audit system has been recognized by the Companies Act as well as Comptroller and Auditor General of India (CAG). The CAG has made it obligatory for its statutory auditors to comment on whether the organisation has an adequate internal audit system, commensurate with its size and nature of the activities.



In line, it was felt necessary to have an Internal Audit Manual for ICMR that will provide guidelines over policies and procedures that affect the Internal Audit, keep the Internal Audit staff abreast with the changes in the policies & procedures and to provide the Internal Audit staff with a general understanding of their responsibilities as Internal Auditors. Accordingly, an Internal Audit Manual has been developed, by the finance team of ICMR.

This Internal Audit Manual is intended to guide the internal audit teams as an invaluable reference. Checklists provided in the manual will address all issues and challenges of Internal Audit process and functions and would facilitate the internal audit staff in discharging their responsibilities efficiently.

I would like to acknowledge the contributions made by the officers & officials of ICMR and the Department of Health Research, Ministry of Health & Family welfare in finalising this Manual and congratulate all those involved in making of this document.

I wish to place my special appreciation to Shri Vinod Sharma, Assistant Director General (Finance & Account) ICMR and Shri Jagat Singh Sajwan, Consultant (Fin. & Accounts) for preparing and presenting a comprehensive literature on Internal Audit Manual that will strengthen internal Audit functions in ICMR and its Institutions/Centres/Divisions.

(Rajeev Roy)

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PART-I**1. General and Overview****1.1 Introduction**

1.1.1 Internal Audit is an independent appraisal function within an organization for review of the system of control and quality of performance as a service to the management. The necessity of having an internal audit system has also been recognized by the Companies Act as well as Comptroller and Auditor General of India (CAG). The CAG has made it obligatory for its statutory auditors to comment on whether the Body or Authority or Autonomous Body has an adequate internal audit system, commensurate with its size and nature of the activities of the body.

1.1.2 Indian Council of Medical Research (ICMR) is an apex body in India for the formulation, co-ordination and promotion of bio-medical research. It has 27 Institutes with the specific objective of conducting, promoting, sponsoring and coordinating medical research in the country and is entirely funded by the Government of India through the Department of Health Research, Ministry of Health and Family Welfare. Its Accounts are audited by the Comptroller and Auditor General of India (C&AG) annually and laid in the Parliament along with the Annual Report.

1.1.3 For the purpose of ensuring to achieve its objectives, as an internal control mechanism, Internal Audit Division (IAD) functions as an independent Division under the overall supervision of the Senior Financial Advisor, ICMR which needs a broad framework under which its functions should be organised. It needs a document that defines the ICMR's policies and procedures to guide its officers and ensure consistency in approach and methodology. It is the Internal Audit Manual, which would fulfill these requirements. The primary purpose of this Manual is to:

- Provide guidelines over administrative policies and procedures that affect the Internal Audit.
- Keep the Internal Audit staff abreast with the changes in the policies and procedures.
- To provide the Internal Audit staff with a general understanding of their responsibilities as Internal Auditors and the spectrum of activities that would form part of their audit functions for the various Institutions / units /departments/disciplines in the Indian Council of Medical Research (ICMR)/ the Council, by giving them a broad set of guidelines to this effect.

1.2 Summary

1.2.1 The Comptroller & Auditor General of India (CAG) is the statutory auditor of ICMR (Council) and its Institutions/Units/Divisions for conducting statutory audit. It conducts Financial Audit (audit of the annual accounts) and Compliance Audit (audit of transactions) every year. Report on the financial audit termed as 'Separate Audit Report' is laid before both the houses of Parliament, where as the result of compliance audit termed as 'Inspection Reports' are pursued by the auditee Institution/Unit/ Division of ICMR and ICMR Headquarters till final settlement.

1.2.2 In addition, Internal Audit of its Institutions/Units/Division is also conducted by the Internal Audit Division of ICMR on a regular basis. Pay fixation, arrear claims, purchases, expenditure on works, contracts, annual accounts etc. are checked by the Internal Audit.

1.2.3 Based on the concern raised by the CAG of India and Ministry of Finance on the need for strengthening the Internal Audit Mechanism, the Ministry of Health and Family Welfare, Department of Health Research (DHR) emphasised to develop a comprehensive internal audit manual.

1.2.4 In the Separate Audit Reports on the accounts of this Council, the CAG has commented from time to time on annual Internal Audit Plan, annual Internal Audit Report and Internal Audit Manual. The Council, thus, considered the need for preparing an Internal Audit Manual for strengthening the system of internal audit in ICMR and its Institutions/Units/ Divisions.

1.2.5 Keeping in view the duties and responsibilities of the Head of the Department prescribed under Rule 70 of the General Financial Rules 2017, an independent internal audit would help the Head of the Council/Institution/Unit/Division of ICMR in effective discharge of all these functions, duties and responsibilities. Internal audit should, therefore, aim at looking both at the financial and non-financial aspects of the Institutions/Units/Divisions of ICMR and providing an assurance on achievement of the vision and missions as well as short/long term targets set /agreed to by the Institutions/Units/Divisions of ICMR. Internal Audit would help the Institutions/Units/Divisions of ICMR in improving economy, efficiency, effectiveness and transparency in the administration in general and financial administration in particular. It will also help in maintaining a sound record keeping system with adequate checks and balances to ensure a sound information system for decision making by the Executive Council / Governing Council of ICMR.

1.2.6 This Internal Audit Manual is developed to guide/assist the internal audit division /internal audit teams of the ICMR (Council) to provide independent, objective, value-added and advisory services to the executive authority in various Institutions/Units/Divisions of ICMR in order to improve the achievement level. More specifically this manual is intended to provide internal audit division/internal audit teams with tools and information for assessing risk in processes and activities, developing an appropriate internal auditing work programme and planning, performing and reporting on internal audit assignments.

1.2.7 The Manual is mainly intended to (i) Act as a handbook for internal auditors, (ii) Identify roles and responsibilities of members of the internal audit team, (iii) Shift the focus of internal audit from detection to solution, (iv) Introduce the annual plan and programme for post-audit through risk based assessment, (v) Develop the concept of systematic sampling and (vi) Standardize conduct of audit and reporting mechanism to improve audit effectiveness.

1.2.8 Each of the Institutions/Units/Divisions of ICMR is involved in different functions assigned to them and hence the scope of operation of these Institutions/Units/Divisions of ICMR differs from one

to another on various aspects. This manual contains guidance of a generic nature and outlines common procedures for conduct of internal audit in these Institutions/Units/Divisions of ICMR.

1.2.9 The provisions of this Manual will be subject to amendment with the approval of the competent authority as per changing environment and future challenges.

1.2.10 The manual is intended for internal use in the Institutions/Units/Divisions of ICMR and ICMR Headquarters.

1.3 Internal Audit Approach

1.3.1 Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve the operation of an organization. It helps an organization to accomplish its objectives by bringing a systematic and disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes. Thus, Internal Audit and Internal Controls are integral part of a sound financial management system.

1.3.2 Independence of Internal Audit is established by the organizational and reporting structure. Objectivity is achieved by an appropriate mindset.

1.3.3 The internal audit activity evaluates risk exposures relating to the organisation's governance, operations and information systems, in relation to (i) Economy, Efficiency and effectiveness of operations, (ii) Reliability and integrity of financial and operational information; (iii) Safeguarding of assets and (iv) Compliance with laws, regulations and contracts.

1.3.4 Based on the result of the risk assessment, the internal auditors evaluate the adequacy and effectiveness of how risks are identified and managed / mitigated in the above areas.

1.3.5 The Internal Auditors are expected to provide recommendations for improvement in those areas where opportunities or deficiencies are identified. While management is responsible for internal controls, the internal audit activity provides assurance to the management that internal controls are effective and working as intended.

1.3.6 Internal Audit Team has to work as an internal part with the Institutions/Units/Divisions of ICMR to strengthen financial management systems, build capacities of the audit/accounts personnel of the Institutions/Units/Divisions of ICMR and to guide them in achieving their objectives /targets in a more efficient manner.

1.3.7 The services of internal auditor should be utilized by all levels of management in the investigation of any special problem/function. In addition to normal audit function; the Internal Auditor should be constantly alert to changing situation.

1.4 Duties and responsibilities of Auditors

1.4.1 The duties and responsibilities of an internal auditor are wide. It is difficult for an internal auditor to ascertain the extent to which his appraisal should go and where his responsibility ceases while appraising a particular operation. A conscientious internal auditor with good imagination and practical experience can render valuable service to the management.

1.4.2 The objectivity, skills and knowledge of competent and experienced internal auditors can significantly add value to an organisation's internal controls, risk management and governance processes. Similarly, an effective internal control activity can provide assurance to other stakeholders such as regulators, employees, financing bodies /agencies/ institutions and grantee institution on proper utilization of grants and other resources of the Council/ Institutions/Units/Divisions of ICMR.

1.4.3 With commitment to integrity and accountability, internal auditing provides value to governing bodies and senior management as an objective source of independent advice. The Internal Audit serves as a third eye for the management to control and watch the efficiency and working of various units under them.

1.4.4 The internal auditor should function independently, freedom from conditions that threaten objectivity or the appearance of objectivity. Objectivity is an unbiased mental attitude that allows internal auditors to perform assignments in such a manner that they have an honest belief in their work product and that no significant quality compromises are made. Objectivity requires internal auditors not to subordinate their judgments on audit matters to that of others. Threats to objectivity should be managed at the levels of the individual auditors, audit assignment, functional and organizational level. He should not get himself involved in line function. He should act independently without fear and favour or prejudice.

Major duties and responsibilities of internal audit functionaries are summarized as below:

- Study of accounting procedures, including maintenance of records in the Institutions/Units/ Divisions of ICMR with a view to ensuring that they are correct, adequate and free from any defects or lacunae;
- Reports risk management issues and internal controls deficiencies identified and provide recommendations for improving the organization's operations in terms of both efficient and effective performance;
- Provides support to the Institutions/Units/Divisions of ICMR anti-fraud programs;
- Watch over the implementation of the prescribed procedures and the instructions/ orders issued by Government of India / ICMR from time to time;
- Scrutiny and check of payments and accounting work of the accounting units;

- Investigation of important arrears in accounting and other connected records;
- Periodical review of all accounts including cash book, bank reconciliation statement and store records as well as physical verification of stores;
- Pursuance/settlement of objections taken in test audit notes issued by statutory audit offices and other matters relating to statutory audit;
- To examine and report on points or irregularities brought to its notice by the statutory audit;
- To examine the contracts and agreements executed by the Institutions/Units/Divisions of ICMR.
- Internal audit assignments should be performed with proficiency and the professional skill and care.

1.5 Role of Internal Audit

The envisaged role of Internal Audit Division, ICMR (HQ) is broadly divided into four areas as discussed below:

1.5.1 **System Strengthening:** Internal audit should aim at strengthening of systems in the auditee. System strengthening shall include review of established systems like accounting procedures, procurement procedures/methods, internal control mechanisms and any other system operating in the auditee Institutions/Units/Divisions of ICMR. Suitable recommendations shall be given for strengthening of the existing system for better management of the office and achievement of the set goals.

1.5.2 **Financial Compliance:** They should also focus on financial compliance while conducting different types of audits as mentioned below:

- (i) **Transaction audit** includes examination of all relevant vouchers of receipts and expenditure as per the cashbook /Bank statement to establish the expenditure with reference to the activities.
- (ii) **Compliance audit** means examination of documents as to whether applicable Rules/Regulations/ Instructions issued by the competent authority/ Government of India / ICMR have been duly complied with.
- (iii) **Pre-audit** means conducting audit prior to release of payment. This includes examining the process of tendering and evaluation before issue of Purchase Order/ Work Order.
- (iv) **Financial review** includes examination of Receipts and Payments Account, Income & Expenditure account, Balance Sheet etc. of the Institutions/Units/Divisions of ICMR as per applicable Accounting Standards/ Guidelines issued by ICMR.

- (v) **Performance Review** is an assessment of efficiency and effectiveness of the programmes, with due regard to economy and addresses the issues of inputs, processes, outputs (Products) and outcomes (impact). Internal Audit functions on the principle of 3Es: (i) **Economy** – means acquiring resources at the lowest cost by observing financial proprieties keeping in view the objectives of the Auditee Institutions/Units/Divisions of ICMR; (ii) **Efficiency** – refers to the relationship of inputs and outputs in terms of goods, services or other results and the resources used to produce them and (iii) **Effectiveness** – means the extent to which an auditee Institutions/Units/Divisions of ICMR has achieved the objectives and the relationship between intended impact and actual impact of any activity.

1.5.3 Capacity Building: Internal Audit shall also support in building capacities of the accounts staff and strengthen financial management within the auditee Institutions/Units/Divisions of ICMR. They should facilitate skill transfer by sharing of knowledge on better accounting practices.

1.6 Parts of Manual

Manual has three parts: Part I contains introduction, general summary, objectives, scope of audit and policy etc. whereas part II contains item wise risk factors and audit checks to be exercised by the auditor while undertaking internal audit and part III contains check list to be answered and completed on completion of audit to ensure proper audit.

2. Objectives and Policies

2.1 General

2.1.1 The objective is to establish internal audit as an independent management functions. Internal audit involves an independent, continuous and critical appraisal of the functions of an entity/body with a view to suggest improvements thereto, add value to and strengthen the overall governance mechanism of the entity/body including strategic risk management and internal control system.

2.1.2 Internal Audit is an audit conducted on behalf of the management of an organisation with a view to assisting the management to discharge its responsibilities effectively. An independent appraisal activity within an organisation for the review of accounting, financial and other operations as a basis of service to the organisation is called internal audit. It is managerial control which functions by measuring and evaluating the effectiveness of other controls.

2.1.3 Internal Audit involves examination and evaluation of various activities of an organisation. The management in the context of its specific requirements determines the exact scope of internal audit in a particular situation. It is essential in order to know that there are sufficient checks to rectify mistakes and also to ensure sound management of an organisation.

2.2 Objectives

- Reviewing and appraising the soundness, adequacy and application of accounting, financial and other operating controls and promoting effective control at reasonable cost.
- Ascertaining the extent of compliance with established policies, plans and procedures.
- Ascertaining the extent to which organisations' assets are accounted for and safeguarded from losses of all kinds.
- Ascertaining the reliability of management data developed within the organisation.
- Appraising the quality of performance in carrying out assigned responsibilities.
- Recommending operational improvements.

2.3 Duties and responsibilities of Internal Auditors

- The responsibilities of internal auditors in an organisation are to be clearly established by management policy.
- The related authority should provide the internal auditor full access to all of the organisation's records, properties and personnel relevant to the subject under review.
- They should be free to review and appraise policies, plans, procedures and records.

- To report and advise management and to discharge auditorial responsibility in a manner that is consistent with the code of ethics in the organisation in keeping with social and professional ethics and regulations.
- To coordinate his activities with others so as to achieve best objectives in his audit and the objectives of the organisation.
- In performing his functions internal auditor has neither direct responsibility for nor authority over any of the activities, which he reviews. Therefore, the internal audit review and appraisal do not in any way relieve other persons in the organisation of the responsibilities assigned to them.
- Internal auditor must have independence and support of the top management.
- Management must realise that it takes more than technical competence to perform audit tasks.
- Audit function must have a proper place in the organisational structure and it must be reinforced by management support.
- Middle level/line managers should recognise that the audit staff represents an arm of the top management and that audit findings, suggestions and recommendations will be reported to the top executive.
- Recommendations and suggestions of the auditor should be of corrective nature.
- Report should contain conclusions and recommendations on the activities of the organisation.
- The management should also use the report to evaluate the performance of the internal auditor.

2.4 Essential features of Internal Audit Report

- a. **Objectivity:** The comments and opinions expressed in the report should be objective and unbiased.
- b. **Clarity:** The language used should be simple and straightforward. As far as practicable use of technical terms and jargon should be avoided.
- c. **Accuracy:** The information contained in the report whether quantified or otherwise should be accurate. Where approximation or assumptions have been made the material facts should be clearly stated along with reasons.
- d. **Conciseness/Brevity:** Brevity is vital subject, of course, with the condition that important information should not be omitted.

- e. **Constructiveness:** Destructive criticism should carefully be avoided in the report. The report should clearly demonstrate that the internal auditor is trying to assist the management in order to discharge his responsibilities effectively.
- f. **Readability:** The reader's interest should be captured and retained throughout.
- g. **Timelines:** The report should be submitted promptly because if the time lag between the occurrence of an event and its reporting is considerable, the opportunity for taking action may be lost or a wrong decision may be taken in the absence of the information.
- h. **Findings and conclusions:** These may be given either department-wise or in the order of importance. All the facts and figures/data pertaining to the situation should be assembled, classified and analysed. Each conclusion and opinion should normally follow the findings.
- i. **Recommendations:** In order to enable the management to accept and implement the recommendations, the internal auditor should be able to convince the management that the conclusions are logical and valid and recommendations represent effective and feasible ways of taking action.
- j. **Auditee's views:** The auditee's views about audit conclusions or recommendations may also be included in the audit report in appropriate circumstances.
- k. **Summary:** In case of long reports a summary of important points, conclusions and recommendations may be given.
- l. **Supporting information:** The internal auditor should supplement his report by such documents and data which adequately and convincingly support the conclusions.

2.5 Guiding principles for achieving the objectives of audit

- a. Working as an important tool in the hands of the management of ICMR/ the Council to help improve its decision-making process.
- b. Improving good governance from the spate of legal and regulatory requirements.
- c. Establishing strong internal audit system with continuous processes for its improvement.
- d. Focusing the areas where there is a greater risk, thereby enhancing the overall efficiency of the research and other activities and adding greater value with the same set of resources.
- e. Focusing on the risk areas due to intensive use of the information technology (IT), emanating from increased threats of data theft or loss due to system failures or hacking/espionage, as well as the need to comply with the cyber laws.

- f. Establishing adequate coordination with the audit committees of Department of Health Research (DHR) and the management to achieve the overall objectives of ICMR/the Council.
- g. Building the image of the internal auditor as a friend and guide to develop and motivate the staff.
- h. Maintaining professional standards and relying upon his professional judgement.

2.6 Purpose of Internal Audit

The purpose of the Internal Audit is to determine whether the control, risk management and governance processes, as designed and implemented by the management of the Council, are adequate and functioning to ensure:

- a. Risks are appropriately identified and managed.
- b. Interaction with the various governance groups occurs as needed.
- c. Financial, managerial, and operating information is accurate, reliable and timely.
- d. Employees' actions are in compliance with Council's policies, instructions, rules, procedures and applicable laws and regulations.
- e. All types of resources (human, services, procurement etc.) are acquired economically, used efficiently and adequately utilized.

2.7 Independency of Internal Audit

The Senior Financial Advisor of ICMR is responsible for the operations of the Internal Audit Division of ICMR and report functionally and administratively to the Director General, ICMR and maintain overview of the internal audit functions of the Institutions/Units/Divisions/ Functionaries of ICMR.

2.8 Responsibility of Internal Audit

The Internal Audit Division (IAD) has the responsibility to develop a flexible '*Annual Audit Plan*' using an appropriate risk-based methodology, including any risks or control concerns identified by management, and implement the plan with the professional audit staff having sufficient knowledge, skills, and experience to meet the requirements of the Internal Audit. The Division has to issue periodic reports summarizing results of audit activities; assist the management of the Council by conducting special reviews and investigations and consider the scope of work of the external / internal auditors, as appropriate, for the purpose of providing optimal audit coverage to the Council.

2.9 Authority of Internal Audit

2.9.1 No Officer, Director, Employee, or Contractor may interfere with or prohibit internal auditors from examining any Institutions/ Units/ Division of the Council or its Institutions /units or related record or interviewing any officer /employee or contractor of that Institution/Unit that the auditors believe is necessary to carry out their duties. Additionally, the IAD has the authority to audit the accounts of all Institutions/ Units/ Division of the Council those required to submit financial statements to the Council.

2.9.2 In performing their work, internal auditors have neither direct authority over, nor responsibility for, any of the activities reviewed. Internal auditors do not develop and install procedures, prepare records, make management decisions, or engage in any other activity that could be reasonably construed to compromise their independence or impair their objectivity. Therefore, internal audit reviews do not, in any way, substitute for or relieve personnel /management of the Institutions/ Units/ Division of the Council from their assigned responsibilities.

- i. The internal auditor has the authority in deciding as to the activities to be subjected to internal audit, approach, methodology and the resource allocation as well as the frequency.
- ii. He should have an unrestricted access to all the Institutions/ Units/ Division of the Council, offices, activities, the records maintained and the personnel working there, for the purposes of internal audit.
- iii. He may also seek information and explanation from Heads of Institutions/ Units/ Division of the Council and other concerned officials.
- iv. He may also ask for copies of various MIS reports and other relevant statements.
- v. He may also ask for a written opinion of a specialist/professional, wherever he deems it necessary for the purposes of internal audit.

2.10 Professional Standards

The Internal Audit Division (IAD) has the responsibility to carry out its duties as defined by the auditing professional standards. Those responsibilities include performing audits in accordance with the guidelines and instructions issued by the Government of India / ICMR from time to time.

2.11 Objectives of Internal Audit

2.11.1 The main objective of the internal audit is to help the organization to achieve their stated objectives by using systematic methodology for analyzing business processes, procedures and activities in the goal of highlighting organizational problems and recommending solutions. The scope of internal auditing within an organization is broad and may involve topics such as the efficacy of operations, the

reliability of financial reporting, deterring and investigating fraud, safeguarding assets, and compliance with laws and regulations. Internal auditing frequently involves measuring compliance with the entity's policies and procedures. However, the internal audit is not responsible for the executions of the Council's and its Institutions/ Units/ Divisions of the Council activities but is responsible to advise the executive authorities, management and the Governing Council of ICMR regarding how to better execute their activities /responsibilities.

2.11.2 The broad objectives of the Internal Audit are as under:

- a) To ensure that the accounting and financial management system are reliable and effective in design and to assess the extent to which they are being followed.
- b) To review the efficacy, adequacy, and application of accounting, financial and operating controls and thereby ensuring the accuracy of the books of accounts.
- c) To verify that the system of internal check/controls is effective in design and operation in order to ensure the prevention of and early detection of defalcations, frauds and misappropriations.
- d) To identify areas of significant in-efficiencies in existing systems and to suggest necessary remedial measures.
- e) To confirm the existence of financial propriety in all decisions and to verify compliance to Government and Statutory requirements.
- f) To review the performance of various functions in the light of performance budgeting and to suggest cost reductions measures, if any.

2.11.3 The audit of expenditure accounts of the Institutions/ Units/ Division of the Council will be the complete audit using the established and approved audit techniques/skills and Standing Orders/Executive Instructions issued by ICMR from time to time with a view to achieve all above objectives.

2.11.4 In addition to the above the Internal Audit Division (IAD) is expected to educate the staff of the Institutions/ Units/ Division of the Council with a view to increase their efficiency in accounts work. Not only the record/books of the Institutions/ Units/ Division of the Council be audited, commented, got corrected and brought upto date but verbal instructions should also be imparted to the Institutions/ Units/ Division of the Council staff in accounts matters, pointing out the errors committed by them and explaining the proper procedure to be followed. The instructions may be imparted with a view to minimize the mistakes and not to repeat in future. It is needless to say that minimization of the mistake will not only reduce the workload of staff posted in Institutions/ Units/ Division of the Council but also increase their efficiency and will facilitate them to give attention towards other areas of Accounts/ Activities /Works/ matters.

2.12 Confidentiality of Internal Audit

2.12.1 Confidential information is information of a proprietary or sensitive nature about the Institutions/ Units/ Division of the Council, its customers, its suppliers, and its employees.

2.12.2 Confidential information acquired by internal audit staff during their audit work is considered to be privileged and must be held in strictest confidence. It is to be used solely for the purposes of the Institutions/ Units/ Division of the Council and not as a basis for personal gain by the internal audit staff. Confidential information is transmitted only to those persons who need the information to discharge their duties as the Institutions/ Units/ Division of the Council employees or internal audit staff. Any other dissemination of work-paper or correspondence contents must be approved by the Senior Financial Advisor of ICMR. Any dissemination without authorization will be considered as serious misconduct and could result in initiating disciplinary proceedings.

2.13 Report Security and Control

2.13.1 Access to audit reports and management communications is restricted to authorized audit staff. Audit reports are available to authorized audit staff from the electronic copies or otherwise maintained in the Internal Audit Division (IAD).

2.13.2 Due to the sensitive and confidential nature of audit reports, all efforts should be made to keep reports protected from public disclosure. Audit reports should not be voluntarily disclosed outside and should only be released at the express direction of the Senior Financial Advisor of ICMR.

2.13.3 Where the Senior Financial Advisor, ICMR directs release of an audit report, it is more appropriate to release an "Executive Summary" of the audit report rather than the report itself in order to help maintain the non-disclosure shield. Wherever reports need to be released in connection with any litigation this should be done with the assistance of the Council's legal department.

2.13.4 Internal audit staff is prohibited from providing public comment on the matters of the Institutions/ Units/ Division of the Council. Any media contact should be referred to the concerned Division of ICMR.

2.14 Independence

2.14.1 In order to achieve the desired objectives (as mentioned above), Internal Audit staff must perform their work fully and objectively, that is, be independent of the activities they audit. They must have no authority over or responsibility for the activities they audit.

2.14.2 In order to maintain independence and objectivity, internal audit staff members will not be assigned audits involving the following instances:

- i. Any situation in which a conflict of interest or bias is present or may reasonably be inferred.
- ii. Any situation that involves a member of the auditor's immediate family.

2.14.3 In any instance of potential conflict the matter should be brought to the notice of Sr. Financial Advisor.

2.15 Responsibilities of Internal Auditors

- i. The internal auditor is responsible for reviewing the adequacy of the risk management, control and targets fixed by the management of ICMR and ensure that the objectives are achieved.
- ii. The internal auditor is expected to suggest improvements in the existing framework of risk management, internal control and the targets.

2.16 Role of Internal and Statutory Auditors

- (a) The role of the internal auditor is determined by the management and depends upon the size and structure of entity and requirement of management.
- (b) The internal auditor operates in various areas such as review of accounting system and internal control, examination of financial and operating information for the benefit of management, economy, efficiency and effectiveness of operations including non financial control of various tangible assets, whereas the statutory auditor is concerned with accounts and documentation as per applicable law and established accounting principles and other accounting standards issued by the ICAI/C&AG.
- (c) The prime objective of internal auditor differs from that of the statutory auditor who is appointed under the Companies Act, 1956 \ Comptroller and Auditor of India (Duties, Powers and Conditions of Service) Act and has to report independently on financial information.
- (d) The statutory auditor should as a part of his audit, evaluates the extent of internal audit functions and accordingly determines the extent of his audit.
- (e) The work of the internal auditor can be assistance for the statutory audit. In consultation with statutory auditor, it is desirable to plan the timing of such work, extent of audit coverage, test level, and proposed method of sample selection documentation of work performed and reporting procedure.

2.17 Code of Ethics and Integrity

- i. The members of internal audit team should adopt self-regulatory measures that are recommendatory. During the course of audit, internal auditor should follow certain guidelines in respect of moral values and good behavior.
- ii. Internal auditor should keep him/herself away from illegal practices/dishonest arrangement.
- iii. Internal auditor shall have an obligation to work objectively and diligently while performing his/her duties.

- iv. The internal auditor should not accept anything/ any obligation from the auditee entity directly or indirectly through any employee, contractor, supplier, etc.
- v. The internal audit staff should collect and keep the information only for carrying out his assignment. This should not be disclosed to or shared with any party unrelated to internal audit.
- vi. The internal audit staff should not take advantage of information obtained for their personal profit or use information in a manner contradictory to their ethics set forth in this code.
- vii. Internal auditor shall show loyalty in all respects pertaining to the affairs of the Council.

2.18 Role of Internal Audit in Strengthening Governance

Internal audit can help maximizing the benefits from the policies of the management. Internal audit involves critical appraisal of the functioning of the Institutions/ Units/ Division of the Council with a view to suggest improvements thereto and add value to and strengthen the overall governance mechanism and internal control system taking the following measures:

- Understanding and assessing the risks and evaluate the adequacies of the prevalent internal controls.
- Identifying areas for systems improvement and strengthening controls.
- Ensuring optimum utilization of the resources of the human as well as other available resources etc.
- Ensuring proper and timely identification of liabilities including contingent liabilities.
- Ensuring compliance with internal and external guidelines and policies of the Council as well as the applicable statutory and regulatory requirements.
- Reviewing and ensuring adequacy of information systems security and control and safeguard of the assets of the Institutions/ Units/ Division of the Council.

3 Scope and Extent of Internal Audit

3.1 Compliance of Rules, etc

The auditor will lay emphasis on compliance of all the rules, regulations, policies, procedures, accounting standards, manuals, statutory obligations etc. The professional expertise and judgment of the auditors will have to be exercised in all areas. The Senior Financial Advisor, ICMR may add/delete/ modify the scope of work or may assign additional specific areas for audit. The scope of internal audit should include:

3.2 Review of Internal Control System and Procedures

- i. The internal auditor should determine whether the internal control system is in consonance with the organizational structure. As far as possible, control should be inbuilt in operating functions if they are to be cost effective.

- ii. Each control should be reviewed and analyzed in terms of costs and benefits. It should also be seen whether internal controls were in use during the whole period of internal reliance. In case breakdown in the internal controls during specific period reliance would need special attention.

3.3 Review of Assets

The internal auditor should review the control system to ensure that all assets are fully accounted for. He should also review the means used for safeguarding assets against losses, e.g., fire, improper or negligent activity, thefts and illegal acts, etc.

3.4 Review of Compliance with Policies, Plans, Procedure and Regulations

- i. The internal auditor should examine whether the management has a system by which its policies, plans, procedures and regulations are communicated to all concerned as per their responsibility and authority, so that the operations are carried out in a coordinated manner. Internal auditor should also point out specific weaknesses and suggest remedial actions.
- ii. The general principle of audit "*General is more important than particular*" should be followed and where irregularity is found in general, the point should be reported to the auditee Institutions/ Units/ Division of the Council and the same should be mitigated.
- iii. It should also be checked that the instructions issued by the Council and Government from time to time are followed meticulously and timely. Non-compliance/non-observance of instructions should be taken seriously and should be reported to the management of the Institutions/ Units/ Division of the Council.

3.5 Review of Transactions

The internal auditor should carry out the audit of transactions which involves examination of supporting documents and occurrence of transactions. He has to ensure that transactions are recorded in time after proper verification and under the appropriate Head of Account. All the transactions should be approved by the competent authority.

3.6 Extent of Checking

The internal auditor should select sample items in such a way that the sample can be expected to be representative of the population. Based on various factors, the sample size should be selected for various processes/ sub-processes. The sample size may be increased or decreased after discussion with the management of the Institutions/ Units/ Division of the Council, considering the audit location, project stage, volume of activities, etc. Some of the guiding factor in respect of detailed extent of checking are given in Annexure I.

Annexure -I

Sl. No.	Area	Coverage
1	Works contracts (including annual maintenance contracts) entrusted to other than CPWD Contracts with value more than Rs. 2.00 crore Contracts between Rs.1.00 crore to Rs. 2.00 crore Contracts below Rs.1.00 crore All works contracts (including annual maintenance contracts) entrusted to CPWD	100% 50% 25% 25%
2	Procurement Purchase/Contracts with value more than Rs. 1.00 crore Purchase/Contracts between Rs. 50 lakh to Rs.1.00 crore Purchase/Contracts below Rs. 50 lakh	100% 50% 25%
3	Finance and Accounts Vouching- Cash, bank & journal All other areas	100% of any month selected by the Auditor (In addition to test check)
4	Personal and Administrative, Stores, consultancy services, IT and Communication, Workshops and Seminars, Transport etc.	50%

4. Risk

4.1 Risk Assessment

With the limited resources while preparing annual internal audit plan it is important to focus on projects\ Institutions/ Units/ Division of the Council with higher risk by adopting a '*risk based approach*'.

4.2 Risk Assessment Methodology

4.2.1 Validating and updating Internal Audit's understanding of goals, objectives, strategies, critical success factors and the processes relevant to the organization is a first step to build a detailed risk assessment and planning of Internal Audit. Besides management control, activities of the Institutions/ Units/ Division of the Council and actual expenditure incurred with reference to budget allocation can be adapted as one of the measure for risk assessment. Besides lack of internal control, higher expenditure may be treated as higher risk areas. Allocation of duties and entrustment of work may also be considered for risk assessment.

4.2.2 In addition to the interviews, Internal Audit also considers other available information such as annual reports, previous internal and external audit reports, minutes of scientific and non-scientific committees, regulatory examination reports and legal information to identify risk areas.

4.2.3 On the basis of assessment as explained above Internal Audit Division develops an Overall Risk Assessment (High, Medium, or Low) for each process. The overall risk assessment defines the level of inherent and controlled risk in the entire processes. This assessment is made based on Internal Audit Division's aggregate evaluation of the individual risks and considers the preliminary understanding of the strength of associated controls for the processes and the likelihood of risks occurring.

4.3 Identifying Key Objectives

4.3.1 Internal Audit conducts interviews with management executives of the auditee Institutions/ Units/ Division of the Council and reviews key documents such as strategic plans and budget allocations under different activities to ascertain the key objectives of various processes designed.

4.3.2 As part of these meetings with management executives and subsequent meetings with executing staff /officials Internal Audit seeks to ascertain the critical success factors and key obstacles involved in achieving the intended and targeted objectives.

4.4 Preparation of Internal Audit Plan

The Annual Internal Audit Plan once prepared should be presented to management for approval well before the close of the financial year. The approved Internal Audit Plan should be circulated to all the Institutions/ Units/ Division of the Council planned for audit during the year. This would ensure:

- That the concerned staff and officers are available when Internal Audit team arrives for audit
- All records / documents are readily available to the Internal Audit team

4.5 Important Points of Audit Plan

- Number of audits to be carried out during the year.
- Departments/ units to be audited during the year.
- Tentative dates during which audit proposed to be conducted.
- Time (No. of working days) to be spent on each audit
- Expertise (level of Internal Audit Officer) required for each audit

4.6 Factors to be considered while preparing an Internal Audit Plan

- Prior experience while conducting similar audits.
- The nature and complexity of the area under audit.
- Risk Assessment of the area to be audited.
- Audit objectives and any special concerns or considerations.

- The experience/level of the Internal Audit staff and the level of supervisory officer.
- As far as possible the Internal Audit Plan should be made realistic to avoid any undue variation with actual time spent.

4.7 Objectives of preparing an Annual Audit Plan:

- Selecting the audits to be performed during the period along with an audit coverage outlook that includes the scheduling of specific audits based on expectations of Management of ICMR.
- Balancing coverage of the Units along with the requisite level of detailed review required for high risk processes/ areas.
- Providing a basis for the requisition of additional resources, if any.
- Gaining formal approval of the audit plan from Senior Financial Advisor \Management of ICMR.

4.8 Methodology for preparing an Internal Audit Plan

The methodology detailed below provides critical steps that need to be undertaken for development of an Audit plan.

- Understanding the objectives and scope of the audit: The internal audit division may be responsible for conducting a variety of different audits. These audits may have different objectives that the auditor must satisfy through the performance of audit procedures. Therefore the first step of the planning process for the audit team-in-charge would be to understand what the objectives for the audit are after a brief discussion with the competent authority. The competent authority on his part should take guidance from his experience, interaction with the functional heads at the beginning of the year and the long term and annual update of risk assessment.
- Understanding of the existing systems: A high level understanding of the existing systems, the control environment and risk factors is obtained by:
 - Existing knowledge available with auditors for earlier years.
 - Review of information (annual reports, various internal publications, internal audit reports etc.).
 - Discussions with Head of the Institutions/ Units/ Division of the Council.
 - Review of the existing manuals/ process documentation, if any.
 - Assigning risks to each element of the areas to be audited.
- Risk ratings are then used to prioritize auditable units and to estimate the Institutions/ Units/ Division of the Council.

- Internal audit hours considered necessary for an internal audit function to address the identified risks. Based on the results of interviews of senior officials, surveys of senior/middle level executives, systems understanding, materiality mapping and discussion with executives.

4.9 Allocation of Manpower of Internal Audit Team

The Internal Audit Head should allocate the available audit staff to audits planned for the period after considering the following factors:

- Complexity of the job
- Experience of the person
- Time that shall be taken to complete the job
- Skill sets required for carrying out the audit (IT Audit Specialist, technical or otherwise)

4.10 Criterion for developing an Internal Audit Plan

Following parameters should be kept in mind before preparing an Internal Audit plan for any departments:

- (i) Annual budget of the accounting unit.
- (ii) Key projects of the unit.
- (iii) Previous audit reports.
- (iv) Expenditure trend of the Unit.
- (v) Significant purchases by the Unit.
- (vi) Large capital expenditure of the unit.

5. Audit Process

5.1 Types of Audit

5.1.1 **Financial audits:** To address the accounting for and reporting of financial transactions including commitments, authorizations and receipt and disbursement of funds. The purpose of this type of audit is to verify that sufficient controls exist over assets, liabilities, revenues and expenditures and that there are adequate controls over the acquisition and use of resources.

5.1.1.2 The following are some of the factors used for assessing inherent risk in case of financial audit on the basis of which auditor has to assess the unit as high risk, medium risk or low risk and conduct the audit accordingly.

- Errors are more likely to occur where the governing conditions and calculations are complex (with the introduction of computerisation this aspect has not much risk).
- Expertise of the personnel doing the accounting work and the time pressures.
- Classification of expenditure for the purpose of control of headwise expenditure (particularly in the case of suspense balances in the Government Appropriation and Finance accounts)
- System of following instructions issued by the concerned governments for reappropriation of funds, obtaining supplementary grant, control of expenditure etc. in respect of government accounts.
- History of errors in the accounts pointed out during previous certification of accounts and their compliance.
- Whether there is any motive for management to manipulate the figures (presentation of accounts to avoid showing a deficit/ surplus).
- Volume and size of transactions.
- Regular bank reconciliation of the transactions (with the introduction of online transfer of payments and receipts this aspect has not much risk as it was on making payments through cash and cheque).
- Public presumption about the auditee unit.
- Nature of the unit Very Sensitive or Sensitive or not Sensitive.
- System of internal control.
- Response to the audit observations.
- Previous history of non-production of records to audit.

5.1.1.3 Generally financial audit is conducted in respect of financial statements and annual accounts of autonomous bodies/ statutory corporations /public sector undertakings/ Government companies in the form of Balance Sheet; Income and Expenditure Account / Profit and Loss Account/ Revenue Account; Finance and Appropriation Accounts of Union/ Union Territory/ State Governments and statements of expenditure relating to Projects financed by international bodies/ agencies. On the basis of risk assessment answers of the different factors for the purpose of expressing an opinion on the financial statements being audited, an Auditor has to collect competent, relevant and reasonable evidence relating to Completeness (all transactions relevant to the year of account have been recorded), Occurrence (all recorded transactions occurred and were relevant to the year of account), Measurement (recorded transactions have been correctly valued, properly calculated, or measured in accordance with established accounting policies, on an acceptable and consistent basis), Disclosure (recorded

transactions have been properly classified and disclosed where appropriate) and Regularity (recorded transactions are in accordance with the primary and secondary legislation and other specific authorities required by them) of accounts.

5.1.1.3.1 '**Completeness**' directly tests for potential understatement of figures in accounts. To take an example, if the accounts are prepared for the financial year 2019-20 and an item of expenditure which takes place during 2019-20 is omitted from accounts, the 'completeness' objective is not fulfilled.

5.1.1.3.2 '**Occurrence**' directly tests for potential overstatement of figures in the accounts. For instance, if an item of receipt was booked in the accounts for the financial year 2019-20, to satisfy the 'occurrence' objective, the item should properly relate to only 2019-20 and not to any other financial year.

5.1.1.3.3 '**Measurement**' requires the auditor to check the conformity with established accounting policies and standards and the consistency in the measurement.

5.1.1.3.4 '**Disclosure**' implies that the receipts and expenditure were booked to the proper account head and the disclosures in the notes and foot notes in the accounts are appropriate and adequate.

5.1.1.3.5 '**Regularity**' payment may be correctly recorded and properly disclosed in the right year of account at the right value, but the payment would be irregular if it did not accord with the requirement of the governing legislation or regulations or policy framed.

5.1.1.4 In respect of balance sheet/ Finance Accounts reasonability of Completeness (all assets and liabilities have been recorded in the accounts), Existence (all recorded assets and liabilities exist), Valuation (the values given to the assets and liabilities are accurate and have been arrived at in accordance with the established accounting policies on an acceptable and consistent basis), Ownership (the assets are owned by the entity, the liabilities are properly those of the entity and both arise solely from regular activities) and Disclosure (the assets and liabilities have been properly disclosed in accordance with the applicable reporting framework).

5.1.1.4.1 '**Completeness**' objective tests for potential understatement of assets and liabilities. For example, if the accounts omit some investments or liabilities, the 'completeness' objective is not satisfied.

5.1.1.4.2 '**Existence**' objective tests for potential overstatement of assets and liabilities. For example, if the accounts show some amount as cash balance, which does not exist, the 'existence' objective is not satisfied.

5.1.1.4.3 '**Valuation**' goes beyond mere arithmetical accuracy and requires conformity with accounting policies and standards and their consistent application.

5.1.1.4.4 '**Ownership**' requires that the assets and liabilities reported actually represent those rights and obligations. For example, if an item is shown in the accounts as amount receivable, investment, loans and advances the entity should have the legal right to sue and collect the amount.

5.1.1.4.5 '**Disclosure**' implies that the assets and liabilities were booked to the proper account head and the disclosures in the notes and foot notes in the accounts are appropriate and adequate. For instance, if obligations under guarantees given by the entity/ government are not shown in the accounts, the requirement of 'disclosure' is not satisfied. If some item of revenue expenditure is misclassified as capital expenditure, it can be said that the disclosure is not proper.

5.1.2 Compliance Audits: determine the adequacy of the Institutions/ Units/ Division of the Council system designed to ensure compliance with ICMR policies and procedures and Government rules and regulations. Audit suggests to for improvement in procedures and controls to ensure compliance with applicable regulations.

5.1.2.1 Compliance audit is primarily concerned with reporting deviations, identifying weaknesses and assessing propriety. It includes:

- Regularity: the subject matter of the audit adheres to formal criteria emanating from the relevant laws, regulations and agreements which are applicable to the auditable entity.
- Propriety: General Principles of sound financial management and ethical conduct have been adhered to, legality and competence are ensured.

5.1.2.2 The audit responsibilities are wider than providing opinion on the financial statements of Government and extend to examination of risks to regularity, propriety and financial control is termed transaction audit which essentially seeks to address the issues of risks to regularity, propriety and financial control.

5.1.2.3 Whereas the opinion on financial statements provides a positive annual assurance on the financial statements to the Parliament or Legislature, examination of risks to regularity, propriety and financial control referred to as transaction audit is not linked to a specific assurance on an individual set of financial statements in a particular year.

- It does not result in a formal audit opinion on financial statements but rather in reports either to management or Parliament or Legislature;
- It focuses on the Government Department or its units rather than on the financial statements;
- It seeks to cover risks of significant irregularity, which may not be material for the purpose of qualifying audit opinion on the financial statements.

5.1.3 Special Audit/Performance Audit: Apart from the annual internal audit process which covers financial and compliance audits, the management and Internal Audit Division may also consider special type audit of the Institutions/ Units/ Division of the Council, if consider necessary. The scope and periodicity etc. for conducting such special audits shall be decided by the management and Senior Financial Advisor, ICMR. The persons nominated for conducting special audit may require specialized skill and ability to enable them to conduct such audits effectively and efficiently.

5.1.3.1 Following audits can be considered for special audits on need basis:

- **Information Technology (IT) audits** address the internal control environment of automated information processing systems and how people use those systems. Hence, general process related IT controls would be covered as part of regular internal audit and those require special skill and abilities would be covered as part of special audit covering areas like business continuity and disaster recovery system, application controls, firewalls and ethical hacking etc.
- **Operational/Management audits** examine the use of resources in the most efficient and effective manner to fulfill the Institutions/ Units/ Division of the Council objectives. An operational audit can include elements of a compliance audit, financial audit and IT audit. These will be carried out on a selective basis as per request from management. Areas to be considered for special audit should be based on the type of activities of the Institutions/ Units/ Division of the Council such as investment and transaction management, major contracts review, human resource management and policies etc.
- **Investigative audits** focus on alleged civil or criminal violations of laws, regulations, instructions and Council's policies and procedures that may result in disciplinary action. Allegations of theft or misuse of assets, white-collar crime and conflicts of interest are examples of issues to be taken in investigative audits.

5.2 Audit Procedure

Each year an annual audit plan will be submitted by the Internal Audit Division to the Senior Financial Advisor, ICMR for approval. Based on the approved plans for the next fiscal year, a detail schedule of audits is developed for each audit team to carry out internal audit work and accordingly, each Internal Auditor will be assigned audits. Sufficient information must be provided regarding the preliminary objectives, scope of audit and any additional information available and required for conducting audits.

5.3 Intimation to Auditee Unit

5.3.1 The Institutions/ Units/ Division of the Council to be audited is to be intimate through e-mail or otherwise the detailed schedule of audit with the request to arrange opening meeting of audit team with the Head of the Institutions/ Units/ Division of the Council. Intimation must be sent well in advance and preferably at least 15 days in advance excepting in cases where surprise checking is to be carried out or special audit is to be carried out. In case of any change in the tour program is necessitated due to any cogent reasons/circumstances, by the auditee unit, the request should be submitted to the Internal Audit Division well in time so that the same is considered and the tour program is revised, if request found genuine.

5.3.2 While submitting the intimation of visit the in-charge of Auditee office should be asked to keep ready all the record which was not produced during previous visit of the Auditee office. The list of

all outstanding audit queries and observations should also be submitted to the Auditee Office with the advice that the same shall be reviewed during the visit, as such should be kept ready and put up to the Audit Party.

5.3.3 Ordinarily the actual movements should be in accordance with the tour program; but if in any case, a change is anticipated, the approval should be obtained from Internal Audit Division of ICMR and on receipt of approval or in anticipation of approval the change should be notified to all the concerned well in time. If the halt at any place is estimated to exceed the time prescribed, prior approval of the Sr. Financial Advisor, ICMR should be obtained.

5.3.4 With a view to effect economy in tour expenses, the tour program for the months, in which there is a spell of holidays exceeding three days, should be so arranged that these holidays are spent at the headquarters and not at outstations, except that when the Audit Party, just before the holidays, is at a station, returning from which to headquarters involves travelling allowance exceeding the amount of daily allowance for the number of holidays.

5.4 Preliminary Survey

5.4.1 The audit team entrusted audit of any Institutions/ Units/ Division of the Council should identify and analyse the risk for the audit keeping in view the scope and objectives of audit and any other information provided. Initial research during the preliminary survey process should be performed on the basis of annual reports, annual accounts, previous Internal/ External Audit Reports and other reports of the Institutions/ Units/ Division of the Council to increase the auditor's efficiency.

5.4.2 The audit objectives, scope and budget should be constantly reassessed throughout the audit process to ensure efficient use of time and audit resources. If through this reassessment significant changes are made to the objective and/or scope communicated in the beginning of the audit, the changes should be communicated again to the auditee.

5.5 Sampling Technique

1. Sampling techniques in internal audit stand for the techniques for forming an opinion about a group of items based on examination of only a part of the items. Internal audit team is required to select appropriate sample size for conducting an audit.
2. Sampling techniques are used to determine the sample size considering sample risk, the tolerable error, and the expected error.
3. Some important statistical techniques are:
 - **Random Sampling:** In the case of random sampling, the units are selected independent of each other in such a way that each unit belongs to population has an equal chance of being part of the sample. Random sampling is very simple and effective method of drawing samples if the population is neither very large nor heterogeneous.

- **Stratified Sampling:** Under stratified sampling, the population is divided into a number of strata or sub-population. Each stratum is then sampled independently. The most expensive or significant item in population can be examined 100%. The result of several sampling from each of different strata may be combined into an overall estimate of the entire population.
 - **Systematic Sampling:** Systematic-sampling refers to a technique where the units constituting the sample are selected at regular intervals after selecting the first unit at random with equal probability.
 - **Judgemental Sampling:** Purposive or judgement sampling is a non-statistical technique. This type of sampling is dependent solely on discretion of the auditor and he/she applies his own judgement in determining own sample size and method of sampling since the type of sampling is non-probabilistic. It is purely subjective and as such, varies from person to person.
4. The auditor should first consider the specific audit objective to be achieved to enable him/her to determine the audit procedure or a combination of procedures, which is likely to be the best to achieve these objectives. For example, when performing compliance test of a procurement procedure, the auditor will be concerned with matters such as whether the procedure prescribed in GFR and ICMR procurement manual etc. are properly followed.
 5. The auditor should also determine that the population, from which he draws the sample, is appropriate for specified audit objectives. Brief about risks is given below:

5.6 Risk

5.6.1 What is risk? Risk can be defined in various ways, depending on the context. Generally, risk is considered as the possibility of loss or injury, a threat of something going wrong with the activities or organisation of the entity or persons concerned.

5.6.2 Risks may vary in nature and concern any level of the organisation. Risks to sound financial management, i.e. risks to achieving economy, efficiency and effectiveness, can be inherent in nature (inherent risk) and arise from weaknesses in internal control (control risk).

5.6.3 The auditor deals mostly with organisations and programmes which have policy objectives. Risk is thus defined as the occurrence of a particular set of circumstances that, if they occur, could adversely affect the organisation, such as exposure to financial loss, loss of reputation or failure to deliver a policy or programme economically, efficiently and effectively.

5.7 Risk Assessment: A risk assessment is the identification and analysis of relevant risks to the achieve the objectives and forming a basis for determining how the risks should be managed.

5.7.1 In the context of a special/performance audit, risk assessment can be defined as the identification and analysis of the key risks to the achievement of objectives concerning economy, efficiency and

effectiveness, thus forming a basis for developing potential audit questions and determining the potential audit scope.

5.7.2 Audit Risk (AR) has three components: inherent risk, control risk and detection risk.

5.7.3.1 “**Inherent Risk**” (IR) is the susceptibility of an account balance or class of transactions to misstatement that could be material, individually or when aggregated with misstatements in other balances or classes, assuming that there were no related internal controls.

5.7.3.2 “**Control Risk**” (CR) is the risk that a misstatement that could occur in an account balance or class of transactions and that could be material individually or when aggregated with misstatements in other balances or classes, will not be prevented or detected and corrected on a timely basis by the accounting and internal control systems.

5.7.3.3 “**Detection Risk**” (DR) is the risk that an auditor’s substantive procedures will not detect a misstatement that exists in an account balance or class of transactions that could be material, individually or when aggregated with misstatements in other balances or classes.

5.7.4 The risk that audit procedures fail to detect material error (DR) is therefore influenced by the amount of inherent risk (IR) and control risk (CR). Lower the risk of material error occurring in the first place (IR) and of internal controls (CR), the less audit work in relation to the detection risk (DR).

5.7.5 In other words, the more assurance Audit is able to take from assessments of IR and CR, the less assurance Audit needs from substantive testing and thus the smaller the sample Audit requires to reasonably examine. The risk model can be expressed by the equation:

$$AR = IR \times CR \times DR$$

5.7.6 Use of the overall audit risk model enables the auditor to assess risk in order to plan and perform the audit to reduce overall audit risk to an acceptably low level. Moreover, risk is generally assessed as ‘high’, ‘medium’ or ‘low’. Audit is concerned with material error and inherent risk assessment may be applied to an account area or to the account as a whole.

5.8 Risk Assessment in Special /Performance audit

During the preliminary study of the special /Performance Audit auditor has to conduct risk assessment in order to:

- focus the audit on high-risk areas,
- reveal areas of potential weakness in an organisation,
- identify risks and analyse those which are the most significant and critical to the achievement of good performance,
- examine how risks are managed by the organisation,

- focus the audit on areas of high risk and develop related potential audit questions.
- Following the risk assessment, the auditors will complete the Potential Audit Questions, a tool which will help in defining the scope of audit.

5.8.2 HOW TO DO IT

- Achieve a thorough understanding of the audit area by:
 - Collecting data of high quality and relevance,
 - Considering risk factors and expected key controls
- Present the knowledge gained in a Flowchart and List out expected controls
- List all the possible risks, group and describe them consistently. Identify the main risks to be assessed.
- Analyse the main risks to assess the risk level: analyse the likelihood and potential impact of the risks and determine the risk level using the risk matrix. Examine the risk response in place to decide whether the risk level should be adjusted to obtain the level of residual risk.
- Determine the key risks to the audit area and formulate potential audit questions to address them.
- Consider other criteria to outline the potential audit scope:
 - Relevance and interest
 - Feasibility
 - Alignment with Court's mandate
- Decide whether or not to include the Audit Question in the scope
- Draw the Potential Audit Questionnaire and Scope (PAQS) table to present the results of the risk assessment exercise.

Risk assessment process and financial impact on the audit of the unit is given in Annexure -II

Annexure- II
Risk assessment process and financial impact on the audit of the unit

Risk assessment step	Input	Tool	Risk factors	Output
Step 1: Present the audit areas in a diagram and list the expected key controls	<p>Knowledge of the auditee unit:</p> <ul style="list-style-type: none"> ▶ Annual reports, accounts and other publications of the unit ▶ Web based details ▶ Policy, programme and objectives of the entity ▶ external stakeholders (beneficiaries, users, non-users, etc.) ▶ media reports 	<ul style="list-style-type: none"> • High level documents such as annual reports and business plans. • Discussions with the auditee. • Performance results compared with targets. • Accounts. • Risk self-assessment done by management. • Work done by internal audit teams previously. • Web pages. • Previous Audit Reports • Reports from Member States' Certifying Bodies. • Rules and regulations, including implementing regulations and instructions governing the Financial Regulation, the Staff Regulation. • Annual Policy Strategy and annual Activity Statement. • Annual Management Plan and Annual Activity Report. • Evaluation reports and evaluation plans and programmes. • Other information: Academic papers, Media reports, Publications from professional bodies, Discussions with external stakeholders and budgetary committee reports. 	<p>Organisation: Structure</p> <ul style="list-style-type: none"> ◇ complex organisation (e.g. cross border operations, involving linguistic, political, or geographical issues, several administrative levels) ◇ organisation often subject to structural changes ◇ geographically dispersed organisation ◇ decentralised management <p>Resources</p> <ul style="list-style-type: none"> ◇ information technology that is obsolete, highly complex, or includes many different and/or incompatible computer systems ◇ insufficient, under-qualified, inexperienced or poorly motivated staff and/or inadequate recruiting procedures ◇ absence of common supporting administrative structure ◇ IT systems when several services involved in managing the programme ◇ large number of sub-contractors ◇ employment of resources that are unnecessary, of too high quality, or that could have been obtained at lower cost <p>Responsibilities</p> <ul style="list-style-type: none"> ◇ imposition of unwanted responsibilities upon organisations, administrations or beneficiaries 	<p>Expected Key Controls</p> <ul style="list-style-type: none"> • Proper authorization procedures. • Rules adopted by the management / Parliament defining exceptions to the rules • Controls at the Planning stage to accept or reject proposal/ activity. • Controls at the level of each unit to proposal /activity. • Monitoring controls and Management Information System. • Controls that resources are proportionally spread between units and institutions. • Controls that the activity /proposal has not already been implemented in the past. • Controls that there is time bound proposal. • Quality control/ revision. • Controls ensuring that tendering procedures are compliant with Financial Regulation. Calls for tenders ensuring that best value-for-money offers are selected. • Budgetary needs properly forecast and followed up. <p>IDENTIFY THE RISKS</p> <p>On the basis of above expected key controls and answering the following questions, identify the risks :</p>

<ul style="list-style-type: none"> • What can go wrong? What can be the risk? • What <i>assets</i> are at risk - property, resources, information, reputation, legality?; • from what <i>sources</i> – internal or external?; • at which <i>level</i>: internal, external, legal, strategic, operational, organisational or administrative? • With whom does the risk lie? • What factors are / can be constraining performance (economy, efficiency, effectiveness)? • What could be the cause (including weaknesses in controls)? • What could be the consequences or the impact? • How could this risk be managed? 	<ul style="list-style-type: none"> ◇ unclear division of responsibilities ◇ lack of job descriptions ◇ no policy for staff rotation ◇ poor coordination of activities, especially in a decentralised or shared management system <p>Nature of the policy, programme and operations</p> <p>Policy/programme</p> <ul style="list-style-type: none"> ◇ legal basis that is uncertain, complicated, or subject to significant change ◇ significant degree of change in the environment of the programme ◇ complex programme delivery method ◇ complex contractual or tendering rules ◇ rapid implementation of the programme after the decision on the legal base or, at the other extreme, slow implementation ◇ poor sustainability <p>Operations</p> <ul style="list-style-type: none"> ◇ large number of transactions ◇ complex activities ◇ activities involving large amounts of cash or high-value goods ◇ activities with which the audited entity has no or limited experience ◇ activities of a nature traditionally considered to be particularly prone to irregularities ◇ urgent operations ◇ new initiatives set up in haste ◇ activities funded by other sources ◇ contracts frequently awarded without competition 		
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	<p>high proportion of commitments or payments made late in the financial year</p> <ul style="list-style-type: none"> ◇ difficulty in identifying final beneficiary <p>Objectives</p> <p>Objective-setting</p> <ul style="list-style-type: none"> ◇ inadequate assessment of needs ◇ lack of, unclear, inadequate or unquantified objectives regarding economy, efficiency and effectiveness ◇ objectives do not include legality, regularity, accuracy and reliability of accounts, safeguarding of assets ◇ objectives not prioritised, or priorities unclear ◇ objectives contradictory or incompatible, either in the policy or programme ◇ objectives not communicated to all levels of management <p>Operationalising the objectives</p> <ul style="list-style-type: none"> ◇ no clear link between objectives and activities ◇ eligibility/selection criteria unclear or inconsistent with objectives (too wide, too restrictive or not relevant) ◇ critical factors that could endanger achievement of objectives not regularly assessed <p>Performance measurement</p> <p>Use of performance indicators</p> <ul style="list-style-type: none"> ◇ lack of indicators to measure achievement of economy, efficiency, and effectiveness 		
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		<ul style="list-style-type: none"> ◇ use of indicators that are inappropriate, or that may encourage the wrong behaviour (e.g. pursuit of short-term goals to the exclusion of long-term goals) Measuring and monitoring performance <ul style="list-style-type: none"> ◇ lack of a system to monitor actual performance against plan ◇ evidence of poor performance, as indicated by, for example: - high level of complaints - low level of user satisfaction - disparities in performance with other organisations, or among beneficiaries - poor performance of contracted-out services. <p>Management</p> <p>Ethical issues</p> <ul style="list-style-type: none"> ◇ ethical values/integrity poorly established (tolerance towards irregularities, no code of conduct) ◇ strong pressure on management to achieve unrealistic objectives or meet unrealistic deadlines (e.g. high rate of commitment of budget appropriations) ◇ political or other pressures on management to perform in a particular way <p>Management performance</p> <ul style="list-style-type: none"> ◇ evidence of poor management, as indicated by, past records of mismanagement in significant cost and time overruns on projects, inadequate planning, lack of supervision and monitoring <p>Management information</p> <ul style="list-style-type: none"> ◇ lack of, or inappropriate, management information system

	<p>management and financial information poor, not used or used inappropriately</p> <p>Controls</p> <p>Control systems</p> <ul style="list-style-type: none"> ◇ lack of internal control systems to monitor economy, efficiency and effectiveness ◇ weaknesses in the design or performance of control systems ◇ complex control systems ◇ supervision and control functions non-existent or unsuitable ◇ differences in the control systems amongst beneficiaries/stakeholders ◇ operations not fully subject to the usual controls ◇ on-the-spot inspection or monitoring rights not taken up or infrequently used <p>Financial controls</p> <ul style="list-style-type: none"> ◇ beneficiaries' accounting systems incompatible with the Community systems ◇ excessive costs in the programme, or expenditure increasing beyond expectations ◇ difficult to determine the cost of inputs ◇ budget targets that are consistently missed to a significant degree ◇ lack of a cost accounting system <p>Audit and evaluation</p> <ul style="list-style-type: none"> ◇ inadequate audit system (coverage, quality, reporting, follow-up) ◇ past issues as regards economy, efficiency and effectiveness, and legality and regularity ◇ past audit findings not implemented ◇ lack of, or poor, evaluation, or no follow-up of evaluation results. 		

<p>Step 2: Identify the risks</p>	<p>Expected Key Controls</p> <ul style="list-style-type: none"> • Proper authorization procedures. • Rules adopted by the management / Parliament defining exceptions to the rules • Controls at the Planning stage to accept or reject proposal/ activity. • Controls at the level of each unit to proposal / activity. • Monitoring controls and Management Information System. • Controls that resources are proportionally spread between units and institutions. • Controls that the activity /proposal has not already been implemented in the past. • Controls that there is time bound proposal. • Quality control/ revision. 	<p>A first “raw” list of all possible risks must be closely examined, sorted and fine-tuned. Several distinctions can be made:</p> <ol style="list-style-type: none"> between the inherent risks and the control risks; between the high-level risks and the more operational or detailed risks; between the significant risks and the other risks. <p>Risks can be grouped by category, by subject, by theme. Risks can also be sorted by different categories: objective, type, impacted area, root-cause, process, activity, etc. or any other criteria selected by the auditor and which is relevant for the audit.</p> <p>Risk formulation = cause + problem + impact</p> <p>Therefore, it should include the following information:</p> <ul style="list-style-type: none"> • what are the main reasons for the problem? • what is the problem? • what are the most important potential consequences? <p>The auditor should now be aware of all the risks relating to the audit area. The risks identified should be closely examined in order to decide on the ones that are key (significant and relevant). These risks must be included in the Risk Analysis table, where their likelihood and impact are assessed.</p>	<p>Category</p> <p>ECONOMY</p> <ul style="list-style-type: none"> • Waste of money • Overpayments • Irregular payment • Gold-plating • Short revenue • Loss of revenue <p>EFFICIENCY</p> <ul style="list-style-type: none"> • Leakages • Non optimal input • Slow implementation of the intervention • Failure to identify and control externalities <p>EFFECTIVENESS</p> <ul style="list-style-type: none"> • Faulty policy design • inadequate assessment of needs, • unclear or incoherent objectives • Management failures • objectives not being met • not prioritising the achievement of objectives. <p>Economy, efficiency and effectiveness are interlinked.</p>	<ul style="list-style-type: none"> • Risk to the legality and regularity of the payments to the staff and overhead costs • Risk of inadequate distribution of resources • Risk of low productivity due to uneven distribution of workload, inadequate management control. • Risk of too much emphasis on quality, due to the lack of clear instructions by management. • Risk of irregular procedures in the selection of vendors and the assignment of jobs due to non-compliance with the rules of the financial regulation. • Risk of insufficient performance • Risk of over - or under- payment
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<p>Step 3: Analyse the risks to assess the risk level</p>	<ul style="list-style-type: none"> • Controls ensuring that tendering procedures are compliant with Financial Regulation. • Calls for tenders ensuring that best value-for-money offers are selected. • Budgetary needs properly forecast and followed up. 	<p>The auditor should determine a level – high, medium or low – of occurrence (likelihood) and seriousness (impact) for each risk using the risk matrix. The overall evaluation is the result of the combination of both elements.</p> <p>Risk = likelihood of occurrence x impact of the event</p>	<p>Controls may include:</p> <ul style="list-style-type: none"> • Internal control systems as a whole, • Financial controls • Segregation of duties, access controls, delegation of authorities • Policies and procedures for monitoring and supervision • Audit and evaluations • Reporting on performance and results • Guidelines, procedures, manuals, standard forms etc. • Training / information campaigns 	<p>-do-</p>
<p>Step 4: Focus on key risks to define the audit questions and scope</p>	<p>Risk assessment analysis</p>	<p>Auditors judgment</p>		<p>-do-</p>
				<ul style="list-style-type: none"> • Do institutions/ unit have adequate procedures avoiding unauthorized and redundant proposals/ schemes/ activities? • Is the distribution of resources between institutions and units adequately organized? • Is the workload evenly spread out over the year? • Do institutions/unit have monitoring procedures to ensure that activities/ schemes are delivered in due time and at the required quality. • Are the selection process and the assignment of jobs legal and equitable?

5.8.3 Risks identified as key risks to the audited area

A risk should be considered as critical, if it:

- endanger or hamper the achievement of entity/policy/programme objectives.
- result in wasting significant amounts of money in the area under study.
- result in infringement of laws and regulations.
- financial significance (impact) resulting in material financial loss.
- put the safety of people or the environment at stake.
- cause serious damage to the stakeholders and institutions.
- in any way seriously affect the image and reputation of the concern as well as nation.
- prevent objectives from being achieved according to the principles of **economy, efficiency and effectiveness**.

5.8.4 Control Risk

5.8.4.1 Economy

The risk that the unit / organisation do not apply the principle of economy because:

- have no adequate mechanism to monitor that the desired outcomes are being achieved at the minimum cost.
- the procedures in place do not ensure that costs are the lowest available.

5.8.4.2 Efficiency

The risk that the programme is not managed efficiently because:

- Not considered and monitored the costs compared with the benefits received.
- Have inadequate procedures to prioritise and select projects to ensure the maximum impact from available funds.
- Not ensured timely implementation of financial and technical cooperation projects and reduction of costs.

5.8.4.3 Effectiveness

The risk that the programme is not effective as:

- There is no mechanism in place to ensure that activities financed are in line with the quantitative financial objective.

- Not set up and properly implemented suitable measures to monitor the impact of the policy.
- Have not carried out an adequate assessment of needs and possible benefits arising from the programme to support the funding decisions.
- Have not set up and properly implemented appropriate mechanism to identify weaknesses and deviation from the objectives.
- The procedures put in place are not appropriate and properly implemented.
- There is an incoherent management.
- Different key performance indicators are used.

5.9 Distribution of duties amongst the members of Audit Party

The Audit Party is supposed to work as a team but for better control and efficient working, distribution of work is made between all the party members on the basis their work experience. For convenience tentative distribution of work is given in Annexure- III.

Annexure-III

Sl. No.	Party Member	Work/duty assigned
1.	Sr. Accounts Officer / Accounts Officer / In-charge of the Internal Audit Party	<ul style="list-style-type: none"> i. Overall supervision of all the members of the audit team ii. Contract management including works contracts (including annual maintenance contracts of buildings etc.) evaluation of bids and awarding of contract etc. iii. Annual accounts, adjustment books and register of Assets and Liabilities (including current) with reference to annual accounts. iv. Review of outstanding paras of Internal /External Inspection \ Audit Reports issued previously. v. Checking of special points entrusted, if any. vi. Other issues of importance incorporated in the scope of audit which cannot be assigned to other party members. vii. Finalisation of audit report and discussing it with concerned Head of the Institution/Unit/Division of ICMR.
2.	Section Officer /Assistant	<ul style="list-style-type: none"> i. Scrutiny of preparation of budget and utilization of the allocation of the funds under different heads including expenditure control system. ii. Purchase of equipments, office stores, stationary etc. including evaluation of bids and awarding of purchase orders etc. and accounting thereof. iii. Records relating to inventory management of stores, stock and stationery and physical verification reports etc. iv. Checking of case of theft of material, accidents, embezzlements/ misappropriation of revenue/store etc. v. Accounts of Imprest and temporary Advances.

		<ul style="list-style-type: none"> vi. Register of appropriations and sanctions. vii. Drafting of final audit report in consultation with In charge and other members of the audit team. viii. Checking on any other points as assigned by the in- charge of the Audit Team/Party.
3.	UDC/ Audit Clerk	<ul style="list-style-type: none"> i. Contingency charges and advances records. ii. Cash book with reference to vouchers for the selected months. iii. Receipt books and accounting of the revenue receipts. iv. Checking of service books and personal files, pay roll ledgers, TA/DA and other allowances paid to staff v. Detailed checking of Log Books and Maintenance Registers of the Vehicles vi. Registers of rents of building and lands including the register for watching recovery and revision of rents. vii. Records of Guest/ Rest Houses. viii. Register of receipt and issue of cheque books. ix. Any other points\ work assigned by the in- charge of the Audit Team\Party.

The above distribution of duties is not in any way to be exhaustive. The In-Charge of the Audit Team/ Party/Inspecting Officer is at liberty to examine any other record/point which may consider necessary and make changes in the entrustment of duties /work to the members of the audit team/party. It should be clearly understood that the distribution of these duties, does not, in any way, diminish the responsibility of the In-Charge of the audit team/party/inspecting officer for the supervision of the inspection as whole.

5.10 Some of the Books of Reference for the audit of:

5.10.1 **Works Audit:** CPWD\State PWD Manual, scheduled rates and instructions issued by CPWD\ State PWD and instructions issued by ICMR Headquarters in this regard.

5.10.2 **Expenditure sanctions:** Delegation of Financial Powers issued by Government of India and orders delegating the powers of the Head of the Institutions/Units of ICMR issued by ICMR Hqrs., General Financial Rules, 2017, Receipts and Payments Rules and other instructions issued by Government of India /ICMR on the subject.

5.10.3 **Purchase of Stores and equipments etc.:** Orders issued by ICMR Hqrs. from time to time, Delegation of powers of the Heads of the Institutions/Units of ICMR, ICMR Procurement Manual, General Financial Rules and instructions issued by Government of India from time to time.

5.10.4 **Staff service matters:** Instructions, rules and regulations issued by ICMR\ Government of India from time to time on the subject such as Fundamental Rules, Supplementary Rules, TA Rules, Pension Rules, GFR and part of it pertaining to advances etc. to Government Servants etc.

5.10.5 Receipts of revenue: Instructions, rules and regulations issued by ICMR\ Government of India from time to time on the subject, Memorandum of Agreement entered with the opposite party for research projects etc. undertaken by the Institutions /units/Divisions of ICMR.

5.11 Review of Records, Process and Systems

- i. The auditor should perform the procedure defined in the Audit Checklists. The internal auditor should examine on test check basis the accuracy and reliability of major internal controls and accuracy of transactions with reference to their conformity with the records and inclusion of all relevant information.
- ii. Instances of ineffective supervision, system failures, should be identified and listed in the shape of various observations.
- iii. After identifying and enlisting the audit observations/findings, the auditor should try to find out the main cause of the observations.
- iv. The identification of root cause will help the auditor to make a recommendation and suggest a corrective action and time plan thereof. The suggested corrective actions for improvement should be cost-effective and amenable to implementation.
- v. The internal auditor should also consider a technique known as CAAT (computer aided audit technique) while reviewing the records, systems, processes of the Institutions/Units/ Divisions of ICMR. The CAATs are efficient and thorough methods of analyzing data to determine the effectiveness and compliance with internal controls.

5.12 Opening meeting to know the activities of the auditee unit

The head of the audit team along with team members should have a meeting with the Head of the Institutions/Units/ Divisions of ICMR to be audit at the beginning of the audit, keeping in view the following main objectives:

- a. To discuss overall audit scope, objectives, and audit duration, etc.
- b. To discuss the overall performance of the Institutions/Units/ Divisions of ICMR and any new activities, systems undertaken, if any, during the period.
- c. To finalize schedule with In-Charge of Auditee Institutions/Units/ Divisions of ICMR before taking up the audit.
- d. To discuss any other point with the In-Charge of Auditee Institutions/Units/ Divisions of ICMR and note their suggestions, and revise his audit program, if considered necessary.
- e. To gather relevant information and various policy and procedure manuals being followed.
- f. To ascertain a brief on various records/reports of CAG auditors, statutory auditors, physical verification report on fixed assets, various MIS, etc.

- g. To obtain brief statistical information of contracts/work awarded during the period of audit.
- h. Understanding of briefs information will facilitate the auditor in chalking out the focused approach.

5.13 Preparation of Audit Checklists

- i. After reviewing the relevant background information, the internal auditor should refer the checklist given in the manual. He should also decide whether some additional checkpoints are required to achieve the audit objectives, in consultation with the Internal Audit Division of ICMR.
- ii. After review of the internal control assessment, the internal auditor should determine the sample size for the audit, after obtaining information about the total population size, including factors such as value, volume etc.

5.14 Fieldwork

- i. The fieldwork is the collection and analysis of information about the process under audit, which enables the formulation of audit conclusions. The internal auditor should determine whether the control identified during the preliminary review is operating properly and in the manner as described by the Institution/Unit/Division of ICMR under audit.
- ii. Fieldwork consists of describing the process flow, breaking down the processes into various sub- processes, assigning risks – high, medium, low – to these processes, evaluating internal controls, and testing the key controls.
- iii. The fieldwork stage should conclude with a list of significant issues/observations. The internal auditor should prepare draft reports based upon the observations, which shall be discussed with the head of the concerned Institution/Unit/Division of ICMR.
- iv. All matter regarding leave, leaving the duty point /tour station, change in program, etc., should invariably be referred to the ICMR Headquarters in time and prior sanction should be obtained.
- v. In case of extreme urgency of private nature, however, In-Charge of Audit Party may leave the duty point / tour station on a holiday in anticipation of the approval of the ICMR Headquarter, which should be applied for at once. In the case of other audit party members intending to leave the duty point /tour station on the holidays, the In-Charge of Audit Party may grant the permission and inform the ICMR Headquarter of his having done so. In-Charge of Audit Party may also grant casual leave not exceeding two days to the other audit party members in case of urgency subject to the approval of the ICMR Headquarter, which should be obtained in due course.

5.15 Working Papers\ key Documents

The auditor documents the work performed in Work-papers. The work-papers serve as the connecting link between the audit assignment, the auditor's fieldwork, and the final report. Work-papers contain the records of planning and preliminary surveys, audit procedures, fieldwork, and other documents relating to the audit. Most importantly, the work-papers document the auditor's conclusions and the reasons those conclusions were reached. The disposition of each audit observation identified during the audit and its related corrective action should be documented on an Observation Form. Work-papers should be completed concurrently as and when a step is completed in the audit. Work paper should be maintained throughout the audit leaving the audit trail. The work-papers provide a basis for evaluating the Internal Audit's quality assurance program and demonstrate the compliance with the Standards for the Professional Practice of Internal Auditing. It is easy to include essential information and form into the work-papers. Work-papers should be clear and understandable. The auditor should keep in mind that other people will examine and refer to the work-papers. The work-papers should not need any supplementary information and should stand alone. The work papers should be self explanatory. It should document all the steps taken by the auditor in a neat and concise manner. Anybody reviewing the work paper subsequently should get the full picture of audit processes undergone and the conclusion reached without resorting to any further queries, calling for information etc. The auditor should conduct a review of the work-papers prior to submission to the appropriate Supervisor to determine whether they are relevant and have a useful purpose, evidence the audit work performed, and sufficiently support the audit findings. In addition, the auditor should ensure the conclusions reached were reasonable and valid. Among other things, work-papers may include:

- planning documents and audit procedures;
- controls questionnaires, flowcharts, checklists and narratives;
- notes and minutes resulting from interviews;
- organizational data, such as charts and job descriptions;
- copies of important documents;
- information about operating and financial policies;
- results of control evaluations;
- letters of confirmation and representation;
- analysis and test of transactions, processes, and account balances;
- results of analytical review procedures;
- audit reports and management responses; and
- audit correspondence that documents the audit conclusions reached.

5.16 Review and Approval

All work-papers should be independently reviewed by the In-Charge of the Audit Team to ensure there is sufficient evidence to support conclusions and all audit objectives have been met. A comprehensive review will be conducted before approving the Internal Draft Audit Report. The Supervisor will:

- o Determine compliance with work-paper guidelines.
- o Review the preliminary survey to ensure that objectives are defined.
- o Review the audit procedures to ensure that they are adequate to accomplish the objectives.
- o Review the referenced work-papers to ensure that they support the procedures performed and all procedures have been completed. Determine that the work-papers adequately document the conclusions reached in the report.
- o Confirm that all observations prepared have been discussed with the appropriate authorities of the Institution /Unit /Division of ICMR and that the disposition of the audit concern is documented.

5.17 Protection and retention of working papers/key documents

Work-papers are the property of the Internal Audit Division and are considered confidential. These papers often contain sensitive information or data must be protected from unauthorized use or review. These papers should be retained by Internal Audit Division till the final settlement of the concerned audit observation.

5.18 Process of Audit work

- i. Immediately after arrival in the Auditee Institutions/Units/Divisions of ICMR, the Internal Audit Party should carry out a casual audit of the expenditure accounts to see and ensure that internal control over the upkeep and maintenance of expenditure accounts exists and the same is maintained strictly in accordance with the instructions laid down for the same in the relevant rules and manuals. The Audit Parties should also check and ensure that the checks prescribed for the supervisory staff/officers of the Institutions/Units/Divisions of ICMR, are being carried out by the supervisory staff/officers meticulously and that the checks being carried out by them is reliable and effective.
- ii. Besides, occasional checking of cash during the visit, actual cash in hand with the cash balances of the Cash Book shall be checked on the 1ST day of the visit of the Audit Party.
- iii. Records/ files/ documents required for scrutiny should be requisitioned by issue of audit memos for requisition of auditable records.
- iv. Each and every important observation on checking of the accounts/records should be pointed out through **Half Margin Memo** and comments of the Head of the Institutions/Units/Divisions of ICMR may be obtained before inclusion in the draft inspection report. However, cases of petty

observation arising in a routine manner and not involving any important aspect or interpretation of rule etc, should not be pointed out through half-margin memos. These should be brought to notice of the In-Charge of the concerned auditee Institutions/Units/Divisions of ICMR.

- v. The Half-Margin Memo should be prepared in duplicate and one copy should be kept for own record.
- vi. The observations made by the Audit Team /Party through Half Margin Memorandum should be scrutinized by the In-Charge of auditee Institutions/Units/Divisions of ICMR and in case the observations are found in order, immediate compliance (latest within two days of receipt of the memos but before the close of the audit) should be made and replied to the Audit Team/ Party with supporting documents, relevant instruction/records for verification. The half margins memos or audit memos asking for any information/data/record etc. should also be disposed-off immediately by furnishing the records/expediting the information asked for. The importance of the half margin should not be assessed on the basis of involvement/non- involvement of the excess payment and all the half margin memos issued by audit team /party should be disposed off immediately.
- vii. Where the observations raised by the Audit Party is not found correct or the amount pointed out is not found recoverable, detailed reply/justifying the reasons and quoting the instructions under which the observations made in the half margin memo is not accepted, should be communicated to the audit party immediately.
- viii. Before the closing day of audit, a list of all the half-margin memos issued during the period of current audit is to be prepared and comments /replies of the Head of the Auditee Institutions/ Units/Divisions of ICMR should be ensured and examined with reference to the connected records. In case non receipt of reply/ comments or receipt of unsatisfactory reply /comments from the Head of the Institutions/Units/Divisions of ICMR , the observations as raised in the half-margin memos shall either be settled on the basis of replies/comments received or incorporated in the draft audit report incorporating the replies / comments received in response to the half-margin memos justifying the retention of the observations despite replies /comments of the Institutions/Units/Divisions of ICMR. However, reply submitted by the Auditee Institutions/Units/Divisions of ICMR before issue of the inspection report, are to be considered and examined by the Internal Audit Division at ICMR Headquarters.
- ix. On the closing day of the audit, the inspecting officer will again discuss with the In-Charge of the Auditee Institutions/Units/Divisions of ICMR on all the important issues, including the general irregularities noticed in the upkeep and maintenance of accounts, if any, suggesting further action to be taken by the office. A note of the discussion held will be prepared and will be signed by both In charge of the Audit Team/Party and the Head of the auditee Institutions/ Units/Divisions of ICMR. The details of the records not produced to the audit shall also be recorded in the Note itself.

- x. All the working papers and other documents/registers /records obtained/ maintained during the audit alongwith draft inspection report should be submitted to the Internal Audit Division at ICMR Headquarters immediately on completion of the audit but not later than three days after completion of audit.
- xi. The draft inspection report will be scrutinized in the Internal Audit Division at ICMR Headquarters with reference to the working papers, documents furnished by the audit party keeping in view the rules, regulations and instructions issued by Government of India/ ICMR from time to time on the relevant subject and submit the same for approval by Sr. Financial Advisor, ICMR.
- xii. The Senior Financial Advisor, ICMR will review the inspection report and where he upholds the view of the Audit party and Internal Audit Division will approve the incorporation of the observation in the final Inspection Report and issue the same to the Head of the concerned Institutions/Units/Divisions of ICMR for taking necessary corrective action.

5.19 Maintenance of Daily Progress Register

Each member including In-Charge of Audit Team /Party should maintain a diary to show the daily work done by them. All members of the party should sign the diary daily. The diary should be maintained in a register duly page numbered before the register is brought to use. Particulars of the work done by each member of the audit party from day to day should be briefly written up in the Register and countersigned by the In charge of the Audit Tem/Party.

5.19.2 For issue of audit memos and half margin memos and receipt of replies thereof, a register should also be maintained by the audit party.

5.20 Register of Special Points: A register of special points shall be maintained in Internal Audit Division at ICMR Headquarters. All the points referred by/to Internal Audit Wing for special investigation by the higher authorities or management shall be entered in this register. Further, the Internal Audit Division shall be responsible to enlist and post all the point for special investigation/checking based on the reports received from field offices, complaints and the circulars/instructions issued by ICMR from time to time in the said register. Separate pages may be allotted keeping in view the gravity of points of investigation and types of points. These points shall be reviewed from time to time and shall be conveyed to the Internal Audit Parties or Special Audit Parties being deputed for audit. The compliance by the audit parties in this regard shall also be watched and reviewed from time to time.

5.21 Auditors Timekeeping: The Internal Audit Division maintains records of usage of time in accordance with the approved plan and policy any variation in the actual time and planned time should be justified and got approved from the competent authority /Sr. Financial Advisor, ICMR. Actual time utilized/spent by audit party should be considered while planning of future audits and evaluating audit staff.

6. Reporting and Follow up

6.1 Reporting Results

6.1.1 A standard audit report should be presented after the audit is completed. Access to the report will be limited to the report distribution list. Suggestive format of the Inspection Report is given in Annexure -IV.

6.1.2 The report is to include the objective(s) and scope of the audit and an opinion, based upon the audit objective(s) and results of the work performed. The report should also list corrective action and the names of management and audit team members.

6.2 Preparation of Report

6.2.1 The auditor is responsible for writing the report and complete check list pertaining to the work and duties entrusted to him /her. The audit inspection report should not be submitted to the concerned In-Charge of the Audit Party for review and finalization without checklist. Finalised inspection report of the audit party duly signed by the in charge of the audit party is to be scrutinized by Internal Audit Division at ICMR Headquarters with reference to working papers /key documents etc. and submitted to the Sr. Financial Advisor, ICMR for review and final approval. Finally approved report is to be issued to the concerned Institution/Unit/Division of ICMR.

6.2.2 In order to carry out internal audit function efficiently, effectively and to submit a report regarding various observations/suggestions, it is essential to ensure that all the relevant information/details have been collected so that the observation/suggestions pointed out in the report can be understood properly. However, before submission of the report, it is very essential to ensure that each and every observation/suggestion/para has been discussed with the In-Charge of auditee office concerned and to maintain a proper record for the same in order to avoid any reverse comment at a later stage.

6.3 Essential Features of an Internal Audit Report

1. **Objectivity:** - The comments and opinions expressed in the report should be as objective and unbiased.
2. **Clarity:** The language used should be simple and straightforward. As far as practicable use of technical terms, phrases and jargon should be avoided.
3. **Accuracy:** The information contained in the report whether quantified or otherwise should be accurate. Where approximation or assumptions have been made the material facts should be clearly stated along with reasons.
4. **Conciseness/Brevity:** Brevity is vital subject, of course, with the condition that important information should not be omitted.
5. **Constructiveness:** Destructive criticism should carefully be avoided in the report. The report should clearly demonstrate that the internal auditor is trying to assist the management in order to discharge his responsibilities effectively.

6. **Readability:** The reader's interest should be captured and retained throughout.
7. **Timelines:** The report should be submitted promptly because if the time lag between the occurrence of an event and its reporting is considerable, the opportunity for taking action may be lost or a wrong decision may be taken in the absence of the information.
8. **Findings and conclusion:** These may be given either department-wise or in the order of importance. All the facts and figures/data pertaining to the situation should be assembled, classified and analysed. Each conclusion and opinion should normally follow the findings.
9. **Recommendations:** In order to enable the management to accept and implement the recommendations, the internal auditor should be able to convince the management that the conclusions are logical and valid and recommendations represent effective and feasible ways of taking action.
10. **Auditee's views:** The auditee's views about audit conclusions or recommendations may also be included in the audit report in appropriate circumstances.
11. **Summary:** In case of long reports a summary of important points, conclusions and recommendations may be given.
12. **Supporting information:** The internal auditor should supplement his report by such documents and data which adequately and convincingly support the conclusions.

6.4 Form of Audit Report

6.4.1 The Audit Inspection Report should be prepared on the prescribed format as given in Annexure-IV. However, format can be changed with the approval of the competent authority. The Audit report has been designed in such a way that all the information on the audit conducted by the Audit Party is reported to headquarter. As such it is desired from the Audit Parties that complete information is furnished in the draft inspection report to be submitted to Internal Audit Division of ICMR Headquarters. Whenever deemed necessary, confidential reports of irregularities of serious and important nature should be sent to the Headquarter addressed to the Senior Financial Advisor, ICMR in the sealed cover.

6.4.2 All the half-margins memos issued during the audit and returned by the Auditee Institution /Unit/ Division of ICMR should be incorporated in the Audit report. The Half margins memos dropped on the basis of reply of the Auditee Institution /Unit/Division of ICMR should not be incorporated in the Audit Report but should be submitted to headquarters for scrutiny and record. The Audit Report of all the half-margin memos of difference of opinion between audit and Auditee Institution /Unit/Division of ICMR should be prepared and submitted to headquarter along with audit report for scrutiny and further action. The Audit Report should be prepared with care so as to avoid further correspondence and decide the issue at the earliest. The observations made by the audit, reply submitted by the Auditee on the observations raised by the audit and the point of disagreement dully supported with facts/instructions should be clearly mentioned/incorporated in the audit report with supporting documents. Points of little or no importance should not be included in the Audit Report.

6.4.2.1 The draft audit observations have to be written from the half margin memos, reply of Auditee Institution /Unit/Division of ICMR and further remarks by the In-charge of Audit Party.

6.4.2.2 A copy of the draft audit observations should be delivered to the In-Charge of Auditee Office and his acknowledgement obtained. Compliance of draft audit observations should be verified and further action viz. dropping of draft audit observation or incorporation of the same in the draft Inspection Audit Report should be taken on the outcome of the reply/verification.

6.4.2.3 The Draft Audit Inspection Report together with all the half margins memos and the acknowledgement referred to in the preceding sub-para should be submitted to the Internal Audit Division at ICMR Headquarter for further disposal. The report should be written neatly in a polite language so as to avoid any offence to the In-Charge of Auditee Institution /Unit/Division of ICMR, the gist of his reply should also be incorporated in it. It should be arranged under suitable headings. The real underlying idea is that the audit inspection reports should be so brief as to involve the minimum amount of additional work on the staff of the Auditee Institution /Unit/Division of ICMR. The report should be written in such a manner as to prove instructive and educative, without any offence to the staff. This aim can be achieved only by the goodwill and mutual co-operation between the auditors and the staff of the Auditee Institution /Unit/Division of ICMR.

6.4.2.4 The efficiency of the Internal Audit party would be judged as much by the improved standard of the audit work done by the audit party in the Auditee Institution /Unit/Division of ICMR. The ultimate aim of every Audit Party should be to educate the Auditee Institution /Unit/Division of ICMR staff in such a manner as to improve the standard of efficiency of their accounts/work to ensure correctness and all in order by the audit party. The In-Charge of Auditee Institution /Unit/Division of ICMR should, therefore, afford every facility to the Audit Parties, in carrying out their work, and full co-operation should be shown to enable them to complete their audit satisfactorily within the time at their disposal.

6.5 Contents of Internal Audit Report

- *Disclaimer:* "This report is for the use of ICMR and its Institution /Unit/Division of ICMR only and should not be distributed outside ICMR without express permission of the Senior Financial Advisor, ICMR."
- The unit name and position titles and names of all audit participants /dealing officers /staff with the different account, payment and other related matters. Audit Participants has been defined as "Key officers /officials participated in the audit process and any other individuals who are responsible for implementing corrective action.
- The complete address, telephone numbers, fax numbers, e-mail address etc. of the auditee Institution /Unit/Division of ICMR.
- The statement that the audit was conducted according to the Internal Audit Manual of ICMR.

- Certificate to the effect that the report is accurate with reference to all statements, facts and figures and references have been made wherever is required.

6.6 Exit Meeting

- i. The audit team should have formal meeting with the head of the auditee Institution /Unit/ Division of ICMR and head of finance to discuss audit observations and findings.
- ii. On discussions, an attempt to sort out the points of disagreement should be made. However, the disputes not sorted out must be reported through a audit report.
- iii. It is recommended that audit team should prepare an exit-meeting note providing the details of discussions held with auditee Institution /Unit/Division of ICMR.

6.7 Action to be taken at ICMR headquarters

- On receipt of the Audit Report from the Audit Party the same shall be scrutinized at the Internal Audit Division at ICMR Headquarter and the report of findings relating to the Institution / Unit/Division of ICMR audited will be finalized on the basis report and other documents furnished by the audit party. The report shall be put up to the Senior Financial Advisor, ICMR duly commented and highlighting the major irregularities/omissions /audit observations duly referenced with key documents /working papers for his/her review and approval.
- In case of persistent irregularities/omissions etc. of serious nature should be brought to the personal notice of the Head of the auditee Institution /Unit/Division of ICMR separately.
- Internal Audit Division of ICMR at Headquarters will have to maintain the Objection Book of all the audit Paras /observations to watch the compliance of the same by the auditee Institution /Unit/Division of ICMR.
- Separate Objection Book in respect of excess/over payments, recovery cases and serious nature irregularities /omissions is to be maintained with details by Internal Audit Division for watching and ensuring the recoveries or otherwise of excess/over payments etc. Vigorous pursuance shall be made to effect recoveries/settlement of the objection /Para.

6.8 Issue of audit inspection report to the auditee

6.8.1 Audit inspection report so finalized shall be issued by the Internal Audit Division of ICMR to the concerned In-charge / Head of the Auditee Institution /Unit/Division of ICMR, asking to set right all the omissions/shortcomings/ irregularities and submit the compliance report within a stipulated period.

Annexure- IV

Suggested format for Preparation of inspection reports

(Inspection Report should be set forth in the following parts)

Part-I (three parts)

Part-I-A:

- (i) Name of the auditee unit with details (with organisagion chart)
- (ii) Details of the responsible officers /officials for accounts/activities
- (iii) Introductory
- (iv) General set up and activities
- (v) Internal checks and supervision, general state of records and observance of the procedure

Part I-B:

- (i) Position of the outstanding previous audit inspection reports.
- (ii) Details of the previous outstanding objections settled during the current audit.
- (iii) Position of maintenance of records and /or their production to audit during previous and current audits.

Part I-C: Details /Schedule of persistent irregularities.

Part –II (three parts-Current Audit)

Section A: Consisting of major irregularities (excess /over payments, serious irregularities/ omissions/ involving money value) require the attention of the higher authorities.

Section B: Consisting of irregularities, which, though not major, are to be brought to the notice of higher authorities.

Section C: (i) Consisting of observations on general conditions of accounts/ activities.
(ii) Remarks about the issue of test draft Inspection Report.

Part III: Test Draft Inspection Report

(containing minor irregularities pointed out /suggested for correcting and shown to next audit)

PART II

Objectives of internal audit and checks to be exercised to achieve such objectives have been described in part I while explaining the kinds of audit, however, this part contains mainly item wise risk factors and audit checks to be exercised by the auditor while undertaking internal audit. Since the cash book of any concern is the main document of the transactions, it has been explained in detail in the subsequent paragraphs.

7.1 Cash book including Bank Transactions

7.1.1 Every office /department etc. is keenly interested in knowing his fund and cash positions at all times, hence, this ledger (cash book) which contains the information pertaining to each and every transactions, is being explained in details. As such cash/bank transactions assume greater importance and a separate book called cash book is maintained to record all cash transactions. Cash book is used for recording the receipts and payments of money in any form such as coins, notes, cheques, postal orders, bank drafts etc.

7.1.2 A special feature which distinguishes cash book from other subsidiary books is that whereas all the other subsidiary books viz. purchase book, sales book, purchases returns book, sales returns book, bills payable book, bills receivable book and journal proper serve as only subsidiary books, the cash book serves both the purposes of a subsidiary book for primary entry of all cash transactions as also the purpose of the principal book of accounts viz. ledger. This is an account of the fact that no separate cash book is opened in ledger and the cash book itself serves the purpose of cash account. It is because of this reason that cash book is often called a subsidiary book and the principal book of accounts.

- Cash book is the book of records of transactions concerning cash receipts and payments.
- It serves the purpose of subsidiary records and ledger.
- It is divided into two parts i.e. Dr. and Cr. (receipts and payments).
- Left side is used to record cash receipts (real account – debit what comes in).
- Right side is used to record payments (real account – credit what goes out).

7.1.3 Types of cash book:

1. Cash book with discount columns.
2. Cash book with bank columns.
3. Cash book with discount and bank columns.
4. Multi columnar cash book.
5. Simple cash book.

7.1.4 In Government Offices/Autonomous Bodies, cash book with bank columns are generally kept.

7.1.5 Cash is directly related with discount receipt and payments both are affected with discount, hence while making entry of discount in simple cash book, one more column for discount is added on each side. This way two columns or double column cash book is maintained.

7.1.6 Discount is an allowance allowed by a trader to his clients either for making prompt payment or for bulk purchases. The former is known as 'cash discount' and the later as 'trade discount'.

7.1.7 Wholesalers allow cash discounts as well as trade discount to the retailers. Cash discount is allowed if payment is made within a fixed period. Net amount after deducting the trade discount is entered in the books of account.

7.1.8 In modern times bank renders a great service to its clients. Its primary function is to deal with the money and credit. Most of the payments are made through banks because payments through the banks are very safe and convenient, hence, cash book with bank columns is maintained. This cash book is called 'three column cash book'. Cash withdrawn from the bank and cash deposited into bank is written in the bank column cash book. Generally withdrawals are less than deposits. But sometimes cash can be withdrawn more if there is prior arrangement with the bank. It is called overdraft. In such cases the total of the credit side of the bank column of cash book will be more than that of the debit side. So on the debit side we shall write 'to balance c/d.'

7.1.9 In this type of cash book there are some transactions which affect the cash balance and bank balance. These transactions are recorded both on the debit and credit sides. Such entries are not posted in the 'ledger'. These are indicated by 'C' and are called contra entries.

7.1.10 Contra transactions increase cash in hand and decrease cash at bank or vice versa. These transactions are:

- (i) Opening Current Account with the bank
- (ii) Depositing money into bank,
- (iii) Depositing a cheque into the bank received previously and
- (iv) Withdrawing money for office use.

7.1.11 Above first three transactions increase cash at bank because in all cases the amount is being deposited into bank. These transactions decrease cash in hand because the amount deposited is taken from cash. The increase in cash at bank has to be shown at the bank column of the cash book on the debit side. It is shown as 'to cash A/C' and the amount is written against the bank column. As the transactions refer to cash in hand, it will be recorded in the cash column also. As cash in hand decreases, it is also shown on the credit sides of the cash book as 'by bank A/C' and the amount will be written in the cash column. The same transaction is recorded on both the debit and credit sides of the cash book and denoted by 'C' which stands for 'Contra' and means 'contrary or opposite'. Thus contra entries are those which are recorded on both the opposite sides of the cash book.

7.1.12 Above fourth transaction i.e. withdrawal of money from bank increases cash in hand and is recorded on the debit side of the cash book as 'to bank A/C'. As transaction will reduce cash at bank, it will also be recorded on credit side of cash book as 'by cash account'. It will be denoted by 'C' on both sides. Thus by indicating 'C' we give a clear hint to the ledger keeper that no posting is required for such entry.

7.1.13 Subsidiary cash book: Cash book is also subdivided into many subsidiary cash books from where the total is taken to the main cash book. Some of the subsidiary cash books are petty cash book for recording petty cash payments, cash book for recording remittances from branches etc. (for recording collection from debtors, payment to creditors and like that).

7.1.14 Petty cash book/ Imprest cash book: When there are many transactions of small amounts and high frequency, a petty cash book is maintained to record the transactions. The imprest is recouped with supporting vouchers.

7.1.15 Maintenance/writing of cash book:

- There are two parts of a cash book.
- Left part is called 'debit' or 'receipt' side and the right part called 'credit' or 'payment' side.
- Both these sides are divided into date, particulars, L.F., amount etc. as per the requirement.
- Cash received and paid is recorded in the cash book.
- When cash is received assets increase and increase in assets is debited in the cash book.
- When cash is paid assets decrease and the decrease is credited in the cash book.
- Rules are the same as that for ledger viz. 'debit' what comes in and 'credit' what goes out.
- After entering all the cash transactions, the cash book is required to be balanced.
- Balance in hand is the amount which is available with the cashier of the organisation.
- For finding out balance, amount columns of 'debit' and 'credit' sides of cash book are totaled up and the difference between two sides represents 'cash in hand'.
- The total of 'debit' side of cash book is always more than that of the 'credit' side. If the organisation has spent the whole amount then both the sides will be equal and there will be no cash balance in hand.
- The balance is shown as 'by balance c/d' on the 'credit' side.
- Amount columns of the 'debit' and 'credit' sides are added up in one straight line and a double line is drawn under the two totals.

- If there are less transactions on one side than the other side, a straight line is drawn in the amount column.
- On the 'debit' side we write the next date and the balance is brought down by writing 'to balance b/d'.
- Cash book should be maintained with care.
- Cutting and overwriting in cash book should be avoided.
- Instead of making corrections/overwriting fresh entry should be made if required.
- Entry in the cash book should be made on the day of occurrence of the event.
- If cheque received is not deposited in the bank on the same day, then the entry on receipt of cheque is 'debit cash and credit party'. When the cheque is deposited in the bank entry will be 'debit bank and credit cash'.
- If cheque is received and deposited on the same date, then it is directly debited to the bank account.
- When cash is drawn from bank 'contra' entry is made in the cash book.
- At the close of the day or week or month the both side should be balanced by showing closing balances.
- Money received as revenue should be deposited in Government account without appropriating to meet departmental expenses.
- Strong chests secured by two locks of different pattern should be kept.
- Details of undisbursed balances of pay and allowances in hand are shown at the close of cash book for each month and don't include transactions which are more than three months old.
- Cash book should be closed and balanced at regular intervals.
- Head of office should verify the totaling of the cash book or get done by some responsible subordinates.
- Head of office should verify the cash book balances and record a signed and dated certificate at the close of each month or first working day of next month. Head of office can delegate power to subordinate Gazetted Officers.
- Private cash such as co-operative dues, insurance premium etc. should not be mixed with Government cash.
- Large cash balances in hand should be avoided.
- Erasures or interpolations should be avoided.

- All the transactions are to be made through Public Finance Management System (PFMS) / Treasury Single Accounts System (TSA)/ Accounting system approved by ICMR.

7.2 Assessment for Audit and check list

- i. After obtaining an understanding in respect of laid down policies and procedures, accounting systems and internal control systems, the internal auditor should make a preliminary assessment of control risk for each activity and class of transactions.
- ii. The preliminary assessment of controlled risk is based on the assumption that controls operate generally as described and they operate effectively throughout the period. There will always be a controlled risk because of inherent limitations of any human weakness.
- iii. Ignorance of risk assessment shall result in wastage of resources, frauds, financial losses to the Auditee unit and unnecessary delays in projects.
- iv. Ensure that all the transactions are made through Public Finance Management System (PFMS) /Treasury Single Accounts System (TSA)/ Accounting system approved by ICMR.

Following are the expected risks and auditor has to scrutinize the items keeping in view these risk factors. However, these are indicative only and not exhaustive.

Sl. No.	Item	Risk	Checks to be exercised
Works contract			
1	Administrative approval of the proposal	Non-compliance of laid down policies and procedures in respect of approval/budgetary provisions resulting in delay in awarding the contract and financial losses due to inflation.	<ol style="list-style-type: none"> 1. Enquire with the process and check that the policy guidelines are in place in respect of sanctions and approvals. 2. Check whether technical and administrative sanctions of the proposal have been obtained from the competent authority as per the DoP. 3. Ascertain whether reasonability is established before award of the contract. 4. Examine that in case of excess of estimates over the annual plan, reasons for variations have been analysed and presented to the approving authority for appraisal. 5. Ascertain in detail the time involved in the whole of the approval process. Highlight the instances of undue delays and enquire the reasons thereof.

Sl. No.	Item	Risk	Checks to be exercised
2	Preparation of estimates and its approval	Preparation of estimates on irrelevant information including preparation of estimates without ensuring complete scope of work.	<ol style="list-style-type: none"> 1. Examine whether administrative and expenditure sanction of the proposal has been obtained from the competent authority as per the Delegation of Powers. 2. Examine whether scope of work and design has been prepared by the technical persons in the concerned field after taking into account all the factors. 3. Enquire about the basis for calculating the estimates – market rates, schedule of rates or previous rates. Verify that the basis taken was adequate and justifiable. 4. If the estimates are prepared on the basis of scheduled rates, ensure the following: <ol style="list-style-type: none"> a . Estimates have been prepared on the basis of updated/latest scheduled rates. If scheduled rates for particular items/ work are not available, adequate loading for differential factors/circumstances have been duly considered and proper analysis of rate for that item has been made and got approved from the competent authority. b . Loading on account of inflation is reasonable and within prevailing rates of the state/market rates etc. c . Estimates have been prepared on the basis of scheduled rates of the same items/scope of work and if scheduled rates for the same scope of work are not available, then adequate adjustments have been carried out and the analysis of rates has been made correctly and justifiably. 5. In case estimates are prepared on the basis of the previous work, purchase, etc., ensure the following:

Sl. No.	Item	Risk	Checks to be exercised
			<p>a . The latest cost/price base should be taken considering the inflation /technology factor if the time gap of works, purchase order is too long. There should be justification for not inviting fresh quotations for obtaining estimates.</p> <p>b . The item specification/make/location of the previous supplies/ contract is similar to current requirements.</p> <p>6. Ensure the reasonableness of the estimates in case any other method was adopted, by considering the facts and circumstances of the case.</p> <p>7. Besides the basis of costing, examine that all the cost parameters such as basic cost, transportation, loading and unloading, duties and taxes, overhead and administrative/incidental expenses etc. have been duly considered.</p> <p>8. Provision for contingencies has been taken as per the normal norms. Approval from the competent authority is required in case there is an element of foreign exchange in the cost. Estimate is free from arithmetical errors and omissions. Reasonable profit margin has been considered in preparation of the estimates.</p> <p>9. Ensure that the estimates have been duly approved by the competent authority as per the Delegation of Financial Powers.</p> <p>10. Also ensure that the expenditure incurred has remained within the prescribed limit and if exceeded revised estimate has been prepared on actual basis and got approved from the competent authority.</p>

Sl. No.	Item	Risk	Checks to be exercised
Tendering Processes			
3	Preliminary study for tenders	<ol style="list-style-type: none"> 1. If the tender documents are not complete in respect of financial, technical and other clauses, it will create confusion with bidders and lead to quoting of irrelevant prices and putting irrelevant terms and conditions. 2. Deposit of statutory dues may not be recovered from the bidder /supplier etc. 3. Imposition of penalty for non-compliance of the provisions of contract, applicable different Acts/ regulations etc. 	<ol style="list-style-type: none"> 1. Ensure that the provisions of General Financial Rules/Works Manual/ICMR guidelines/Instructions issued by Government of India /ICMR on the subject have been followed. 2. Enquire whether written policy/ guidelines/ Notice for inviting tender (NIT) enquiry stating the detailed procedure for fixing the qualification, criteria etc. are followed. The criteria are defined in clear and understandable terms. It should be properly documented. Check that pre-qualification criteria have not been changed/ modified after receipt of tender. 3. Ascertain whether pre-qualification bids have been evaluated on the basis of minimum qualifying criteria stated in NIT documents. 4. Examine whether all parties selected for tendering hold valid licence and applicable registration in respect of Income Tax/ PF/ESI/GST/Sales Tax/VAT /Service Tax/ Works Contract Tax, etc., where it is specifically mentioned in the bid documents. 5. Ascertain whether detailed assessment of their technical/financial capabilities has been done by the bid evaluation committee as per terms and conditions laid down in the bid documents and its report considered by the competent authority. The award of contract has to be made to financially sound and capable parties.

Sl. No.	Item	Risk	Checks to be exercised
4	Circulation of Notice Inviting Tender (NIT)	Restriction on availing of better prices and other terms and conditions due to the limited circulation of NIT and non-updating of the list of approved contractors on a regular basis.	<ol style="list-style-type: none"> 1. Examine whether an approved list of contractors has been drawn up and updated as per the guidelines / procedure in this regard. 2. A summary of the contracts awarded with values, with full classification, should be included in the list, for each of the modes: <ol style="list-style-type: none"> a . open tender, b . limited tender, c . single tender. 3. Analyse and comment on the reasonableness of the justification in single/limited tender cases. Check that no preference has been given in selection of parties. 4. Ensure that proper sanction and approval has been taken from the competent authority as per the Delegation of Financial Powers. 5. Ensure that bid specifications, i.e., description of items/ works, tender number, address for communication, opening and closing dates, Earnest Money Deposit (EMD), etc., are clear, unambiguous and consistent with relevant rules and regulations. 6. Check the NIT-circulation documents and ensure that the tender has been circulated to all the parties which fulfil the pre-qualification criteria. 7. Ensure that adequate time has been given to parties for receiving of tender document and submission of bids. 8. Check that necessary fee (if any) and EMD for tender document has been fixed as per relevant rules. 9. Ensure that there is no change in the tender requirement and if there is some, it is as per the Delegation of Powers.

Sl. No.	Item	Risk	Checks to be exercised
5	Preparation, Vetting and Issuance of Tender Documents	<ol style="list-style-type: none"> Chances of non-incorporation of all relevant financial/ technical clauses in tender document i.e. Performance Guarantee, Earnest Money Deposit, Statutory Provisions, Price Variations, Scope of Work, Issuance of Departmental Material, Compliance of Labour Law and Inspection of Stores etc. Chances of issuance of tender documents without proper vetting by Legal/Finance Wing may lead to dispute with bidders. Chances of issuance of tender documents to parties not fulfilling pre-qualification criteria. 	<p>Ensure that all the conditions as per provisions of different rules, regulations, instructions and guidelines safeguarding the interest of the Institutions /Unit/ Division of ICMR have been incorporated in the NIT documents.</p> <p>Ensure that views and approval of all the concerned divisions/ authorities were obtained before finalization of the documents.</p>
6	Receipt of Tender Bids	Inconsistency in proper constitution of Tender Evaluation Committee (TEC).	<ol style="list-style-type: none"> Ensure that there is a proper system for receipt and recording of tender documents. Check that all the tenders are received within given time frame and ensure that bidders fulfill all the requirements of the tender and those which do not satisfy the criteria are rejected. Verify that the system for the safe custody of bid/offer is well explained.

Sl. No.	Item	Risk	Checks to be exercised
7	Opening of tenders	Chances of opening of tender in the absence of Tender Evaluation Committee (TEC) and non receipt of Earnest Money Deposit (EMD).	<ol style="list-style-type: none"> 1. Ensure that tender is opened in the presence of Tender Evaluation Committee and representative of bidders who wish to be present at the time of tender opening. 2. Ensure that proper recording is done in the tender register immediately after the opening of the tenders. 3. Check and ensure that EMD received on tenders is correct and properly recorded in the register. Waiver off of EMD has been allowed by competent authority as per Rules. 4. Technical bids are opened only for those bidders who have given valid and requisite amount of EMD. 5. In case of bid document are received from less than three bidders, the competent authority should be informed for its decision and are processed further only after following the procedure prescribed in the rules and having approval of competent authority.
8	Evaluation of tenders	Rejection of the lowest bidder without proper justification because of whims and fancies of some officers/officials.	<ol style="list-style-type: none"> 1. Ensure that the composition of the Tender Evaluation Committee (TEC) has been duly approved by the competent authority as per provisions of relevant rulers and ICMR Procurement Manual. 2. Ensure that persons involved in receiving tenders are not included in the TEC while carrying out the process of evaluation. 3. Ensure that related parties such as associated firms/partners have not joined hands by submitting the offer in different names. 4. Check that due weightage has been given to various factors like difference in payment terms, delivery, make of items, etc.

Sl. No.	Item	Risk	Checks to be exercised
			<p>5. Ascertain whether all tendering procedures, like approval of tendering, invitation for bids, requirement of EMD/ bid security, specifying bid-opening dates, maintenance of tender box, minutes of the bid-opening and formation of the TEC have been followed in all cases as per procedure and rules.</p> <p>6. Verify whether the finance wing has given its concurrence.</p> <p>7. Review the recommendations of the TEC and verify the approval of the competent authority.</p>
9	Preparation of Comparative Statement	<p>1. Contract may be awarded at higher rates with an undue favour to the contractor.</p> <p>2. Undue favour to a specific party without any credentials.</p> <p>3. Non-consideration of relevant parameters viz. technical, financial etc</p>	<p>1. Comparative statement has been signed by all the members of the TEC/Committee appointed for evaluation and scrutiny of the financial bids.</p> <p>2. Verify whether the comparative statement showing evaluation of tenders has been drawn up correctly considering all the relevant factors of basic cost, taxes and duties, transportation cost, various discounts, etc.</p> <p>3. Check whether the comparative statement is duly approved by the competent authority.</p> <p>4. Whether rates from Government e-Marketing (GeM) have been obtained and compared wherever relevant.</p> <p>5. Examine the cases where the lowest evaluated commercially and technically responsive tenders have been overlooked and whether the same are justifiable. Highlight cases where the same are not considered reasonably.</p> <p>6. Ensure that cost estimates have been revised considering the prevailing competitive market price not just to match with the cost of the lowest bidders.</p>

Sl. No.	Item	Risk	Checks to be exercised
			<p>7. Ensure that price preference, if any, has been given in accordance with the applicable government directives/policies/guidelines.</p> <p>8. Check the records of negotiations, if held as per guidelines of the CVC and ensure the process adequacy by verifying the following points:</p> <ul style="list-style-type: none"> o Negotiated rates higher than the schedule of rates/market rates have not been allowed. o Negotiations were not held without getting/ensuring the price reasonableness of the price quoted by the party. o Special consideration on high and low rates items, e.g., during negotiations heavy reduction in low rate items as compared to high rate items. <p>9. Check the comparative statement and contract documents and ensure that the contract has been awarded to the lowest bidder and in case of rejection of lowest bidders, approval for re-bidding or for negotiations with the L-2 vendors has been done as per CVC guidelines and approval sought from the competent authority.</p>
10	Awarding of Contract	<p>➤ Absence of compliance of relevant clauses, like Performance Bank Guarantee, Payment Terms and conditions, Liquidated Damages etc. shall lead to ambiguity and result in delay in awarding of the contract.</p> <p>➤ This will also lead to unnecessary litigation with the contractors.</p>	<p>1. Ensure that after finalisation/selection of parties, a final contract has been signed within a reasonable period of time.</p> <p>2. Check that the contract is as per the prescribed format and contains the necessary clauses.</p> <p>3. Check that major contracts are duly vetted by the legal Wing.</p> <p>4. Ensure that a copy of the NIT documents/contract has been signed by the contractor as a token of his acceptance to all the terms and conditions in the contract.</p>

Sl. No.	Item	Risk	Checks to be exercised
			<p>5. Check the terms and conditions of the contract and ensure that any alteration, modification, addition or deletion in the contract terms and conditions has been duly approved by the competent authority.</p> <p>6. Ensure that all the changes agreed to at the time of pre-award discussion between the supplier/ contractor and the TEC and approved by the competent authority have been incorporated suitably in the final agreement.</p> <p>7. Verify performance guarantee as stipulated in the contract has been furnished within the stipulated time through approved modes as prescribed in GFR, 2017/instructions/ guidelines issued by GOI/ICMR.</p> <p>8. In case of Bank Guarantee, post confirmation thereof from the issuing bank branch is obtained.</p> <p>9. Examine whether there has been a delay in processing the award having financial implications.</p> <p>10. Confirm that EMD of all unsuccessful bidders has been returned within a reasonable time of award of the contract. Report the list of unpaid EMD outstanding for more than one year.</p>
11	Advance to awardee Contractor	<ul style="list-style-type: none"> ➤ Furnishing of insufficient security against advance released. ➤ Bills passed at a higher rate without deduction of advances, security deposits, retention money, recovery on account 	<p>1. Review applications for advance payments. Verify whether initial advance, interim advance, mobilisation advances, etc. have been released in accordance with provisions of the contract agreement and have been given with the approval of the competent authority.</p> <p>2. Verify that amount of advances is being adjusted from the subsequent bills/ Running Account (RA) bills.</p>

Sl. No.	Item	Risk	Checks to be exercised
		of additional facilities, viz. accommodation, water and electricity supply, equipment hiring charges and supply of material.	<ol style="list-style-type: none"> 3. Verify the documents submitted by the contractor in support of the advance payment safeguarding the interest of the Institution/Unit/Division of ICMR and ensure that machinery/equipment/material (purchased out of the advance payments) is hypothecated in favour of the Institution/ Unit/ Division of ICMR. 4. Verify that the bank guarantee furnished by the contractor is unconditional, adequate and valid. 5. Verify that the deductions of taxes and duties as applicable have been made. 6. Whether interest has been charged and accounted for as per terms and conditions of the contract agreement. In case of waiver of interest, approval was taken from appropriate authority. 7. Ensure that the transactions/payments are made through Public Finance Management System (PFMS) /Treasury Single Accounts System (TSA)/ Accounting system approved by ICMR.
12	Processing of Bills and release of payments	<ul style="list-style-type: none"> ➤ Release of excess payment to the contractor even in the case of a fixed price contract, consideration of a different price index in his favour. ➤ Attracting penal provisions of tax legislation, that is, payment without making statutory deduction from payment to the contractor. 	<p>Scrutiny the Running Account bills submitted by the contractors for various works/supplies and verify the following:</p> <ol style="list-style-type: none"> 1. The payment due is in line with rates provided in the contract and quantity recorded in the Measurement Book (MB) and approved by the competent authority. 2. Adequate supporting documents, i.e., abstract of MB, test check certificates, etc., are attached along with bills. 3. Ensure that deductions/recoveries have been considered on account of following items:

Sl. No.	Item	Risk	Checks to be exercised
		<ul style="list-style-type: none"> ➤ Release of payment without approval from the competent authority. 	<ul style="list-style-type: none"> o Security deposits/retention money, advance granted; o Material, if any, supplied to the contractor; o Charges recoverable for other facilities such as water, electricity, accommodation, machinery hire charges etc. o Penalty/liquidity damage, early payment rebate, if any, provided for in the contract agreement have been adjusted o Applicable Taxes and duties have been deducted at source. o Examine whether bills are paid as per applicable indices. <ol style="list-style-type: none"> 4. Ensure that no excess payment is allowed in case of fixed price contract 5. In case of delay in completion of work due to fault on the part of the contractor, escalated cost has not been paid. 6. Verify the rates charged as per contract/ agreement and check all the calculations. 7. Examine the works contract register to confirm that the cumulative amount of payments is entered in the register. 8. Ensure that the transactions are made through Public Finance Management System (PFMS) /Treasury Single Accounts System (TSA)/ Accounting system approved by ICMR.
13	Insurance Coverage (work covered with the advance)	<ul style="list-style-type: none"> • Inadequate risk coverage in the insurance policy. • Delay in renewal of the policy. 	<ol style="list-style-type: none"> 1. Obtain the list of major contracts awarded during the period of audit and check that required insurance policy as per rules / instructions issued by ICMR has been taken by the contractor concerned.

Sl. No.	Item	Risk	Checks to be exercised
		<ul style="list-style-type: none"> • All the required policies with relevant clauses to safeguard the interest of the Institution/Unit / Division of ICMR may not be taken by the contractor. • Financial loss due to the inability to protect against the occurrence of any mishap. 	<ol style="list-style-type: none"> 2. Examine the reasonableness of insurance coverage and indemnity bonds furnished by the contractor for material issued to them. 3. Ensure that insurance policy has been taken before starting of construction or erection activities and that they are valid. 4. Verify that necessary endorsement in favour of the Institution/ Unit/ Division of ICMR has been recorded on the policies. 5. Ensure renewal of policy from time to time till the completion of the contract.
14	Material Issued to contractor (if any)	<ul style="list-style-type: none"> • Incorrect monitoring over actual consumption of the material. • No control over generation and handover of scrap. • Non-recovery of material/equipment issue on loan/ returnable basis. • Delay in recovery of material from the contractor 	<ol style="list-style-type: none"> 1. Verify the process of material issuance and ensure the following: <ul style="list-style-type: none"> o Issue of material against the approved and sanctioned indent/requisition; o Issue of material to the authorised representative of the contractor; o Acceptance of the material issue note by the contractor's authorised representative; o Accounting of the issue in the correct party code and for correct quantity, o Adherence to contract's terms and conditions; o Issue of material is commensurate with the requirement (i.e. issue of material in line with consumption). 2. Review the timely recovery of material issued to contractor from every running bill at the rates provided for in contract agreement. 3. Verify that records in respect of consumption of material are updated regularly and abnormal wastage, if any, has been charged to the contractor's account.

Sl. No.	Item	Risk	Checks to be exercised
			<ol style="list-style-type: none"> 4. Physical verification of the material lying with the contractor is carried out at regular intervals. 5. Review the records pertaining to material/equipment issued on loan/returnable basis to the contractor, ensuring the following: <ul style="list-style-type: none"> o That the issue was as per terms and conditions of the contract and on the basis of approval of the competent authority; o That adequate records are being maintained on a regular basis; o That proper steps are being taken for recovery of the material lying with the contractors; o That in case of non-recovery of material/equipment within the stipulated period/extended period, an adjustment has been made in the contractor's account.
15	Material at Site (if any)	<ul style="list-style-type: none"> • Incorrect accounting of material issued to the contractor. • Incorrect monitoring over actual consumption of the material. 	<ol style="list-style-type: none"> 1. Ensure that due care is exercised to the material which is unutilised and lying at the site, and ensure that proper checking is done by the site in-charge. 2. Ensure that a monthly report is prepared regarding unutilised material and it is duly checked by the contract Wing with the records.
16	Monitoring of Progress	<ul style="list-style-type: none"> • Delay in completion of the project and the cost overrun of the project. • Recording of a fictitious date of completion, though work incomplete. • Seeking grant of extension of time by contractor on incorrect grounds. 	<ol style="list-style-type: none"> 1. Verify the Measurement Book(s) maintained ensuring the recording of correct item as per agreement/contract, actual date of execution, duly approved and authorised by the competent authority. 2. Ensure that Measurement Books are updated on regular basis. Any cutting or overwriting should be duly authorised. 3. Obtain the progress reports and ensure that progress is adequately monitored and timely reported.

Sl. No.	Item	Risk	Checks to be exercised
		<ul style="list-style-type: none"> Liquidated damages may not be charged from the contractor as per the terms of the contract. Incorrect recording of entries in MB in respect of measurement details. 	<ol style="list-style-type: none"> Ensure that approval regarding extension of time is granted after taking proper approval from the competent authority and recording of the reasons for the same is made. Check that no undue advantage was given to the contractor and it should be based on the valid reasons and approved by the competent authority.
17	Full and Final payment	<ul style="list-style-type: none"> Full and final payment will be released to the contractor without adjusting various recoveries, viz. material issued, advances given, charges for facilities, hire of equipment/ vehicles, liquidated damages, etc. Financial loss. 	<p>Check the final bills and ascertain:</p> <ol style="list-style-type: none"> Whether material reconciliation statement has been made and recovery of balance material has been made, if any. Performance Guarantee (PG) has been received from the contractors as per the terms of the contract. Whether material/equipment given on returnable basis has either been received back or adjusted against the final payment. Scrutinise contractor's ledger to ensure that amount recoverable, if any, from the contractor has been deducted. Verify that an NOC has also been obtained from the In-Charge of the concerned division/committee (such as Building Monitoring Committee etc.). Verify deduction of taxes and duties under relevant Acts. Verify that security deposit has been released on completion of the contract/ as per terms of the contract, after prior approval of the competent authority. Obtain a list of security deposits pending for payment for more than one year after completion of the contract.

Sl. No.	Item	Risk	Checks to be exercised
			9. Ensure that the transactions/ payments are made through Public Finance Management System (PFMS) /Treasury Single Accounts System (TSA)/ Accounting system approved by ICMR.
18	Bank Guarantee (BG)	<ul style="list-style-type: none"> • Furnishing of Bank Guarantee (BG) for an inadequate amount. • There may be financial risk due to non-recovery of amount from contractor for want of BG • There may be theft/ misplacement of BG in absence of security measures for keeping and maintaining of BG. • Timely non-renewal of BGs being expired 	<ol style="list-style-type: none"> 1. Verify from the records maintained in respect of Bank Guarantees (BG) and ensure that BG has been taken for an adequate amount and period from the contractors as per the terms and conditions of the contract. 2. Check whether a written confirmation in respect of the BG has been obtained from the issuing bank. 3. Ensure that BG was issued as per specified format and showing the terms and conditions in respect of purpose, its validity and invocation. 4. Original BGs are kept in the custody of an authorised official. 5. In case of mobilisation advances/other advances, ensure that these are released only after receipt of a valid BG. 6. Where BG is acceptable in lieu of EMD, ensure that the NIT specifically contains a clause to that effect. 7. The BG should mention the reference number of the NIT, the date of its publication, etc. 8. Ensure that the BG register is renewed on a regular basis and list out the cases of the expired BGs. 9. Ensure that on satisfactory completion of the contract, BG is released after a prior approval of the competent authority. 10. Ensure that action was taken promptly to invoke the BG in case of a default by the contractor with the approval of the competent authority.

Sl. No.	Item	Risk	Checks to be exercised
			11. Identify the cases of renewal of BGs after the prescribed time limit without delay. 12. Timely action is taken to review the BG at least one month before its expiry and ensure that necessary costs are borne by the contractor or the supplier concerned.
19	Insurance of Plant and Machinery (purchased for the work or supplied at site)	<ul style="list-style-type: none"> • Non-adherence to the policy of insurance may result in heavy financial losses on the happening of undesirable events. • Assets have been insured for either inadequate amount covering the relevant risk. • Overpayment/wrong calculation of the insurance premium. • There may be delay in submission of claim to the insurers. • There may be wrong estimation of claims lodged and lack of follow-up. • Financial loss due to faulty claim management. • There may be a lack of clarity in respect of insuring risk amount taking an inadequate risk cover and submission of claims to insurers. 	1. Ensure that relevant insurance policies/ guidelines regarding plant and machinery are available. 2. Check their amount and validity with their respective insurance papers. 3. Determine whether a cost-benefit analysis is carried out for taking an insurance policy for various risks. 4. Obtain a list of uninsured items of Plant & Machinery (P&M) and examine the reasons given thereof. 5. Check that adequate insurance cover is obtained for all items of P&M, keeping in view their replacement values/depreciated values, as per the guidelines. 6. Ensure that quotations were invited from various companies and comparative statement was prepared before finalisation of the policies, considering that all possible discounts were availed. 7. Ensure that an approval from the competent authority has been taken for the purchase of the insurance cover. 8. Ensure that the cover note clearly contains the required details in respect of the amount covered, type of risk covered, validity clause, etc. 9. Ensure that the records for insurance of assets are being maintained properly and on a regular basis.

Sl. No.	Item	Risk	Checks to be exercised
			<p>10. Ensure that the policies are being renewed timely after making a risk assessment.</p> <p>11. Ensure that proper claims are lodged and records are maintained thereof.</p> <p>12. Check the claim records, consisting of claim register and files to ensure the following:</p> <ul style="list-style-type: none"> o The claim has been lodged correctly within a reasonable time after occurrence of the event. o A proper follow-up action has been taken, especially in case of claims pending for a long time. <p>13. Verify that unclaimed amounts/losses are written off as per the guidelines/ delegations.</p> <p>14. Obtain a list of pending insurance claims and seek the reasons for long-pending claims and the follow-up action in that regard.</p>
Procurement of store and equipment			
20	Indent / Purchase Requisition and processes of procurement	<ul style="list-style-type: none"> • Approval of purchase from an incompetent authority is in violation of provisions prescribed in the Delegation of Financial Powers. • Higher procurement cost due to an inadequate system of estimation, lack of objectivity in the estimation and non-consideration of all the cost factors for the same. 	<p>1. Verify that purchase requisitions have been raised, approved and sanctioned by the competent authority as prescribed in GFR, ICMR Procurement Manual and Delegation of Financial Powers.</p> <p>2. Ascertain whether all tendering procedures like approval of tendering, invitation of bids, requirement of EMD/ bid security, specifying bid opening dates, maintenance of tender box, formation of the Tender Evaluation Committee etc. has been followed in all cases.</p> <p>3. Ensure that there is availability of adequate budgetary provisions. In the absence of budgetary provisions, approval of the competent authority has been obtained.</p>

Sl. No.	Item	Risk	Checks to be exercised
		<ul style="list-style-type: none"> Blocking of funds due to procurement of excess material. Procuring on emergency grounds without justifiable reasons and without taking non-availability certificate from the stores. There may be awarding of purchase order to some specific suppliers at a higher rate by giving undue favour. Loss due to non-availing of the advantage of bulk purchases by taking better discounts, concessions on better terms and conditions. Circulation of tender to a limited number of parties, resulting in restrictions on competition and competitive rates. Tender issued to specific parties for giving undue advantage. 	<ol style="list-style-type: none"> Ensure that in the case of purchase requisition involving expenditure in foreign currency, prior approval of the competent authority has been obtained. In case of repeat order, ensure that terms and conditions as prescribed in the ICMR Procurement Manual have been duly complied with. Ensure that the detailed purchase order has been issued in standard format and contains all the relevant terms and conditions, e.g., description, quantity, price, delivery schedule, payment, freight payment, etc. Make sure that any modification/change in any terms in the purchase order has been done only after taking prior approval of the competent authority. Ensure that due concurrence of the Finance Wing has been obtained. In case of purchase order on urgent basis, verify that there is no undue time gap between award of contract and supply of the order. Check that in case of purchase of an item for replacement of an existing asset, proper justification for the replacement, i.e., obsolescence etc. along with the proposed action plan for disposal of the existing asset has been recorded.
21	Vendor Selection	<ul style="list-style-type: none"> There may be selection of parties without assessing their credentials or past performance which may result in financial and other quality-related losses. 	<ol style="list-style-type: none"> Check the nature of the tender and ascertain, adhering to the provisions of the GFR, ICMR Procurement Manual and instructions /guidelines issued by GOI / ICMR from time to time on the matter whether it is: Single Tender, Limited Tender, or Open Tender.

Sl. No.	Item	Risk	Checks to be exercised
		<ul style="list-style-type: none"> • Non-compliance of policies or procedures for evaluation of bids by incompetent authorities, non-constitution of Tender Evaluation Committee (TEC). • There may be a risk of post-tendering negotiations by single person or by incompetent official/ authority in place of TEC. • There may be ignorance on all relevant clauses in the purchases or awarding of the contract like Performance Security Deposit / BG, Period, Termination of Order, Defect Liability, Liquidated Damages etc. • There may be a delay in awarding an order. • There may be a threat to the safeguard of interests of the Institution/Unit / Division of ICMR. 	<ol style="list-style-type: none"> 2. In case of single tender/limited tender, the basis of procurement proposal, where adequate justification for the same like source standardisation, technical suitability, urgency, etc. have been given with reasonable and justified reasons. 3. Verify that the enquiry was issued to competent parties, preferably to GeM, PSU/Government agencies – manufacturers, authorised dealers, etc. – dealing in the same item following the provisions of GFR and ICMR Procurement Manual. 4. Verify that approval on the selected names of the vendors have been obtained from the competent authority. 5. Ensure that no preference has been accorded to any party in the selection process.
22	Annual Rate Contract	<ul style="list-style-type: none"> • There may be lack of system of vendors' standardisation. • Huge wastage of resources due to non-compliance of procurement procedure. 	<ol style="list-style-type: none"> 1. Enquire and ensure that a system of vendor source standardisation is in place and in line with the provisions of the GFR and ICMR Procurement Manual. 2. Check and ensure that annual rate contracts are reviewed at regular intervals.

Sl. No.	Item	Risk	Checks to be exercised
		<ul style="list-style-type: none"> • Possibilities of irregularities in revision of annual contracts. • Finalisation of annual rate contract at higher rate for giving undue favour to specific parties. 	<ol style="list-style-type: none"> 3. Ensure that annual rate contracts have been finalized as per provisions of GFR & ICMR Procurement Manual. 4. Ensure that the annual rate contract/vendor source standardisation has been carried out by the committee constituted for the purpose and as per the provisions of GFR & ICMR Procurement Manual 5. Review the system of quantity estimation and ensure that quantity estimation is in line with the consumption pattern.
23	Monitoring of procurement / purchase orders	<ul style="list-style-type: none"> • In the absence of proper monitoring system of pending orders, there may be a delay in receipts of material required on emergency basis. • Financial loss due to non-charging of penalty on late deliveries. 	<ol style="list-style-type: none"> 1. Review the statement of pending purchase orders/follow-up action at regular intervals. 2. Check the instances of delay in receipt of material. Ensure that penalty for late delivery has been recovered from the supplier or waived off after the approval of the competent authority. 3. Where extension in delivery schedule was granted, ensure that due approval has been obtained from the competent authority. 4. Check if there is any purchase order placed on suppliers that have not been executed by them. Make comment on the follow-up action being taken. 5. Also comment on procurement of the items not supplied by another parties and order was placed to other sources. Details of additional cost incurred and penal action taken against defaulting suppliers.
24	Suppliers' Bills	<ul style="list-style-type: none"> • Release of payment at higher rate/ unauthorised bill passing. • Chances of faulty bill payment. 	<ol style="list-style-type: none"> 1. Examine the supplier's bill with the purchase voucher. 2. Compare the quantity and rates of the bill with the purchase order and the stores receipt voucher/challan. Verify that correct quantity is received and quality is approved after proper inspection.

Sl. No.	Item	Risk	Checks to be exercised
		<ul style="list-style-type: none"> • Delay in payment to suppliers resulting in loss of goodwill and levy of interest/penalties 	<ol style="list-style-type: none"> 3. Examine the supplier's account in the subsidiary ledger and confirm whether advances, if any, have been deducted while making payment. 4. Verify that the date of payment is in accordance with the payment terms in the purchase order. In case payment made is considerably earlier than what is stipulated, this is to be reported in the audit report. 5. In case of shortages, excesses, rejections, etc., verify that deductions have been made from the bill. 6. Where debit/credit notes have been issued for shortage, excesses, rejection, etc., trace them in supplier's account in the subsidiary ledger 7. Check that Liquidity Damage, if any, has been recovered from the party for delivery of materials beyond contractual delivery period etc. 8. Check that rebate has been recovered from the party if applicable for making payment before due date of payment. 9. Review the claim for advance from supplier and refer to the relevant purchase order to confirm the terms regarding advance payable. 10. Match the amount payable with the payment voucher. 11. Confirm that the approval of the competent authority has been obtained on the payment voucher. 12. Ensure that all the payments/transactions are made through Public Finance Management System (PFMS) /Treasury Single Accounts System (TSA)/ Accounting system approved by ICMR.

Sl. No.	Item	Risk	Checks to be exercised
25	Local Purchase	Financial loss due to procurement at uneconomical rates.	<ol style="list-style-type: none"> 1. Ensure that local urgent purchases have been made only in emergency cases. Verify the justification of the same from the concerned authority. 2. Ensure that in case of cash purchases the amount should not exceed the maximum amount prescribed in the Government instructions /GFR /ICMR Procurement Manual/Delegation of Financial Powers and check the relevant bills for rates computation etc. Ensure that a committee has made spot/ local purchase beyond the amount prescribed. 3. Verify the instances of spot/local purchases and ensure that purchases are duly recorded in store records and not directly issued to end-user.
26	Receipt of material	<ul style="list-style-type: none"> • Non-checking of material on receipt for quality, quantity, damaged condition or proper documentation would result in excess/shortages in inventory. • Buying without any real need would result in blocked funds, which could have been better utilised for other essential uses. • Chances of misappropriation of inventory. 	<ol style="list-style-type: none"> 1. Review the material receipt process and ensure that material is checked and recorded at all the locations, viz. security gate, at stores etc. 2. Check that store control registers/stock registers and store requisitions are maintained properly as per GFR/ICMR guidelines and instructions and guidelines issued their-under from time to time. 3. Verify that proper serial number on the store requisition slip and reference in the stock register /records is given. 4. Verify the procedure for receipt of material on test check basis and ensure that all documents like purchase order, gate entry note, invoice and inspection note/report etc. are attached to the store invoice. 5. Check that any deviation from the purchase order is mentioned in the inspection report/note.

Sl. No.	Item	Risk	Checks to be exercised
			<ol style="list-style-type: none"> 6. Ensure that damaged/rejected goods are kept separately and reported to the supplier for taking necessary action. 7. Verify the receipt/consumption certificate in case of direct unloading of material at site of the indenting wing/unit. 8. Ensure that all the items found suitable excluding damaged/rejected items returned are entered in the store stock register/ records with the cost as mentioned in the invoiced/bill of the supplier. 9. Ensure that wherever required an adequate transit insurance cover has been taken. 10. Check the computations of pricing of the returns and verify the basis and confirm it to be in accordance with the pricing of the relevant items. 11. Verify entry into the stock register and priced stores ledger. 12. Confirm that the competent authority has duly approved the relevant vouchers for the above entries. 13. Check and ensure that all goods received have been accounted for and recorded under the correct item code. 14. Report the variations in rates of a particular item purchased on different dates in the period under review. 15. Ensure that there was not over stocking of the goods and store was purchased on requirement basis.
27	Issue of material	<ul style="list-style-type: none"> • Issuing material without authorisation and approval of the competent authority increases the risk of misappropriation of inventory. 	<ol style="list-style-type: none"> 1. Verify that the store requisition slips are authorised by the competent authority of the requesting unit/wing. 2. Verify that over-writing on the store requisition is duly authorised.

Sl. No.	Item	Risk	Checks to be exercised
		<ul style="list-style-type: none"> Irregular recording and accounting of issuances makes 	<ol style="list-style-type: none"> Ensure that bin card/stock register has been updated on every receipt/issue of material and accounted for in correct item code. Proper entries of the requisitioned and issued items have been made in the stock register.
28	Inventory Management	<ul style="list-style-type: none"> Chances of not fixing of inventory levels – minimum, maximum and reorder levels, or of revising the same at the right time. Having /maintaining out of stock positions of critical spares or equipment, and the accumulation of surplus/obsolete inventory at the same time. Inadequate review of slow or non-moving inventory items. 	<ol style="list-style-type: none"> Enquire that inventory level have been fixed viz. minimum, maximum and reorder level considering the lead time of procurement, consumption pattern, etc Enquire that aforesaid inventory levels are reviewed at reasonable intervals. Verify that actual inventory in respect of high value items are not kept in excess of maximum inventory level. Whether list of slow moving/non moving inventory item specially of high value items are being made and submitted to competent authority /Head of the Institution/ Unit/Division of ICMR for taking necessary action. List out the stores items which have been procured on emergency basis but not yet utilised/issued. List out the stores items which have been procured for the specific work/ requirement by the authorities other than the store branch but not yet utilised/issued.
29	Custody and physical control	<ul style="list-style-type: none"> Inadequate care in providing storage space for different kinds of material in accordance with requirement. 	<ol style="list-style-type: none"> Ensure that adequate internal checks and controls are in place and adhered to regularly e.g. no single person is responsible for physical storage, custody, issue and maintenance of bin cards / records etc. Ensure that adequate storage facilities are available with stores and based on the nature, volume, value and criticality of the

Sl. No.	Item	Risk	Checks to be exercised
		<ul style="list-style-type: none"> • Avoidable wastage of time in locating and identifying items while issuing material from stores. • Theft/pilferage/ misappropriation of material. 	<p>items, storage place has been allocated e.g. high value items should be kept under lock and key; heavy materials may be kept near the exit gate etc.</p> <ol style="list-style-type: none"> 3. Check that storage place has been properly marked with identifiable code, numbering, marks etc. 4. Ensure that bin card/stock register clearly shows the receipt, issue and balance and location of inventory and the same should be authenticated with the physical verification on test check basis. 5. Enquire from the processor about the procedure to maintain the stock and ensure that the stores personnel have followed that procedure while handling stock. 6. Ensure that the physical verification of the inventory has been carried out regularly from time to time. 7. Review the physical verification reports and ensure that the reasons for shortages/ excesses have been ascertained and necessary action taken to control such shortages/excesses. 8. Review the procedure for writing off any shortage and ensure that shortages have been written off after taking the approval of the competent authority. 9. Ensure that adequate fire fighting and security arrangements have been made.
30	Disposal of surplus/ obsolete items	<ul style="list-style-type: none"> • Insufficient reporting of surplus/obsolete stock of material to the competent authorities. • Non-disposal /delay in disposal of surplus / obsolete items resulting in financial loss. 	<ul style="list-style-type: none"> ➤ Verify the physical verification report and inventory of the store and ensure that the surplus and obsolete items have been disposed off timely to avoid loss of these items. ➤ Ensure that the items have been declared surplus/obsolete by the competent authority after certified by the technical experts in the field of that store items.

Sl. No.	Item	Risk	Checks to be exercised
			➤ Disposal of such items has been made as per provisions of Delegation of Financial Powers /GFR and instructions/ guidelines issued by Government of India/ ICMR in this regard.
31	Maintenance of stores ledger	<ul style="list-style-type: none"> • No timely reconciliation of stock records with the quantity appearing in the stores ledger. • Lack of control over inventory, misappropriation of inventory, negative balance appearing in the Ledger. • Lack of control over purchases without issuances. • Chances of under/ excess valuation of inventory. 	<ol style="list-style-type: none"> 1. Verify that the stores ledger is prepared and reconciled at periodic intervals with bin cards and the general ledger. 2. Check whether coding of receipts and issues has been done properly. 3. Ensure that the cost of the stores has been mentioned on the basis of bills. 4. Obtain a list of items purchased but not issued. Ensure that there is not surplus stock of items. 5. Report on odd balance quantity without value, value without quantity, and negative balances. 6. Ensure that discrepancies found during physical verification are adjusted after approval of the competent authority.
32	Valuation and Bill Passing	<ul style="list-style-type: none"> • Non-adherence of the Delegation of Financial Powers leading to unauthorised bill passing. • Chances of excess/ duplicate bill payments. • Chances of pre-payment of bills without availing agreed discounts. • Chances of delay in making payment after due date, resulting in levy of penalty and interest. 	<ol style="list-style-type: none"> 1. Verify that receipts of items are valued at landed cost basis including all the related expenses. 2. Verify whether rules and regulations and instructions issued by Government of India/ICMR on the subject has been followed in the valuation process. 3. Ensure that valuation of inventories has been made in accordance with the policies and procedures adopted by ICMR. 4. Bills have been passed after making entries in the stock registers duly authenticated by the competent authority. 5. Ensure that there is no delay in making payment which may result in levy of penalty and interest.

Sl. No.	Item	Risk	Checks to be exercised
		<ul style="list-style-type: none"> Chances of over/under-valuation of stores. 	
Finance and Accounts			
33	Payments and Receipts	<ul style="list-style-type: none"> Absence/non-compliance of policies and procedures of the Government /ICMR may lead to frauds and misappropriations. Payment without an approval from the competent authority. Chances of double payment against the same bill. Payment in contravention of provisions of the Income Tax Act, 1961. No proper system for safe custody of cash. Inadequate insurance cover for cash in hand/transit. Receiving cash without official cash receipt, resulting in incorrect accounting of cash transaction. 	<ol style="list-style-type: none"> Verify the vouchers selected along with supporting documents and ascertain that these have been approved by the competent authority in accordance with the Delegation of Financial Powers/ instructions issued by ICMR. Also ensure that correct head of account has been debited. There is no manual change on the payment voucher. Ascertain reasons if payment in cash exceeds Rs. 5,000/- or prescribed by Government of India/ ICMR in its instructions issued from time to time and report these in the audit report. Ensure that voucher and supporting documents have been stamped "PAID". Verify that the date of the receipt for payment and the date of payment is the same /later than the date of receipt. In case the date of receipt is later than the date of payment mentioned in the payment voucher/cash book, report this in the audit report. Check the entry in the cash book with vouchers for the amount, date and the account debited. Ensure deduction of TDS wherever applicable. Verify that cash payments made on holidays or beyond working hours are supported by the reason for making such payments.

Sl. No.	Item	Risk	Checks to be exercised
			<p>9. Verify that all cash payments are duly stamp-receipted wherever necessary.</p> <p>10. Review the request for imprest and confirm that this has been duly approved by the competent authority prior to the amount of the imprest having been recouped.</p> <p>11. Select the receipts to be audited and ensure that these have been signed by the competent authority.</p> <p>12. Ensure that there is a proper system for issue of official receipt for all cash receipts, which are serially controlled.</p> <p>13. Ensure that cash receipts have been properly accounted for and the same is deposited into the bank on the same/next day of the receipt.</p> <p>14. Verify the nature of receipts and in case of certain items such as sale of scrapped assets etc., ensure that the approval of the competent authority has been obtained.</p> <p>15. Trace the receipt into the cash book and check the date of the receipt and entry. Ensure that the continuity of serial numbers of the receipts is in order.</p> <p>16. Verify the receipts control register to ensure that there are no missing receipt books. A physical count of the receipt books may sometimes be carried out.</p> <p>17. Take physical verification of cash at the beginning of selected dates and note the details there of in the audit working papers. Surprise check is to be made without any prior information or indication to cash section.</p> <p>18. Check that the cash book is written up-to-date. Observe whether cash tally statement is prepared daily with periodical checks by higher official.</p>

Sl. No.	Item	Risk	Checks to be exercised
			<p>19. Check if there is dual control of the safe custody and that the amount being kept in the chest is not abnormally high.</p> <p>20. Check that at the close of month balance is made nil by depositing the surplus cash in the Bank and the balance amount is not retained with sole intension to use the same in the next month.</p> <p>21. Check that the amount received by the Institution/Unit/Division of ICMR as other misc. receipts is not utilized for making payment and the same is deposited in the Bank at the earliest.</p> <p>22. Ensure that the transactions are made through Public Finance Management System (PFMS) /Treasury Single Accounts System (TSA)/ Accounting system approved by ICMR.</p>
34	Bank Transactions	Delay in deposit of cheques in bank and incorrect accounting.	<p>1. Verify that all cheque books have been kept in safe custody under the authorised officials.</p> <p>2. Verify the vouchers along with the supporting documents and ascertain that these have been approved by the competent authority in accordance with the Delegation of Financial Powers / instructions issued by Government of India/ICMR from time to time.</p> <p>3. Ascertain that correct classification of capital and revenue expenditure has been made and debited to the correct head of the account.</p> <p>4. Ensure that the voucher and the supporting documents have been stamped "Paid".</p> <p>5. Verify that the payment has been made by an account payee cheque/ bank transfer and the payee receipt is available.</p>

Sl. No.	Item	Risk	Checks to be exercised
			<ol style="list-style-type: none"> 6. Trace the entry into bank book and tally the amount and account debited with correct account code. 7. Verify the posting from the bank book to the general ledger and the sub-ledger. 8. In case the cheque is outstanding for more than the prescribed period, report this in the audit report. 9. Unpaid cheques for more than prescribed period should be transferred to unpaid cheques account and review this account to see further that cheques outstanding for long period/ beyond the financial year are transferred to misc. receipts account and accounted for accordingly in the annual accounts. 10. In case of issue of a duplicate cheque, ensure that old cheque is received back (in case of time barred cheque) and permission from the competent authority has been taken and instructions were also issued to the bank for stopping the payment of the earlier cheque. 11. Foreign currency payments: <ul style="list-style-type: none"> o In addition to the above checks, verify the exchange rate and calculations for conversion. o Check exchange permit and its endorsement as to the date and rate of remittance and verify the same. 12. Retirement of documents through bank: <ul style="list-style-type: none"> o In addition to the above checks, verify the purchase order as to the terms of payment. o Check the calculation of interest and bank charges, if any, with reference to the terms of the purchase order, verify by whom these are to be borne and ensure that this has been complied with. o Verify the stores receipts voucher with bank documents.

Sl. No.	Item	Risk	Checks to be exercised
			<p>13. Ensure that the receipts have been duly approved by the competent authority.</p> <p>14. Verify the receipts into the bank account and book.</p> <p>15. Verify postings from the bank book into the general ledger and the sub-ledger.</p> <p>16. Check the entry into the cheques receipt register and ensure that cheques are under safe custody until they are promptly deposited with the bank.</p> <p>17. Verify the entry of the cheque into the bank pay-in-slip duly authenticated by received stamp of the bank.</p> <p>18. Verify that cheques are properly checked at the time of receipt for completeness and validity.</p> <p>19. Ensure that post-dated cheques received are properly recorded, kept in safe custody and presented on due dates.</p> <p>20. Bank receipts in Foreign Exchange are routed through separate FCRA bank account operated at ICMR Headquarters and accounted for under appropriate head and also in bank account of the Institution/Unit/Division of ICMR on receipt from ICMR Headquarters.</p> <p>21. Verify the exchange rate and its calculations.</p> <p>22. Ascertain the amount receivable on this account in rupee value and ensure that the difference on account of exchange fluctuation has been accounted for in the exchange rate fluctuation account.</p> <p>23. Ensure that the transactions are made through Public Finance Management System (PFMS) /Treasury Single Accounts System (TSA)/ Accounting system approved by ICMR.</p>

Sl. No.	Item	Risk	Checks to be exercised
35	Cash withdrawals from Bank	<ul style="list-style-type: none"> • Chances of cash withdrawals without an approval from the competent authority. • Chances of withdrawal of cash without requirement and mis-utilisation of cash. 	<ol style="list-style-type: none"> 1. Examine the bank withdrawal voucher and ascertain whether it has been duly authorised by the competent authority. 2. Ensure the proper and appropriate entries are made in the bank and cash book including contra entries. 3. Verify that total cash in hand including cash in transit has not exceeded the sanctioned limit for cash in hand and is within the limit of insurance coverage. 4. Report all cases of withdrawal from bank where the withdrawal was made in excess of requirement and the cash withdrawn was kept in the chest for substantial time without any cogent reasons. 5. Ensure that cash withdrawal is accounted on the same day and adequate custody procedure is followed to keep the cheque issued for cash withdrawal. 6. Ensure that surprise physical verification of the cash has been done by the competent authority from time to time as provided in Receipts and Payment Rules.
36	Bank Reconciliation	Delay in preparation of periodical bank reconciliation statements.	<ol style="list-style-type: none"> 1. Verify that the bank reconciliation for all bank accounts is made from time to time as per schedule. 2. Select the months for which bank reconciliation's are to be checked and obtain the bank reconciliation statements and the corresponding bank statements. 3. From the previous month's bank reconciliation statement, tick the outstanding items which have been cleared during the month under review. 4. Regarding items still outstanding, report inordinate delays in the audit report including inordinate delays in respect of current month's outstanding items. 5. Reasons for differences may be critically examined.

Sl. No.	Item	Risk	Checks to be exercised
37	Journal entries and imprest account	<ul style="list-style-type: none"> • Wrong entries for various provisions and reserves, resulting in wrong presentation of true and fair view of financial disclosures. • Passing of wrong closing entries. 	<ol style="list-style-type: none"> 1. See that all transactions approved by the competent authority are vouched serially numbered and entered in the ledger properly. 2. Ensure that all vouchers are supported by the relevant documents and narrations. 3. Check that the payments made from imprest account are for the purpose for which imprest was sanctioned. 4. Imprest account should be closed as soon as it is required for recoupment but not later than a month. 5. The imprest in any case should be closed at the end of the financial year and the unspent balances be refunded to the main cash book. 6. Check that the imprest accounts are operated by the person to whom the imprest has been sanctioned. 7. Examine the justification for passing the journal entries for making rectification of errors. 8. Verify the accuracy of entries made for various adjustments for expenses/incomes accrued but not received or paid.
38	Fund Transfers to Institutions / Units/Centres/ from ICMR Hqrs.	<ul style="list-style-type: none"> • Delay in adjustment of un-reconciled items/inter-unit fund balances. • Situation of surplus/ idle funds. 	<ol style="list-style-type: none"> 1. Whether funds transferred exceeded the budgeted provisions. 2. Ensure that funds transferred from ICMR Headquarters from time to time are properly and timely accounted for in the records of the Institution/ Unit/ Division of ICMR. 3. Ensure that transfer of additional funds was duly approved by concerned Director/ competent authority. 4. Verify that fund utilisation statements are prepared from time to time on monthly basis for all the units of expenditure.

Sl. No.	Item	Risk	Checks to be exercised
			5. Test check the fund utilisation for a few months and verify that no surplus/idle balance was lying. 6. Check the ICMR/inter unit reconciliation and related bank reconciliation's and confirm that all fund transfers have been accounted for. 7. Obtain the list of long outstanding entries and review the explanation given for the outstanding amounts.
Fixed Assets			
39	Procurement of Fixed Assets	<ul style="list-style-type: none"> • Procurement of fixed assets without approval of the competent authority and without complying with the policies and procedures in this regard. • Assets procured may not be of the required quality/specification. • Capital expenditure may be in excess of sanctioned budget. 	1. Obtain the list of fixed assets purchased during the period of audit. Examine the relevant vouchers and confirm that the amount has been provided for in the capital budget duly approved by the competent authority. 2. Purchases of fixed assets have been duly authorised by the competent authority. 3. If fixed assets have been purchased without any provision in the approved budget, special approval was obtained as per guidelines provided in this regard. 4. Verify the freight, insurance, registration, installation expenses or any directly attributable cost incurred for bringing the assets to its working condition or for its intended use etc. with the relevant vouchers and that these have been included in the cost of assets. 5. Verify the entry into the fixed assets register and ensure that the assets have been correctly classified. 6. Ensure that assets identification has been made and numbered accordingly. 7. For high value assets ascertain whether valid insurance policy exists. In case insurance policy has been lapsed and not renewed, report this in the audit report.

Sl. No.	Item	Risk	Checks to be exercised
			<p>8. Verify that all cost elements for procurement of land have been included in the cost such as purchase price of land, compensation or charges /taxes / levies, legal charges, stamp duty, resettlement/rehabilitation and community development expenses.</p> <p>9. In case of building, verify that its cost includes purchase price/compensation paid for acquisition of building, stamp duty and legal charges, payment to tenant at the time of acquisition, fees paid to architects and amount incurred on repair/ alteration/improvement.</p> <p>10. Where building is purchased alongwith land at a consolidated price the purchase cost shall be bifurcated between land and building.</p> <p>11. Ensure that machinery spare parts/ standby equipments procured, whose use is expected to be irregular, have been capitalised with the main equipments.</p>
40	Capital work in-progress	There are chances that assets may have not been booked under the proper head of account as per nature of the assets.	<p>1. Review the details of capital work in progress and trace out the stage of the work.</p> <p>2. Incidental expenses incurred during the period should also include in capital work in progress.</p> <p>3. Claims for price variation/exchange rate variation in case of contracts are accounted for on acceptance.</p>
41	Incidental expenditure during construction period	Incorrect apportionment of expenditure of overhead during construction period.	<p>1. Ensure that incidental expenditure has been computed accurately and capitalised accordingly. The incidental expenses comprise borrowing cost, exchange rate variation, administrative and other general overheads attributable to assets /capital in progress, etc.</p>

Sl. No.	Item	Risk	Checks to be exercised
			<ol style="list-style-type: none"> 2. In case of construction of a building ensure that all cost relating to construction has been identified and capitalised. 3. Verify that all the incomes, if any, during the construction period i.e. sale of scraps etc. have been adjusted against expenditure during construction period. 4. Check that cost incurred on start up and commissioning of any plant including expenses on trial run have been capitalised.
42	Interest on advanced fund during construction period	There are chances that interest on the advance fund released to the executing agencies and deposited in the joint bank account opened for the work /project has not been accounted for during construction period.	<ol style="list-style-type: none"> 1. Ensure that while calculating interest relevant instructions issued by the ICMR are being followed. 2. Check and ensure that interest for the period on the closing balance from time to time is being accounted for correctly.
43	Accounting and capitalization of fixed assets	<ul style="list-style-type: none"> • Incorrect classification on capitalization of fixed assets and accounting in the wrong Head of Account. • Non-capitalization of all the cost related to fixed assets. • Chances of booking of revenue expenditure as capital expenditure and vice versa 	<ol style="list-style-type: none"> 1. Ensure that acquisition cost of fixed assets have been computed considering the relevant accounting standard issued by ICAI/ICMR/Government of India. 2. Ensure that fixed assets register is being maintained properly as per requirements and is regularly being updated. 3. Check whether fixed asset register shows all necessary details of the asset such as description, numbering, location, date of purchase, cost, depreciation etc. 4. Verify that register is reconciled regularly with the general ledger. 5. Ensure that every movement of fixed assets has been recorded in the register i.e. date of transfer and quantitative details etc.

Sl. No.	Item	Risk	Checks to be exercised
			<p>6. Ensure that any mortgage, if any, against a fixed asset has been properly disclosed in the records.</p> <p>7. In case of revaluation of fixed assets, verify whether it has been disclosed as per Accounting Standard issued by the ICAI/ ICMR.</p>
44	Sale/disposal and transfer of fixed assets	<ul style="list-style-type: none"> • Unauthorized sale of useful assets and that too at non-competitive price. • No proper identification and following up of procedure for sale of obsolete/surplus assets. 	<p>(1) Check that a register for recording scrapped/obsolete assets and sale and disposal thereof is maintained and updated regularly.</p> <p>(2) Proper procedure for declaring the obsolete asset has been followed i.e. taking the views of the technical experts, life of the asset, cost of the repair and maintenance of the asset etc. as per guidelines/ instructions of Government of India/ ICMR/ Delegation of Financial Powers.</p> <p>(3) Net realizable value of assets has been determined as per guidelines issued in this regard.</p> <p>(4) Ensure that disposal of assets have been made as per the Delegation of Financial Powers.</p> <p>(5) Ensure that there is a proper system to identify any impairment of tangible/ intangible assets.</p> <p>(6) Verify that any loss/profit on sale of fixed assets has been properly accounted for.</p> <p>(7) In case of transfer of the asset check the justification and requisition for transfer of assets duly approved by the competent authority.</p> <p>(8) Ensure that transfer order /details prepared by transferor contains all relevant details such as original cost, accumulated depreciation, date</p>

Sl. No.	Item	Risk	Checks to be exercised
			of purchase, date of capitalisation, rate of depreciation etc. to facilitate the transferee for making necessary accounting entry.
45	Depreciation	<ul style="list-style-type: none"> • Charging of depreciation at incorrect rate. • Charging of depreciation after the date of declaration of assets as surplus/obsolete/sold. 	<ol style="list-style-type: none"> 1. Ensure that depreciation is being charged on various assets as per ICMR policies and procedures. 2. Check the method of computation of depreciation and verify entry of provision for accumulated depreciation in the general ledger. 3. In case the historical cost of depreciable assets is changed due to price / prior period adjustments, changes in duties or other factors etc., the depreciation on revised unamortized depreciable amount has been provided over the residual life determined on the basis of the rate of depreciation of the assets. 4. Depreciation should be charged even if fixed assets remain idle during the accounting period under reference. 5. Check that depreciation on assets acquired is provided on proportionate basis from the month in which assets was ready to use. 6. In case of transfer of assets to other units, verify that depreciation is provided for by the transferee unit for the whole year, irrespective of the period for which such asset was actually used by the transferor.
46	Investments	<ul style="list-style-type: none"> • No approval for purchase/sale of investment. • No proper investment policies resulting in improper investment decisions. 	<ol style="list-style-type: none"> 1. Ensure that the investments are made as per the instructions of the Government of India/ ICMR issued from time to time. 2. Investments are made in the name of the Institution /Unit/Division of ICMR.

Sl. No.	Item	Risk	Checks to be exercised
		<ul style="list-style-type: none"> • Lack of safe custody measures for original documents may lead the chances of fraud/misappropriation. • Incorrect accounting of investment/income thereon. 	<ol style="list-style-type: none"> 3. Ensure that the investments are made as per the Delegation of Financial Powers and with proper approval from the competent authority. 4. Check and ensure that a detailed study of risk and returns for various investments is carried out after considering factors like past returns, etc., for determining the line of direction for future investments. 5. Check and ensure that a register is maintained for recording of investments and there is a system of updating the register on a regular basis. 6. Ensure that proper bifurcation of the nature of investments is made regarding short-term/long-term investments, etc., and proper procedure and documentation is followed for the same. 7. Ensure that a physical verification and surprise checks of all the investments has been made by the competent authority from time to time. 8. Ensure that a separate register is being maintained for the income from investments and check that all incomes are booked on accrual basis. 9. Ensure that whenever an investment is sold, proper approval is taken from the competent authority and necessary adjustments are made in the investment register. 10. Ensure that no investment is sold below the acquisition cost without proper justification. 11. Ensure that if the investments are made in shares/mutual funds, a statement is received periodically from the depository and the original certificates are checked on sample basis.

Sl. No.	Item	Risk	Checks to be exercised
			<p>12. In case of deduction of Tax at Source ensure that TDS certificates are obtained monthly or at the end of the year in respect of income earned during the period.</p> <p>13. Income/gains and losses on disposal of investments have been properly recorded.</p>
47	Bill Passing and Payments	<ul style="list-style-type: none"> • Non existence of internal control system for passing of bills. • Release of payment without proper scrutiny i.e. documentary evidence, wrong calculation & non- adjustment of recoverable. • Non-availing of early payment rebate. 	<ol style="list-style-type: none"> 1. Ensure that a proper system exists for bill passing and release of payments to suppliers. 2. Verify the documentary evidence in respect of goods/services received and inspected. 3. Ensure correctness of bill amount with regard to rates charged, allowable discount, TDS etc., adjustment of advance, retention money/other claims. 4. Expenditure was made as per approval of the competent authority and within the budgetary limits. 5. In case the payments are made to suppliers before the due date verify that approval from the competent authority was taken and was as per terms of the contract. 6. Ensure that the transactions are made through Public Finance Management System (PFMS) /Treasury Single Accounts System (TSA)/ Accounting system approved by ICMR.
48	Reconciliation and confirmation of payables	Non-reconciliation of related Account Books	<ol style="list-style-type: none"> 1. Scrutinise the sub-ledger of creditors and report the debit balances/advances outstanding. 2. Check whether some old or disputed bills have been booked just to adjust the long outstanding debit balance / excess payment.

Sl. No.	Item	Risk	Checks to be exercised
			<ol style="list-style-type: none"> 3. Check whether debit balance / advance payment has further been accumulated without adjustment of earlier debit balance / advance payment unreasonably. 4. Obtain the list of payables and creditors showing long outstanding credit balances but not written back till date. 5. Ensure that creditors' accounts are reconciled on regular basis. 6. Ensure that there is a system of obtaining balance confirmation from the creditors at the year-end.
49	Budgeting	<ul style="list-style-type: none"> • Adoption of different basis by various wings/units for preparation of budget resulting in a wrong assessment of fund requirements. • Delay in submission of budget from various wings/ units resulting in late circulation of approved budget and delayed execution of activities. • Incurrence of expenses in excess of budgeted amount. • Finding out/analyses of variances shall not be proper. • Absence of interim monitoring of budget with actuals. • Lack of meeting funds flow requirement. 	<ol style="list-style-type: none"> 1. Ensure that there is a clear policy of ICMR on preparation of the budget with reference to the activities and determining targets of performance of the Institutions /Unit/Division of ICMR. It includes a detailed procedure for budget preparation and compilation, basis of estimation and justification for the budgeted amount. 2. Adequate consideration has been given to representations from concerned wings/ units of the Institution/Unit /Division of ICMR on the budget proposals. It provides yardsticks against which actual performance can be compared with the predetermined targets. 3. It provides a detailed procedure for analysing the deviations, if any. 4. Obtain a copy of the budget for one or two wings/units and verify that the budget lays down the responsibility of each executive and other personnel for making objective assessment of activities. 5. Verify that the basis of estimation used in preparation of the budget by the wing/ unit has been computed as per budgetary guidelines issued by ICMR.

Sl. No.	Item	Risk	Checks to be exercised
			<ol style="list-style-type: none"> 6. Ensure that budget was approved by the competent authority and sent to ICMR Headquarters in time. 7. Review the overall budgetary process and ensure that expenses were made within the constraint of the budget and necessary approval is sought from the competent authority when the amount exceeds the previous budgetary provisions. 8. On the basis of overall budget working report showing variance analysis in respect of actual expenses vis-à-vis budgeted expenses, ensure that these variances have been correctly calculated and analysed with the reason to take an appropriate plan of action.
50	Expenses	<ul style="list-style-type: none"> • Booking of expenses without the approval of the competent authority. • Booking of expenses under wrong heads. • Booking of expenses for a period other than the accounting period under reference. • Chances of wrong allocation of expenses to units/centres. 	<ol style="list-style-type: none"> 1. Check the expenditure on the basis of documents i.e. bills, rent receipts, insurance policies, electricity bills, telephone bills, etc. 2. Ensure that expenses have been booked for the relevant period and at the correct value for the purpose of control of expenditure. 3. Ensure prepaid expenses have been properly booked and year-end provisions for outstanding expenses have also been made on accrual basis as per the accounting policy of the ICMR. 4. All provisions should be based on unaccounted bills and other calculations justifying the amount of provisions. 5. Ensure that amount of all the provisions have been reversed in the beginning of next accounting year. 6. Ask for the explanation if any expense account has negative balance.

Sl. No.	Item	Risk	Checks to be exercised
			<ol style="list-style-type: none"> 7. Ensure that prior period expenses/incomes are identified and booked separately under the head "Prior Period Expenses", if they exceed the limit prescribed by ICMR or Government of India. 8. Examine whether expenses are within the budgetary provisions. 9. Compare the major expense heads with the previous year and make out the detailed analysis in case of large variation. 10. Analyse the trend of expenses and carry out the scrutiny of expenses showing abnormal variations. 11. Verify the office expenses and allocation of the same made by ICMR.
51	Electricity and Water Expense		<ol style="list-style-type: none"> 1. Check whether rebate for timely payment is availed. 2. Ensure that there is a system for passing the electric and water bills on the basis of consumption shown by relevant meters.
52	Rent		<ol style="list-style-type: none"> 1. Verify the amount of rent for the premises with the rent agreement. 2. In case of new premises refer the approval of the competent authority. 3. Check that Tax is deducted at the prescribed rate wherever applicable and TDS is deposited with the concerned Department within the stipulated time
53	Advertisement and Publicity		<ol style="list-style-type: none"> 1. Examine whether an approved list of advertising agencies has been drawn, reviewed and updated at a reasonable interval. 2. Verify that the matter to be advertised had prior approval of the competent authority.

Sl. No.	Item	Risk	Checks to be exercised
			<ol style="list-style-type: none"> 3. Examine whether the bills have been duly sanctioned and approved by the competent authority and contract have been awarded at the best economical rates. 4. Ensure that there is a budgetary provision for the amount
54	Repair and maintenance of vehicles/ equipments	<ul style="list-style-type: none"> • Lack of approval from competent authority resulting in excessive expenditure and mis-utilisation. • No proper system for getting the vehicles / equipments repaired from the out-side parties. • No monitoring and control over running cost of vehicles. • No analysis of heavy expenditure on a particular vehicle/ equipment. 	<ol style="list-style-type: none"> 1. Examine whether records have been maintained with regard to each vehicle/ equipment. Review the history records of each vehicle/equipment and identify and comment on the instances of uneconomical operations with reference to norms. 2. Verify that repairs and maintenance for vehicles/equipments have been undertaken after getting the approval of the competent authority. 3. Ensure that the expenditure is within the Delegated Financial Powers of the approving authority. 4. Check whether records and log books are being maintained in respect of expenses on repairs and maintenance vehicle/ equipment-wise. 5. Any heavy expenditure on particular vehicle/equipment should be reviewed from the economy point of view. 6. Repairs and maintenance jobs are being assigned to outside parties, in case in-house maintenance facilities are not available or inadequate. 7. Ensure that jobs have been assigned to the outside parties after following the prescribed procedure, such as estimate of expenses, quotations from the various parties, etc.

Sl. No.	Item	Risk	Checks to be exercised
55	Disposal of vehicles/equipments	<ul style="list-style-type: none"> • Accumulation of surplus/obsolete vehicles/equipment in absence of proper identification process regarding surplus / old /unserviceable vehicles/equipment resulting in blockage of fund. • Chances of disposal of good and usable vehicles identified on unjustifiable grounds. • Delay in disposal of items. • Disposal of vehicles at lower rates without inviting competitive offers resulting in financial loss. 	<ol style="list-style-type: none"> 1. Review the reasons for declaring the vehicle/ equipment as surplus. 2. Vehicle /equipment have been certified by the concerned technical expert body as surplus /obsolete after completing the life of the same. 3. Review the records including minutes of the committee constituted for examination, evaluation of the disposal proposal of vehicles/equipments as per provisions of Delegation of Financial Powers /GFR and instructions /guidelines issued by Government of India/ICMR from time to time. 4. Proper records are being maintained for surplus/obsolete vehicles/equipments and are being reviewed. 5. The reserve prices of vehicles/equipments have been computed as per guidelines/ instructions in this regard. 6. Ensure that disposal of vehicle/equipment has been made by the procedure prescribed from time to time. 7. Ensure that there was no loss on account of disposal of such vehicles/equipments due to wear and tear of the vehicle/ equipment owing to delay in disposal.
56	Hiring of vehicles/equipments	<ul style="list-style-type: none"> • No approval from competent authority resulting in hiring of excess vehicles. • Non-compliance of tendering procedure in selection of transporters / contractors resulting in selection of incompetent parties even at uneconomical rates. 	<ol style="list-style-type: none"> 1. Verify the current position of vehicles/equipments as per the requirement of the Institute/Unit/Division of ICMR. 2. Check whether the requirement of hiring more vehicles has been determined on the basis of assessment from time to time. Keeping/ hiring of surplus vehicles should be avoided. 3. Check whether the process of hiring additional vehicles/equipments started after obtaining an approval from the competent authority.

Sl. No.	Item	Risk	Checks to be exercised
		<ul style="list-style-type: none"> • The absence of clarity in the terms and conditions of the contract may result in unnecessary disputes with the parties. • Chances of renewal of contract for undue long period without proper approval for extension by the competent authority. • Chances of hiring of vehicles without any contract. 	<ol style="list-style-type: none"> 4. Ascertain whether all tendering procedures like invitation of bid through open/limited tender, formation of tender committee, technical and financial evaluation, etc., have been adopted as per provisions of GFR /Manual of Procurement of Services/ instructions and guidelines issued by Government of India/ICMR from time to time. 5. In case of final contracts, review the following points: <ol style="list-style-type: none"> (a) Contracts were awarded at economical rates. (b) In case of non calling of open tenders, reasons for not inviting open tenders have been quoted on justifiable grounds. (c) Clear terms and conditions safeguarding the interest of the Institution/Unit/ Division of ICMR have been incorporated in the tender and contract documents. (d) Contract agreements are signed and accepted by both the parties. 6. Examine whether estimate has been properly made out and contract has been awarded on the terms and conditions not prejudicial to the interests of the Institution/Unit/Division of ICMR. 7. Ascertain whether the contract has been renewed at periodical intervals and no long term extension has been granted without any valid reason. 8. Vehicles/equipments are checked in respect of their models, condition, past behaviour of the contractor, if renewed, etc, before entering into the contract/ renewing the contract.

Sl. No.	Item	Risk	Checks to be exercised
57	Utilisation of vehicles/equipments	<ul style="list-style-type: none"> • Chances for allotment/ allocation of vehicles without approval of competent authority which may not be as per entitlement of the employees. • Chances of claiming excessive charges in the form of excess kilometers run, hours etc. • Chances of no recovery/ less recovery from the outside parties, if any, using the vehicle i.e. contractor etc. • Non-maintenance of vehicle log/history book on regular basis resulting in mis-utilisation and excessive expenditure. • No control over tracking of expenditure, uneconomical performance of vehicle etc. 	<ol style="list-style-type: none"> 1. Reviews the vehicles/equipments allotment/ allocation registers and ensure that vehicles/ equipments have been allotted on the basis of requisition slips duly authorised by the competent authority and as per the entitlement of the employees. 2. For outstation journeys it may be ensured that it is economical than other means of travel and is with the approval of the competent authority. 3. Verify whether records maintained for vehicles/equipments in respect of running cost are being controlled/monitored. 4. Review the percentage utilisation of vehicles/equipments, indicating cases of under-utilisation, breakdown, lying idle etc. 5. Examine the statements of hire charges on vehicles/equipments let out to contractors on regular/timely basis affecting timely and correct recoveries. 6. Verify whether log books are being maintained properly and updated regularly. 7. Ensure the compliance of various requirements of the agreement. 8. Ensure correct billing of the contractor as per the rates approved and terms and conditions of contract agreement.
58	Miscellaneous Expenses		<ol style="list-style-type: none"> 1. Verify that amount has been duly approved by the competent authority. 2. Examine the nature of expenses and ensure that the same has been correctly charged as per accounting policy of the ICMR.

Sl. No.	Item	Risk	Checks to be exercised
59	Ledger /Sub-ledgers of employees	<ul style="list-style-type: none"> • Wrong recovery against an advance made. • Non-recovery of advances. • Non-recovery of expenses from contractors in respect of rent, electricity, water charges, equipment hire charges, etc. • Risk of long outstanding balances lying unrecovered. • Chances of non-reconciliation of sub-ledgers and general ledger. • Inadequate provisioning for expenses. • Non-scrutiny of various items of expenses for long. • Booking of expenses inconsistently with the stated accounting policies and accounting standards. • Non-scrutiny of expenses from the point of view of disclosure. • Non-adherence of the normal procedure followed for matching revenue with expenses. 	<ol style="list-style-type: none"> 1. Report the detail of all the debit balances in various accounts outstanding for more than six months. 2. Enquire about the credit balances for taking the appropriate steps for their adjustment. Report the detail of all the credit balances in various accounts outstanding for more than six months. 3. Some of the accounts in respect of various loans, advances and recoveries are HBA, conveyance advance, computer advance, multipurpose advance, furniture / household items advance, TA, LTC advance, pay advance, other temporary advance, amount recoverable from employees (salary), amount recoverable from employees (store), amount recoverable from ex-employees, electricity charges recoverable from employees / others etc.

Sl. No.	Item	Risk	Checks to be exercised
60	Ledgers /Sub-ledgers for contractors/suppliers and others	-do-	<ol style="list-style-type: none"> 1. Scrutinise the sub-ledgers in respect of various advances/balances of contractors/suppliers including security deposit, EMD, retention money, deduction on account of performance guarantee etc. and examine whether the balances in the control account in general ledger have been duly reconciled with sub-ledger balances. 2. Review and comment on old balances appearing in sub-ledgers. Report the old outstanding balances (both debit and credit) for more than six months. 3. Verify that recoveries in respect of rent, electricity and water, accommodation charges, machinery hire charges, cost of departmental materials issued on recoverable basis etc. are being made and are being properly accounted for. 4. Ensure that all the deductions, i.e., retention money, EMD, security deposit, etc., are being made and properly accounted for. 5. Some of the accounts in respect of various advances, recoveries etc. relating to the contractors are Mobilisation advances against bank guarantee (BG), machinery / equipment advances, unsecured advances, material issued to contractors, amount recoverable from contractors (works), water and electricity charges recoverable from contractors etc. 6. Some of the accounts in respect of various advances, recoveries etc. relating to the suppliers are Advances to suppliers-revenue, advances to suppliers- capital, amount recoverable from suppliers (purchase), amount recoverable from suppliers (considered doubtful) etc.

Sl. No.	Item	Risk	Checks to be exercised
Salary Section			
61	Preparation of Salary	<ul style="list-style-type: none"> • Chances of non-compliance with the policies and procedures in respect of preparation of salaries and its disbursements. • Chances of non-updating or unauthorised updating of employees' master records. • Incorrect calculation of salaries and statutory/other deductions, other benefits, etc., which may lead to dissatisfaction in the employee and lowering of morale. 	<ol style="list-style-type: none"> 1. Scrutinise the attendance records of a few employees and check the calculation of the number of working days with the payroll including earned leaves, half-pay leaves and leaves without pay. 2. Obtain the list of increments, promotions, etc. and verify whether the same have been incorporated in the payroll on test check basis. 3. In the case of new employees / transferred cases, check with relevant appointment letters/ LPC and personnel records for their rate of pay and the basis of remuneration. 4. If any difference occurs in respect of basic pay, other allowances and deductions, etc. verify the same with personnel section's individual records and ensure that the differences, if any, observed are properly reported in the audit report. 5. List out the salary advances outstanding for more than three months. 6. Scrutinise the loan accounts of employees to check whether the data regarding amount of loans and monthly deductions thereof are being correctly stated and deducted accordingly. 7. Verify that the net amount payable arrived at after effecting recoveries of loans/ advances, interest thereon etc. 8. Ensure that all records relating to attendance, advances, leased accommodation, TDS, NPS, PF, etc. have been updated before processing the salary for the month.

Sl. No.	Item	Risk	Checks to be exercised
			<p>9. Check the journal voucher prepared for the deducted amounts and paid to appropriate authorities in time. The vouchers should also be compared with the payroll. Challans/receipts received for the deducted amounts deposit should also be verified and amounts compared.</p> <p>10. Whenever an employee is relieved on transfer, it is to be ensured that the LPC mentioning the details of the pay, allowances, advances, deductions etc. is issued immediately.</p> <p>11. Verify the negative pay cases and enquire reasons for the same.</p>
62	Salary Disbursement	<ul style="list-style-type: none"> Chances of delay in forwarding salary statements to banks. Chances of non-raising of inter-unit advice in respect of salary of employees, transferred from other units, wherever applicable. 	<p>1. Verify the documents generated in respect of a few employees subsequent to final processing of payroll, such as final pay bill, bank payment voucher and pay slips etc.</p> <p>2. Where salary is disbursed through direct transfer to employees' bank accounts, ensure that employee's bank account particulars are updated from time to time on the occurrence of any event.</p> <p>3. Where salary is disbursed through cheque, proper acquaintance roll / records is maintained for distribution of salary.</p> <p>4. Ensure that the transactions are made through Public Finance Management System (PFMS) /Treasury Single Accounts System (TSA)/ Accounting system approved by ICMR.</p>
63	Payment of Arrears	<ul style="list-style-type: none"> Wrong computation of payment of arrears based upon wage revisions, promotion orders, etc. 	<p>1. Test check the arrear payments based on orders received for revision / promotion etc. Calculate the arrears from the date specified in the order. Ensure that TDS and relief under section 89 (i) of the Income Tax Act has been correctly calculated.</p>

Sl. No.	Item	Risk	Checks to be exercised
		<ul style="list-style-type: none"> Wrong computation of TDS and relief under the Income Tax Act on payment of arrears. 	<ol style="list-style-type: none"> In case of transferred employees, verify the advice /LPC issued by the transferee Unit for the arrear paid to the employee for the period of service rendered in other units.
64	Leave Encashment	<ul style="list-style-type: none"> Chances of payment of non-encashable leaves. Non-updating of earned leave registers on regular basis. 	<ol style="list-style-type: none"> Check whether a well defined leave policy for encashment of leave is in existence. Ensure that the amount of leave encashment has been correctly calculated as per the rules and paid on the basis of orders issued by the competent authority. Verify that the earned leave encashment is made as per instructions and applicable TDS has been recovered. Check that the earned leave register is updated and the leave encashed has been properly entered in it. Compare the leave records with the provision for leave encashment. In case of Civil Central Government employees it is to be ensured that the provisions of Rule 39 of CCS (Leave) Rules and orders /instructions issued thereunder are followed.
65	Payment of advances and recovery	<ul style="list-style-type: none"> Release of advances without the approval of the competent authority. Release of advances to employees without adequate securities / required documents. Release of advances without the settlement of earlier advances. 	<ol style="list-style-type: none"> Some of the advances are House Building Advance (HBA), Computer, Furniture, Conveyance, etc. Ensure that the advances are sanctioned and released as per their entitlement and repaying capacity. The principal amount and the interest accrued have been correctly computed and recovered as per terms of the sanction order. List out the cases where recoveries have not been affected from the due date.

Sl. No.	Item	Risk	Checks to be exercised
		<ul style="list-style-type: none"> Sanction of advances over and above the entitlement / repayment capacity of employees. 	<ol style="list-style-type: none"> Ensure that employee's records for loan sanctioned and repayments are updated on a regular basis. Verify the cases where new advances were given to employees without adjusting the previous outstanding advance in contradiction of rules. In case of transfer of an employee, ensure that a detailed recovery schedule is sent to the transferee unit for the outstanding amount of the advance and interest thereon alongwith LPC.
66	Deductions and their deposit	Wrong deduction / late deposit of statutory and other dues resulting in imposition of penalties and interest.	<ol style="list-style-type: none"> Test check the deductions made from the employees and confirm that these have been correctly computed while preparing payroll and have been duly entered in the concerned records. Ensure that the deductions/ recoveries made against advances are in accordance with the terms of the advances. Ensure that relevant evidence for claiming various deductions under the Income Tax Act have been received, along with his declaration submitted such as rent receipt, saving certificates, certificate for payment of housing loan etc. Ensure that TDS made are deposited within the prescribed time limit and timely returns are filed to avoid the penalty. Verify the payment voucher for the deposit of amount into the bank. In case there is an inordinate delay, reasons for the same are to be obtained and reported in the audit report.
67	Remuneration & other benefits	<ul style="list-style-type: none"> Grant of remuneration/ honorarium without proper sanctions and authority. 	<ol style="list-style-type: none"> Examine detailed justifications for granting of additional remuneration / honorarium and other benefits.

Sl. No.	Item	Risk	Checks to be exercised
		<ul style="list-style-type: none"> • Allowing of remuneration without justification. • Non-making of budget provision. 	<ol style="list-style-type: none"> 2. Ensure that Government of India/ ICMR rules and instructions on the subject are followed in granting such benefits. 3. Analyse monthly trend of expenses and verify the instances of abnormal variations. 4. Compare with previous year's figures and analyse the large variations, if any. 5. In case of wages to the casual labour, ensure that the muster roll for casual labour has been approved by the competent authority and the rates are as approved but not less than the minimum wages fixed by the government.
68	LTC Advance and claim	Non-compliance of policies and procedures.	<ol style="list-style-type: none"> 1. Test check the LTC claims which were duly supported with rail /bus/air tickets, taxi bills etc. and duly sanctioned by the competent authority. 2. LTC rules had been complied with and various criteria, e.g., eligibility as per block year, family members, their age, etc., have been met. 3. LTC advances have been paid as per entitlement of employees prescribed in LTC rules and instructions issued by Government of India /ICMR from time to time. 4. Ensure that the advance against LTC has been refunded, if not utilised within the time prescribed in the rules /instructions. 5. In case of delay in submission of bills or deposit of unspent amount, verify that penal interest has been charged and action taken as per the provisions of LTC rules for the delay period. 6. List out the advances outstanding for more than three months.

Sl. No.	Item	Risk	Checks to be exercised
69	TA advance and claim	<ul style="list-style-type: none"> • Chances of incorrect calculation of entitlement. • Chances of passing of bills without adequate supporting documents. • Release of advance without settlement of earlier advances. • Chances of non-updating of employees' records. • Chances of advance pending for a long period. • Chances of non-returning of unspent money immediately. 	<ol style="list-style-type: none"> 1. Ensure that the tour has been approved by the competent authority. 2. Verify that the tour advance is released on the basis of application duly approved by the competent authority. 3. Where an earlier advance is outstanding, verify whether second advance has been paid on the basis of justified reasons for non adjustment of first advance with the specific approval of the competent authority. 4. Ensure that the quantum of advance has been determined on the basis of duration of trip, rules laid down and instructions issued by Government of India /ICMR from time to time in this regard. 5. Review the tour authorisation and confirm that the tour undertaken by an employee has been authorised in advance. 6. Verify that mode of travel, conveyance, hotel expenses and out-of-pocket expenses claimed by the employee are in accordance with the Travelling Rules of Government of India /ICMR. 7. Check where journey tickets etc. are provided by the Institution/Unit/Division/ICMR, no claim is made in the bills for the tickets. 8. Ensure that the travelling bill has been approved by the competent authority. 9. Ensure that the travelling bill has been submitted within the prescribed time limit from the completion of the tour. 10. Ensure that the advances are refunded immediately in case of cancellation of journey.

Sl. No.	Item	Risk	Checks to be exercised
			<p>11. Verify that penal interest has been charged in case of delay in submission of bills or deposit of unspent amount as per rules and instructions on the subject.</p> <p>12. List out the advances outstanding for more than six months.</p>
70	Medical Facilities: advances and claims	-do-	<p>1. Test check the cases of reimbursement of medical claims.</p> <p>2. In case areas covered under CGHS by ICMR Headquarters, ensure that the treatment, claim and rates are as prescribed under CGHS scheme by Ministry of Health and Family Welfare / ICMR.</p> <p>3. Verify that bills for medical claims have been verified as per entitlement of employees and rules laid down in the Medical Attendant Rule/ CGHS Scheme /instructions issued by Government of India /ICMR from time to time.</p> <p>4. Check that the payment of bills in respect of the employees and their dependants have been authorised by the competent authority.</p> <p>5. Test check the direct payment made to the hospitals on the basis of rates approved by GOI/ICMR.</p> <p>6. List out the advances outstanding for more than six months.</p> <p>7. Tests check the employee's individual details for claim in respect of dependents.</p> <p>8. Ensure that the claims for reimbursement are certified by the concerned doctor and countersigned by the head of the hospital and are supported with detailed documents.</p>

Sl. No.	Item	Risk	Checks to be exercised
71	Retirement benefits etc.	<ul style="list-style-type: none"> • Improper maintenance of service book • Incorrect calculation of qualifying service, leave etc. • Incorrect calculation of pension • Incorrect calculation of other retirement benefits. 	<ol style="list-style-type: none"> 1. Scrutinise the service book and ensure that the same is maintained as per rules and guidelines/instructions issued by GOI/ICMR and is complete in all respect. 2. Calculate qualification service taking into view the provisions of Pension Rules and instructions /orders issued by GOI/ICMR from time to time. 3. Ensure that qualification service has correctly been calculated as the benefits mainly depends upon the qualification service. 4. Ensure that while calculating the retirement benefits such as gratuity, pension, pension commutation, leave encashment etc. are as per the provisions of Pension Rules, Commutation Rules, Pay rules, leave rules and guidelines/ instructions/ orders issued by GOI/ICMR from time to time. 5. Since the benefits depend upon the last pay drawn, it may be ensured that the pay has been regulated and fixed correctly from time to time on the basis of events. 6. It may also be seen and ensured that the pension and other papers of the retiree are processed well in time as prescribed under the rules to avoid delay in payment of the benefits on superannuation.
72	Other income including sale of store etc.	<ul style="list-style-type: none"> • Sale without proper approval of competent authority and on the lower rates. • Not proper recording in accounts 	<ol style="list-style-type: none"> 1. Ensure that other incomes are booked only with source documents, viz., interest income with bank statement, sales income with sales receipts etc. 2. Test check the details of miscellaneous income with the relevant source documents and ensure the correctness and accuracy of the amount booked, income pertaining to current year only etc.

Sl. No.	Item	Risk	Checks to be exercised
			<ul style="list-style-type: none"> • Ensure that the approval from the competent authority is obtained before writing back the provisions/liability not required. • Ensure the correctness of calculation and applicable rates.
73	Audit of Final Accounts	<ul style="list-style-type: none"> • Chances of not representing a true and fair view of assets and liabilities. • Non-compliance of generally accepted accounting principles and accounting standards issued by the Government of India/ICMR/ICAI from time to time. • Chances of adverse qualifications by the auditors. • Chances of over/under-statement of revenue/ expenses/ assets/ liabilities. 	<ol style="list-style-type: none"> 1. Refer for detailed audit checks in part I under kind/ nature of audits. 2. Ensure that the amounts of debits and credits (expenses and income) have been recorded under correct accounting head and there is no error of principal. 3. Ensure that assets and liabilities have been correctly classified. 4. There are no calculation mistakes. 5. Ensure that the generally accepted accounting standards issued by the Government of India, Ministry of Finance through “Common Format of Accounts for the Central Autonomous Bodies” and instructions issued from time to time / ICMR guidelines on the subject are followed in true sense. 6. Ensure that the contingency liability, if any, has been brought on the record.
Manpower Planning			
74	Manpower requirement and recruitment	<ul style="list-style-type: none"> • Chances of wrong assessment of manpower, resulting in over/under-staffing. • Chances of non-adherence of budgetary limits and regulatory guidelines. 	<ol style="list-style-type: none"> 1. Ensure that there is a clearly defined policy of the ICMR in respect of manpower requirement and recruitment. 2. Verify that manpower planning is based upon various factors, like expansion of the activities, upcoming research project requirements, nature of vacancies, retirements of employees during the year, etc.

Sl. No.	Item	Risk	Checks to be exercised
		<ul style="list-style-type: none"> • Recruitment of manpower without approval of competent authority. • Imbalance in manpower requirement will affect the efficiency of the activities. • Chances of less detail in advertisement for inviting applications and limited circulation resulting in incomplete information from the applicants. • In absence of a proper system for collection of applications, there may be a chance of non-receipt/ misplacement of applications. • Selection of candidates not meeting the pre-defined criteria. • Delay in recruitment of employees resulting in adverse effect in the efficiency of research activities. • Chances of short listing the candidates ignoring the pre-determined criteria. 	<ol style="list-style-type: none"> 3. Ensure that a proper sanction is received from the competent authority and all the basic criteria are fulfilled as per the Recruitment Policy and guidelines of ICMR in respect of manpower planning. 4. Check the means of communication used for the advertisement for recruitment having wide reach to the people. Ensure that proper approval has been taken from the competent authority for such advertisement in the media. 5. Check where the posts are not advertised whether other resources for recruitment as prescribed in the rules and regulation have been used. 6. Verify few advertisements on test check basis and ensure that proper details as per pre determined criteria have been given. 7. Enquire whether procedures for collection of application are proper and facilitate to short list the application as per pre defined procedure. 8. Verify that proper record has been maintained for the applications received. 9. Ensure that reasons have been recorded for rejecting the application. 10. Check that the nominated committee for the purpose has scrutinised the applications and selected the short-listed candidates. 11. Check that the selected applications have been verified and approved by the competent authority. 12. In case of selection through written tests, check that various aspects were considered regarding confidentiality in respect of selection of test paper, collection and safe keeping of answer sheets, etc.

Sl. No.	Item	Risk	Checks to be exercised
			<p>13. Ensure the evaluation criteria for test sheets and test check a few test sheets to ensure that the same has been followed.</p> <p>14. Check that the list is free from personal bias and that there is a proper authority, which checks the entire procedure to ensure the accuracy.</p> <p>15. Short listing process is made within reasonable time limit and ensure that result has been declared on the basis of marks secured.</p> <p>16. Candidates are invited for interview as per the final list as approved by the competent authority and call letters have been issued to them.</p> <p>17. Ensure that interviews were conducted by the panel of people from relevant discipline constituted as per instructions.</p> <p>18. Ensure that appointment letters are sent only to the selected candidates as per standard format containing the terms of appointment and monetary benefits duly authorised by the competent authority.</p> <p>19. Check and ensure that there are no unreasonable delays in issuing appointment letters after the selection of candidates.</p>
75	Men in position against sanctioned strength	<ul style="list-style-type: none"> • Recruitment and posting of more staff for the same job than required. • Absence of formal reporting system from units in respect of manpower surplus/ shortage. 	<p>1. Verify whether there is a formal reporting system for existing manpower which clearly shows actual manpower grade-wise deployed at various units.</p> <p>2. Check whether periodic reports are received in respect of employees outsourced or deployed on contractual basis while calculating the actual manpower.</p>

Sl. No.	Item	Risk	Checks to be exercised
		<ul style="list-style-type: none"> • Imbalance in manpower requirement shall affect the efficiency. • Chances of imbalance between higher level and lower level staff. 	<ol style="list-style-type: none"> 3. Ensure that category-wise men in position are within the sanctioned strength and technical & scientific staff has not been diverted to non scientific activities. 4. Check and highlight the cases where shortage/surplus of certain manpower is continuing for a long time affecting the essential activities and ensure that necessary steps are being taken to correct the same. 5. Ensure that excess employees of certain categories not required in one project/ unit are shifted to other projects/units. 6. Ensure that certain categories of technical employees essential for the research projects have not been transferred to other non technical activities suffering the research activities. 7. Check the requisition for casual labour and ensure that these have been sanctioned by the competent authority on the basis of sufficient justification. 8. Check that duplicity in regular staff and outsourced /contractual staff.
76	Attendance	<ul style="list-style-type: none"> • Inaccurate records of attendance resulting in incorrect salary preparation. • Chances of fake attendance or proxy. 	<ol style="list-style-type: none"> 1. Understand the procedure of marking and recording the daily attendance of employees. 2. Ensure that in case of attendance through matrix machine, there exists a sufficient control. 3. Take a dummy card and test the attendance recording and conversion by using it at all the machines installed in the premises. 4. Check the procedure of setting the time on all machines and ensure various security measures exist to avoid any manipulation of time which should be uniform in all the machines and regularly tallied with standard time.

Sl. No.	Item	Risk	Checks to be exercised
			<ol style="list-style-type: none"> 5. Obtain the manual register kept for taking attendance in case an employee fails to mark attendance on matrix machine. 6. Compare the monthly absentee statement with the manual attendance register and ensure that there are no discrepancies.
77	Leave Management	<ul style="list-style-type: none"> • Chances of non-existence of well defined leave policy. • Chances of incorrect recording of leave and that too on irregular basis. • Availing leave without any formal sanction. • Incorrect accounting of leave may result in payment of higher salary or other benefits. 	<ol style="list-style-type: none"> 1. Understand the system of maintaining leave record. Check whether a well-defined leave policy is in existence. 2. Test check the sample leave applications and verify that leaves are sanctioned as per entitlement in accordance with leave rules. 3. Leaves are sanctioned by the competent authority and debited correctly in the employee leave account. 4. Check the attendance sheets containing all types of leaves including leave without pay, the amount of which is to be deducted from the salary. 5. Ensure that leave records are maintained properly and comply with the statutory requirement in this regard. 6. Check that leave records are timely updated. Verify whether the number of leaves as stated in the records in respect of each employee is correct. 7. Check that balance leaves are correctly carried forward to the next period.
78	Pay fixation	<ul style="list-style-type: none"> • Pay scales are not authorised by the competent authority. • Incorrect fixation • Non-compliance of the rules, regulations, policies and procedures for pay fixation. 	<ol style="list-style-type: none"> 1. Understand the procedure of maintenance and updation of employees' master records. 2. Test check few cases of new appointment, promotion, increment in salary and ensure that:

Sl. No.	Item	Risk	Checks to be exercised
		<ul style="list-style-type: none"> Not updating of master records on a regular basis. 	<ul style="list-style-type: none"> Pay fixation order has been issued by the authorised executive and is as per Fundamental Rules (FR) and pay fixation rules notified by Government of India / ICMR from time to time. Pay has been fixed /regulated in accordance with the promotion, recruitment etc. orders issued by the competent authority. Option for fixation of the pay in case of promotion has been obtained within the prescribed period and accordingly Pay has been fixed. Records for pay fixation and employees detail are updated from time to time. In case of increment, date is fixed as per option exercised by the employee and pay fixation rules. Ensure that the right to access the employees' master record is available only with authorized executives. In case of computerized records, appropriate back up procedure exists.
Legal			
79	Empanelment of Lawyers	<ul style="list-style-type: none"> Selection of incompetent lawyers due to non-adherence of the provisions of rules/ instructions/ orders issued by Government of India /ICMR from time to time in this regard. Chances of empanelment of large number of lawyers. 	<p>Verify the empanelment process of the lawyers and ensure the followings:</p> <ol style="list-style-type: none"> Criteria of minimum qualification and field of specialization/experience has been kept in view. Empanelled number of advocates is as per requirement. Provision of the instructions /orders issued by Government of India/ICMR from time to time and delegation of powers has been kept in view while empanelment.

Sl. No.	Item	Risk	Checks to be exercised
		<ul style="list-style-type: none"> • Non-empanelment of lawyers from the panel prepared by Government of India / ICMR. • Regular updation of empanelment not done. 	
80	Fixation of Fees	<ul style="list-style-type: none"> • Fixation of fees without considering the relevant factors i.e. prevailing rates, experience of lawyers, specialisation and ignoring the instructions of ICMR etc. • Fixation of fee structure on the higher side. • Payment of incidental expenditure i.e. boarding and lodging, travelling expenses, office expenses etc. in excess of the limit fixed in this regard. 	<p>Review the fee fixation criteria and ensure the following:</p> <ol style="list-style-type: none"> a . Various factors such as seniority and expertise of lawyers, market standing of lawyer, prevailing rates have been considered. b . Fixation has been made on the basis of rates fixed by Government of India / ICMR from time to time. c . Other expenses have also been fixed keeping in view the nature of work and rates fixed by ICMR from time to time. d . Entitlement for expenses on boarding and lodging, travelling etc., if any, has been determined and specified in agreement.
81	Control of legal expenditure	<ul style="list-style-type: none"> • No monitoring over legal expenditure, direct as well as indirect, incurred on various cases. • Non-submission of detail of expenses to appropriate authority for appraisal and review. 	<ol style="list-style-type: none"> 1. Verify whether details of expenditure incurred on various cases are prepared and submitted to appropriate authority. 2. Verify that expenditure incurred on cases are monitored and controlled as far as possible. 3. Whether expenditure control register is maintained showing the sanctioned amount and actual expenditure etc. and reviewed from time to time by the competent authority.
			<ul style="list-style-type: none"> • Non-empanelment of lawyers from the panel prepared by Government of India / ICMR.

Sl. No.	Item	Risk	Checks to be exercised
82	Own accommodation and their allotment	<ul style="list-style-type: none"> • Lack of proper guidelines for allotment of premises may result in out of turn allotment/ allotment to person not entitled. • Non-maintenance of records on a regular basis leading to incorrect recovery of various charges. • Unauthorised occupation of accommodation after the expiry of allotment period. • Chances of no agreement with outside parties for allotment of premises. 	<ol style="list-style-type: none"> 1. Ensure that there is policy, procedure and rules for allotment of owned accommodations approved by the competent authority /ICMR and the same have been followed in every case of allotment. 2. Examine the applications for allotment of houses and ensure that employees' particulars have been verified by the concerned department. 3. Ensure that allotment, occupancy, licence fee recovery etc. registers are being properly maintained and updated. 4. Ensure that houses have been allotted on the basis of recommendations of the committee constituted for allotment of residential accommodation. 5. The allotment has been made after approval of the competent authority on the recommendations of the committee. 6. Check the basis of allotment of houses and ensure that allotments have been made as per the pre-defined criteria e.g. entitlement, seniority of employee, etc. 7. Ensure that in cases allotment of house is made to contractors, other persons not entitled for allotment, approval from the competent authority has been obtained. Also ensure that in such cases of allotment, rules and guidelines have been followed. 8. Check a few entries in the occupancy register and ensure that these are as per the terms and conditions given in the allotment letter. 9. Verify that agreements have been entered into with all the other persons (other than employees) allotted accommodations and register of agreement has been maintained besides occupancy register.

Sl. No.	Item	Risk	Checks to be exercised
			<p>10. Verify the entries in the register of agreement and ensure that terms of agreement have not been expired and in case date has been expired and the premises has not yet been vacated, then investigate the reason of non-vacation of the premises or the renewal of agreement.</p> <p>11. Review the allotment register and ensure that accommodation has been allotted to the eligible persons only and no unauthorised allotment has been made.</p>
83	Recoveries of licence fee/ rent	<ul style="list-style-type: none"> • Incorrect fixation of rates of licence fee / rent and other charges. • Non /Incorrect recovery of various charges against the laid down rules and terms and conditions of allotment/ agreement • Improper maintenance of licence fee /rent registers /records. • Periodical statement of outstanding recoveries is not made and follow up action not taken with the approval of the competent authority. 	<ol style="list-style-type: none"> 1. Ensure that the rates of services etc. are correctly fixed taking into account all the factors and direct as well as indirect costs. 2. Verify that rent, electricity, water and other charges are being recovered on the basis of rules/rates specified in the instructions / guidelines issued by Government of India /ICMR from time to time. 3. Ensure that proper recovery registers / records are being maintained and recoveries entered regularly. 4. Ensure that proper records are being maintained for taking meter readings in respect of water, electricity etc. consumed. 5. Ensure that a statement of outstanding recoveries is prepared on a periodic basis and an appropriate action has been taken for recovery of charges. 6. Ensure that charges for rent, electricity, water and other charges are being recovered from contractors/commercial premises as per rates stipulated in the contract/agreement. 7. Ensure that in case recovery of such charges is made in the form of deduction from the contractor's bills, the recovery should be from the running bills/final bills as per the terms and conditions of the contract.

Sl. No.	Item	Risk	Checks to be exercised
			8. Ensure that regular recoveries are being made from the employees of the Institute/ Unit/Division of ICMR from their monthly salary bills and accounted for accordingly.
84	Vacation of accommodations	<ul style="list-style-type: none"> • Chances of not verifying the premises at the time of vacation resulting in misuse of fittings and furnishing at the premises. • No dues certificate is issued without verifying the records. • Records are not updated after vacation. 	<ol style="list-style-type: none"> 1. Verify the case of vacation of houses and premises by employees and outsiders with the vacation orders and ensure that fittings etc. have been duly verified by the office concerned. 2. Verify the recoveries in case of shortage/ breakage etc. 3. Verify that all the recoveries in all cases of vacation have been effected before issuing vacation orders. 4. Ensure that vacation orders are sent to the accounts and concerned department immediately for updation of their records. 5. Check whether the accommodation / houses are being vacated timely. Report the cases where the vacation date has been expired or the employee has been transferred but the house has not yet been vacated and ensure the justification for not vacating the accommodation/house.
85	Guest Houses/ Transit Hostels /Transit Camps	<ul style="list-style-type: none"> • Chances of non maintenance of various records. • Misuse of guest house facilities for want of follow up or guidelines for allotment of guest house. • No proper record of assets may result in transfer of assets without approval. • No periodic physical verification of assets. 	<ol style="list-style-type: none"> 1. Check whether the occupancy, non-consumable, consumable etc. registers / records are being maintained properly in the guest house. 2. Ensure that all entries in the guest house register are properly filled in and no unauthorised alteration is being made. 3. Ensure that allotment of guest house facility has been provided only to the guests entitled for availing it and as per approval of the competent authority. 4. Allotment of the accommodation etc. is made as per the instructions /guidelines/ rules and regulations issued by ICMR from time to time.

Sl. No.	Item	Risk	Checks to be exercised
		<ul style="list-style-type: none"> Wastage and misuse of eatables/ consumables. 	<ol style="list-style-type: none"> Verify the charges recovered from the guests as entered in the register with cash receipt from the employees and outsiders and ensure that the same are in conformity of the rules. Check that the amount of rent and other charges collected from the guests are being deposited to the DDO on weekly/monthly basis as per instructions/ guidelines of ICMR. Compare the actual expenditure and income of the guest house with that of earlier year and note the deviations. Check and verify the assets register maintained by the guest house In-Charge with reference to the purchases, inventory of fixed assets and entries in the annual accounts. In case of stay of guest beyond the permissible period ensure that prior approval of competent authority has been taken.
86	Leased Accommodation	Not updating of lease records/contracts	<ol style="list-style-type: none"> Ensure that lease records/contracts are updated as per lease agreements/ amendments during the year. In case of leased accommodation allotted to the employees verify records to ensure that the approval of the competent authority has been obtained before leasing the accommodation to the employees and proper records of recovery of rent etc. has been maintained. Examine the lease deeds of the rented accommodation and ensure the interests of the Institution/ Unit/ Division of ICMR have been safeguarded. Ensure that the system is working properly regarding timely renewal of lease deeds before the due date.

Sl. No.	Item	Risk	Checks to be exercised
			5. Ensure that all the documents required for lease deed are complete and are duly vetted by the legal cell.
Consultancy Services			
87	Cost assessment and price fixation	<ul style="list-style-type: none"> • Absence of adequate policy guidelines for computing the remuneration/ assignment cost may result in under/ over valuation of assignment. • Resource requirement may have been determined without considering detailed scope of work, required skill set etc. • There may be chances of wrong calculation of remunerations/ total costs. • Non-approval of assignment costing and pricing from the competent authority as prescribed in Delegation of Financial Powers. • Inadequate system of pricing may also lead to losing of assignment due to non-competitiveness. • Financial loss due to the deployment of excessive staff/ resources. 	<ul style="list-style-type: none"> ➤ Examine whether provisions of General Financial Rules/ Manual for Engagement of Consultancy Services/ICMR Procurement Manual and instructions / Guidelines issued by Government of India/ ICMR from time to time were followed while engaging for consultants firms / individuals. ➤ Examine request for consultancy services including appointment of consultants and ensure that this has been authorised by the competent authority. ➤ Review the terms of reference and verify the determination of resource requirement by considering the detailed scope of work, suitable person/firm with the requisite experience duly approved by the competent authority. ➤ Verify the manpower costing after considering all the relevant cost factors viz. basic pay, perquisites and reimbursement allowed to employees, etc. as also the approval of the competent authority for the manpower costing. ➤ In case of job costing examine all the cost factors including direct, indirect costs etc. ➤ Examine the system for review/revision of manpower rates at a reasonable interval. ➤ Ensure that the cost sheet was made after considering all the cost items i.e. manpower, overheads, hiring of outside resources etc. ➤ Check that the overall costing of the proposal has been approved by the competent authority.

Sl. No.	Item	Risk	Checks to be exercised
			<ul style="list-style-type: none"> ➤ Ensure that the costing and pricing of the assignment has been duly concurred by the Finance Wing. ➤ Check whether the legal wing has duly vetted the contract.
88	Execution of Research Projects	<ul style="list-style-type: none"> • Absence of adequate policy guidelines for computing the cost of the research project resulting in under estimation of the assigned project. • Resource requirement may have been determined without considering detailed scope of work, required skill etc. • There may be chances of wrong calculation of total costs. • Non-approval of assignment from the competent authority. • Inadequate system of pricing and costing may lead to losing of assignment. • Delay in execution of project may result in non-receipt of payment and levy of penalty. 	<ul style="list-style-type: none"> ➤ Review the terms of reference and verify the determination of resource requirement by considering the detailed scope of work, suitable scientific, technical and other persons with the requisite experience duly approved by the competent authority. ➤ Verify the manpower costing after considering the nature and all the relevant cost factors viz. basic pay, perquisites and reimbursement allowed to employees, etc. ➤ Examine that all the costs including overhead/ departmental charges, direct, indirect etc. are included in the estimates. ➤ Ensure that the overhead /departmental charges are as per the guidelines of ICMR and instructions issued by it from time to time. ➤ Check whether the estimates were finalized with the concurrence of the finance wing. ➤ Ensure that the resources have been deployed as per the estimates. Identify the cases where excess resources have been deployed and the reasons for the same. ➤ Verify that the resources have been timely deployed and the assignment has been taken up as per the schedule. ➤ Check whether resources deployed in various assignments are reasonable in terms of number, skill and experience and in accordance with the requirements submitted to the sponsoring agency.

Sl. No.	Item	Risk	Checks to be exercised
		<ul style="list-style-type: none"> • Chances of deployment of incompetent manpower resulting in negative effect on goodwill of the Institution /Unit/ Division of ICMR. • Chances of inadequate monitoring system on regular basis. 	<ul style="list-style-type: none"> ➤ Ensure that actual deployment of resources has been regularly monitored and modifications are made accordingly with the approval of the sponsoring agency. ➤ See the correspondence file/records and ensure that all the matters/queries have been duly taken up/replied/sorted out with the sponsoring agency. ➤ Review the progress of the assignment against the predetermined schedule, adequate action plans for timely completion of the project have been chalked out. ➤ Ensure that the expenditure incurred on the project is in accordance with the terms and conditions agreed with the sponsoring agency. ➤ The fund received from the sponsoring agency from time to time is accounted for in a separate account records and monitored properly.
IT and Communication			
89	Software Development Process	<ul style="list-style-type: none"> • In the absence of adequate system for assessing and analyzing needs of computerization including development of software either by in house technical staff or by outside agencies, there is a chance of inadequate computerized system resulting into wastage of resources. 	<ol style="list-style-type: none"> 1. Examine whether there are some instructions/guidelines from ICMR Headquarters in this regard. 2. Review the plan and budget in respect of software development. 3. Review the system of the organisation for taking the feedback from various users in respect of their software needs. 4. Analyse the software requirement received from various units and verify the following: <ol style="list-style-type: none"> a. Whether required software is to be procured / got developed from outside agency or to be developed in house. b. Assess the in-house resources for development of software.

Sl. No.	Item	Risk	Checks to be exercised
		<ul style="list-style-type: none"> • Chances of commencement of software development programs including modification / changes in the existing system without taking approval from the competent authority. • Chances of selection of incompetent outside agency based on weak credentials resulting in time and cost overrun in software development process. • In the absence of proper support of user manual and required training may lead to operational inefficiency of the staff. • Non-adherence of prescribed tendering process for selection of outside agency. 	<ol style="list-style-type: none"> c. Identify the agencies for development of required software and assess the credentials of software development agencies. d. Prepare the comparative statement. 5. Ensure that the IT system development assignment has been undertaken after obtaining the approval of the competent authority. 6. Test check the records and verify the estimates in detail outlaying the available resource etc. 7. Ensure that the outside consultant /agency was deployed only in the absence of competent persons available in house. 8. Ensure that the outside agency was engaged only after following the provisions of GFR/ Manual for procurement of consultancy services and instructions /guidelines issued by Government of India/ Department of Electronics and Communication/ICMR from time to time.
90	Maintenance of hardware and software	<ul style="list-style-type: none"> • Chances of hindrances in work due to the system failure in absence of annual maintenance contract. • The data may be lost due to non-adherence of maintenance system. 	<ol style="list-style-type: none"> 1. Verify that there is an adequate training program regarding the new system/ software. Proper emphasis is given on the system/software of feedback on quality. Due consultations are given in case of difficulties faced by users. 2. Verify that the software purchased/ developed in house have been used for the intended purposes and meeting the envisaged requirements. 3. Verify that all the IT assets have been covered under an adequate Annual Maintenance Contract (AMC).

Sl. No.	Item	Risk	Checks to be exercised
		<ul style="list-style-type: none"> No hardware / software can be maintained properly in the absence of proper training and extending proper consultation for solving the day to day problems of the system users. 	<ol style="list-style-type: none"> Ensure that the contractor for the AMC was selected after keeping in view the nature of system /software and following the provisions of GFR etc. Review the system to ascertain whether the contractor of AMC has performed his duties as per the terms and conditions of the contract, i.e., number of visits, deployment of staff, supply of spares, etc. Check that the preventive maintenance schedule defining the maintenance frequency has been prepared and all the critical equipment and machines have been covered. Review various log books to verify that maintenance has been carried out properly. List out the instances of non-adherence of maintenance schedules and ascertain the consequences, if any.
91	Information security and controls	<ul style="list-style-type: none"> In the absence of any policy regarding information security, there are chances of improper awareness to employees for security and control measures. No proper policy regarding password specifying minimum length of password, compulsory change of password, locking of Id after prescribed number of consecutive login failure, use of login ID of ex-employees, etc. 	<ol style="list-style-type: none"> Verify that the licences for all the software have been obtained. Verify that there is a regular system to take the feedback from all users in respect of performance of software for the intended use and time taken by the AMC contractor to remove the defect, if any. Ensure that the information security policy has been framed and intimated to all the employees. The policy is also reviewed at periodical intervals. Ensure that password policy has been followed strictly. It can be verified by using dummy data. Ensure that there is a system to monitor the performance of the system/software. Ensure whether the users are keeping back-up of data and arrangements are being made for keeping it outside the premises.

Sl. No.	Item	Risk	Checks to be exercised
92	Budgetary control	<ul style="list-style-type: none"> No budgetary control in respect of purchased and repair and maintenance expenditure. No variance analysis to take remedial action for controlling the excessive expenditure. 	<ol style="list-style-type: none"> Check that the system of budgetary control in respect of purchase, acquisition and repair and maintenance expenses is in place in terms of annual plan and the basis of budget preparation are correct. Verify that the actual performance of the system /software is regularly monitored and compared with the budgets and corrective actions are taken in respect of deviations after ascertaining the reasons. Also verify that a proper plan of action is being chalked out to control the deviations.

Part III

Objectives, scope, processing and conduct of different kinds of internal audits have been described in Part I of the Manual. In Part II, checks to be exercised for audit of different items on the basis of risk factors have been mentioned. This Part III prescribes the checks to be exercised to ensure completion of audit satisfactorily. In the check list the auditor has to answer the questions on the basis of checks exercised by him during the audit of the auditee unit and ensure the correctness and completeness of the audit on the basis of answers.

Checklist on completion of audit

Sl. No.	Particulars	Response Yes/No
1	Are proper and adequate internal control practices are designed to comply to achieve the objectives of the Institution /Unit/Division of ICMR?	
2	Are key duties and responsibilities segregated among people as per their qualification and appointment to reduce the risk of error or fraud?	
3	Are the transactions accounts maintained in accordance with the requirements under Financial Rules and financial controls exist for monitoring expenditure and budgeting?	
4	Whether Budget Estimates both for Expenditure and Receipts are prepared in accordance with the prescribed norms and instructions as contained in the GFRs and guidelines/instructions issued by ICMR?	
5	Whether expenditure incurred is within the Budget allocation and all receipts and expenditure made during the year have been reconciled?	
6	Whether necessary records and accounts are prepared for Budget estimates/allocation and expenditure incurred thereagainst?	
7	Whether expenditure incurred has the administrative and financial approval of the competent authority and Controlling Officer/DDOs are following the general principles of Financial Management as contained in General Financial Rules, 2017 and instructions issued by ICMR?	
8	Whether monthly reconciliation of the expenditure and receipts figures carried out with the accounts figures for which budget provision is sanctioned?	
9	Whether the cases of write off of losses, deficiencies and depreciation in the value of losses, irrecoverable losses of stores or public money etc. were investigated and approved by the competent authority as specified in the Delegation of Financial Powers of the Directors of the Institutions/ Units/ Divisions of ICMR?	
10	Whether the subordinate officers/Head of Office/DDO who have been delegated financial powers are exercising their powers in accordance with the rules and regulations and within their authorized limits?	

Sl. No.	Particulars	Response Yes/No
11	Whether all transactions of receipts and payments are being made with proper receipts and vouchers only through the authorized accredited bank as authorized by the competent authority/ICMR Hqrs. and no un-authorized Bank account is in operation?	
12	Whether Institution/Unit/Division of ICMR's receipts in the form of overhead /administrative charges of projects assigned by outside agencies are utilized to meet expenses authorised by ICMR by issue of instructions/guidelines from time to time?	
13	Whether Cash Book is maintained in the prescribed form, monthly closing of cash book is done and cash balances verified by the Head of the Office?	
14	Whether receipts, remittance, accounting, withdrawal and disbursement of money are strictly regulated under relevant rules and regulations prescribed by Government of India /ICMR Hqrs.?	
15	Whether bank transactions are regularly reconciled and records of cheques issued, paid and unpaid cheques and e-payments details is properly maintained?	
16	Whether list of payments along with necessary schedules is timely sent to Accounts Branch by the DDO as per instructions issued?	
17	Whether DDO is reconciling all Receipts and Payments transactions with the accounts branch of the Institution/Unit/Division of ICMR?	
18	Whether the details of the provident fund advances paid have been forwarded to the Accounts Branch of ICMR Hqrs. every month through a statement of the amounts paid and including the particulars of the sanction, names of the subscribers, their account numbers, etc. as required under the rules and instructions issued by ICMR from time to time?	
19	Whether DDO is following the prescribed security features/protocols in the operation of the Public Financial Management System (PFMS)/ Treasury Single Accounts System (TSA) as Notified by GOI/ ICMR Hqrs. and rules and regulations pertaining to expenditure?	
20	Whether GPF Interest credited to subscribers accounts during the year and the total figures thereof intimated to the Accounts Branch of ICMR Hqrs. for carrying out the accounts adjustment and interest calculation sheets are available for verification?	
21	Whether staff strength is as per sanctioned strength and Establishment Control Register is maintained in the prescribed form?	

Sl. No.	Particulars	Response Yes/No
22	Whether Service Books and related records of the employees are properly maintained and all necessary entries relating to annual increment, pay fixation, leave, LTC, leave encashment etc. are made in the service books?	
23	In case of transfer from other DDO whether Last Pay Certificate is received and details correctly noted in PBR?	
24	Whether proper records of Leave Salary & Pension Contribution and Foreign Service Contribution is maintained and necessary entries are made /verified from the Accounts/DDO in the service books of the employees taken/sent on deputation?	
25	Whether necessary entries are correctly made in the PBR for grant of various advances under proper attestation and recovery of the various advances is correctly made?	
26	Whether prescribed records of employees enrolled under New Pension System (i.e. Index Register indicating PRAN Number, Ledger and BROADSHEET of contributions and records of remittance of subscriptions) are maintained and NPS contributions are remitted to fund manager as per time schedule?	
27	Whether records of pensioners as well as family pension authorized under NPS is properly maintained?	
28	Whether records pertained to execution of works, contracts and purchases etc. have been checked and found as per relevant provisions in the financial rules and regulations?	
29	Whether separate accounts is kept for Fixed Assets, Consumables, Library books and Assets of historical/artistic value as per Rule 211 of the GFRs, 2017 and adequate arrangements are made for safe custody and storage of goods and materials/proper inventory management?	
30	Whether physical verification of fixed assets, library books and consumables is done at least once a year as prescribed in Rule 213 of the GFRs?	
31	Whether obsolete or unserviceable items been identified as such by a committee constituted by the competent authority and a list of such items prepared for disposal in the prescribed form and the disposal of such items have been made following the prescribed procedures as prescribed in the GFRs ?	
32	Whether necessary accounts of the grants/funds received from outside agencies are maintained and statements of accounts/utilisation certificate are sent to concerned sanctioning authorities whenever called for?	

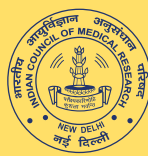
Sl. No.	Particulars	Response Yes/No
33	Whether necessary records of Land and Building and records of transfer of land and building are maintained as per instructions issued by the Government/ICMR?	
34	Whether records of Provident Funds and advances etc. are properly maintained as per provisions of the PF Rules, GFRs and compendium of advances to Government Servants (part of GFR)?	
35	Whether destruction of old records is strictly regulated in terms of the Rule 320 of the GFR?	
36	Have the auditors determined the overall sufficiency and appropriateness of the evidence to form a reasonable basis of the findings and/or conclusions within the context of the internal audit objectives?	
37	After completion of audit, the Auditor must ensure whether he/she has reviewed all working papers, checked documents and supporting evidence for the purpose of internal audit and finalisation of report?	
38	Where any audit observations are so serious that delay in reporting may impact the achievement of objectives, have these been communicated to the appropriate concerned authority at an early date and even during the course of audit?	
39	Whether all payments processed and made through PFMS/TSA are made only after verification of the physical documents at all level of the checks with adequate safeguards?	

This Internal Audit Report contains the comments of the Internal Audit Team on the accounting treatment with regard to classification, conformity with the best accounting practices, accounting standards and disclosure norms, etc. and observations on transactions audit with regard to compliance with the Law, Rules & Regulations (Propriety and Regularity) and instructions issued by Government of India/ ICMR from time to time etc. Correctness of the financial statements/ transactions are the responsibility of the Head of the auditee Institution /Unit/Division of ICMR. Internal Audit responsibility is to express an opinion on these financial statements and transactions based on the internal audit on the basis of information, records and explanations given to us by the auditee Institution/Unit/Division.

2. The Internal Audit Team has conducted audit in accordance with auditing standards generally accepted in India and includes reasonable assurance from the Head of the auditee Institution /Unit/ Division of ICMR that the financial statements/ transactions are free from material misstatements. Internal audit includes examining, on a test basis, evidences supporting the amounts and disclosures in the financial statements /transactions.

Signature

Head/Incharge of Audit Team



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