



D.Y. PATIL EDUCATION SOCIETY
[Deemed to be University], Kolhapur
Re-accredited by NAAC with 'A' Grade

POLICY ON INTERNAL AND EXTERNAL AUDIT

INTRODUCTION

DYPES was recognized by UGC in 2005 as a Deemed to be University.

AND WHEREAS, as per the recommendation of Finance Committee, Board of Management has approved the conduct of external audit and internal audit of the accounts of DYPES and its constituent units with the following objectives:

1. To obtain an independent opinion of the financial statements of DYPES and its constituent units.
2. To reduce the risk of financial irregularities in the transactions.

STATUTORY AUDIT:

The Board of Management of DYPES shall appoint Auditors to conduct the financial audit of its books of accounts. Salient features of statutory audit are as follows:

- Statutory Audit is done for the purpose of reporting to stakeholders such as Government Authorities like Income Tax Department, the regulatory authorities such as University Grants Commission, MHRD, New Delhi.
- The auditors are a firm of Chartered Accountants who independently audit the financial statements prepared by the institution.
- The statutory auditor scrutinises the Ledgers, Cheques, Physical Cash on the date of Audit, Payment Receipts, Vouchers, and Books

Etc. of all the constituent institution of DYPES and asks doubts in respect of transactions recorded if any.

- After conducting their audit, they express their opinion on the financial statements like Balance Sheet and Income Expenditure statement, of the institution for that financial year which the audit has to be done and provide their opinion in the form of an Audit Report and certify the financial Statements as audited under their signature.
- The auditors audit the financial statements of each of the constituent units DYPES and then consolidate them to provide a consolidated Balance Sheet.

INTERNAL AUDIT:

DYPES also follows internal audit mechanism to ensure that financial transactions follow the controls and procedures which allow reasonable assurance that significant risk is being managed properly.

Standard on Internal Audit, "Consideration of Fraud in an Internal Audit", lays down that the primary responsibility for prevention and detection of frauds.

- This is achieved by designing, establishing and ensuring continuous operation of an effective system of internal controls.
- An internal auditor should use his knowledge and skills to reasonably enable him to identify indicators of frauds.
- It is essential for the internal auditor to gain an understanding of the components of the system of internal control which would keep him to assess the risk of frauds.

- The internal auditor should help the Institution to fulfil its responsibilities relating to fraud prevention and detection.

Salient features of the internal control system followed are as follows:

- From placing of an order to making payment to the vendor, the whole transaction passes through the hands of several staff which usually reduces the significant risk associated with a fraud.
- There is no overlapping between Purchase and Accounts departments.
- In the Accounts department, the documents processed by the accountant are verified and authorised by higher authorities of thereby exercising control over the transaction. This also ensures that no single person has control over any transaction from beginning to end.
- The Institution follows the pre-audit to payments procedure. This reduces the issues related to internal audit post payment.
- The accountant processes a transaction and gets the documents verified and authorised by higher authorities of the institution.
- Thereafter, it goes for audit.
 - a. transaction recorded is what was intended in the purchase order,
 - b. it is within the financial boundaries set up in the purchase order,
 - c. transaction has been executed and
 - d. the payment instructions are being properly followed.

- The auditor also checks that all necessary confirmations and authorisations have been accorded to the documents by respective authorities of the institution.
- If the auditor finds any deficiency in processing any transaction, it is referred back to the unit along with audit notes for compliance.
- Having satisfied himself/herself that the transaction processed has followed the due process, the auditor puts his/her signature on the document for final payment.
- This audit happens continuously for the transactions taking place and happens before completion of the transaction by way of payment. This ensures that all terms and conditions of a purchase are complied with before final payment thereof.