

To

Rural Institute of Social & Economic Empowerment

NH 5, Vallur Village

Ongole (M)

Dear Sir/Madam,

Sub: Internal Audit Report for the period 01.04.2016 to 30.06.2016

With reference to the above subject, I inform your good self that kindly find the Internal Audit Report for the quarter ending 30th June 2016

Thanking You,

Yours Faithful,



**M/s RURAL INSTITUTE OF SOCIAL & ECONOMIC
EMPOWERMENT**

**INTERNAL AUDIT REPORT
FOR THE PERIOD 1ST APRIL 2016to 30th June 2016**

Internal Audit Report for the period 1st April 2016 to 30th June 2016

ADDRESSE:

M/S RURAL INSTITUTE OF SOCIAL & ECONOMIC EMPOWERMENT
VALLUR VILLAGE
ONGOLE (M)

REPORTED BY:

Team of Internal Auditors

Internal Audit Report for the period 1st April 2016 to 30th June 2016

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INTRODUCTION

Internal Audit seeks to independently review the integrity and reliability of Financial and Operating information and verify and provide assurance on the functioning of internal control systems instituted by the management of M/s Rural Institute of Social & Economic Empowerment to achieve the following objectives:

- Reliability and Integrity of Financial and Operational Information.
- Effectiveness and Efficiency of operations.
- Accurate Internal and External Financial Reporting.
- Safeguarding of assets.
- Compliance with Laws, Regulations and Contracts.

We have conducted our audit in accordance with Standards on Auditing (SA's) issued by the Institute of Chartered Accountants of India. These Standards require that we plan and perform the internal audit to obtain reasonable assurance as to report the management about accounting system and related internal control.

Internal Audit Report for the period 1st April 2016 to 30th June 2016

OBJECTIVES OF INTERNAL AUDIT

The Internal Audit has the following objectives:

- To verify the correctness, accuracy and authenticity of the financial accounting and statistical records presented by the management.
- To confirm that the Liabilities incurred by the organization in respect of its valid and legitimate activities.
- To comment on the effectiveness of the internal control system and the internal check system in force and to suggest ways and means to improve these systems.
- To facilitate the early detection of Misstatement.
- To examine the protection afforded to assets held by the organization and use of them for its business activities.
- To identify the authorities responsible for purchase of assets and other items as well as disposal of assets.
- To ensure that the standard accounting practices which have been followed by the organization are strictly followed.

Internal Audit Report for the period 1st April 2016 to 30th June 2016

OVERVIEW OF THE AUDIT APPROACH

The Audit Plan has been envisaged by:

- Taking account of the risks identified by our audit team through scrutiny of various internal documents, past records, and various rounds of discussion with the key personnel of the organization.
- Using internal auditor's experience working with your organization and related industry that require management's attention.
- Discussing all identified risks and other relevant issues with the organization management to identify the potential scope of Internal Audit
- Discussing all the identified areas having insufficient controls and require management specific attention.

Internal Audit Report for the period 1st April 2016 to 30th June 2016

SCOPE OF REVIEW AND OBSERVATION

- **Cash Verification**
- **Bank Balances**
- **ESI, EPF & PT Reconciliation**
- **TDS Reconciliation**

Internal Audit Report for the period 1st April 2016 to 30th June 2016

CASH VERIFICATION

- Physical verification of Cash was conducted on 20th June 2016 and the same was found to be in order
- The average cash balance stands out to be Rs. 12.35 Lakhs for the quarter ended 30th June 2016.
- Threshold Limit is not fixed for petty cash expenses. Further it was observed that petty cash is provided as per the requirement
- One single/consolidated entry is passed to book the petty cash expenses pertaining to period of 15 days.
- we have performed substantive procedures for cash receipts and payments along with test of details for cash balances where in observations identified by us during the course of the audit have been rectified/resolved and no such major risks to report for Management.

Recommendations:

We would recommend to

- It is not suggestable to maintain huge amount of cash balances and it is recommended to have cash balances for an amount of Rs. 50,000/- or Rs. 1,00,000/- subject to approval of the management

- Maintain a list of expenses which are impracticable to pay in a mode other than cash and to expend the cash for such purposes only. The same list can be circulated across all the cashiers in the organization.
- Petty cash entries can be passed on daily basis instead of consolidated entry or prepare and maintain consolidated statement of petty cash expenses expended at each unit attached with supporting bills/documents for better review of cash expenses in the organization.

BANK BALANCES AND BORROWINGS

- The Organization has the following types of accounts held with banks:
 1. Current Accounts/SB account
 2. OD account
- We have verified that some expenses have been paid in cash/bearer cheque instead of account payee cheque.

RECOMMENDATIONS:

We would recommend to

- Reduce the cash transactions and make use of digital cash wherever practicable.
- Use Account Payee Cheques instead of Cash/ Bearer Cheque.
- Update Tally Accounting software regarding the missing cheques Report so generated.

STATUTORY COMPLIANCES

1. Tax Deduction at Source

- The Company has TDS Liability for the period under review.
- As per provision, Interest on late payment of TDS should be paid, if the payment is not made within the due date.

RECOMMENDATIONS:

We would recommend to

- Discharge the TDS liability before due date to avoid interest and penalty.
- Reconcile TDS monthly for minimizing the errors in discharging the TDS liability.

2. Employees State Insurance Act, 1948

- The details of Employees State Insurance returns compared with books of accounts and found to be in order

3. Employees Provident Fund and Miscellaneous Provisions Act, 1952

- The details of Employees Provident Fund returns compared with books of accounts and observed that remittances for the government have been made in time.

4. Professional Tax Act

- The details of Profession Tax returns compared with books of accounts and no such major observations noted

RECOMMENDATIONS:

We would recommend to

- Keep copies of all paid challans in the files maintained



To

Rural Institute of Social & Economic Empowerment

NH 5, Vallur Village

Ongole (M)

Dear Sir/Madam,

Sub: Internal Audit Report for the period 01.07.2016 to 30.09.2016

With reference to the above subject, I inform your good self that kindly find the Internal Audit Report for the quarter ending 30th September 2016

Thanking You,

Yours Faithfully



**M/s RURAL INSTITUTE OF SOCIAL & ECONOMIC
EMPOWERMENT**

**INTERNAL AUDIT REPORT
FOR THE PERIOD 1st July 2016 to 30th September 2016**

Internal Audit Report for the period 1st July 2016 to 30th September 2016

ADDRESSE:

M/S RURAL INSTITUTE OF SOCIAL & ECONOMIC EMPOWERMENT

VALLUR VILLAGE

ONGOLE (M)

REPORTED BY:

Team of Internal Auditors

Internal Audit Report for the period 1st July 2016 to 30th September 2016

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INTRODUCTION

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- Reliability and Integrity of Financial and Operational Information.
- Effectiveness and Efficiency of operations.
- Accurate Internal and External Financial Reporting.
- Safeguarding of assets.
- Compliance with Laws, Regulations and Contracts.

We have conducted our audit in accordance with Standards on Auditing (SA's) issued by the Institute of Chartered Accountants of India. These Standards require that we plan and perform the internal audit to obtain reasonable assurance as to report the management about accounting system and related internal control.

Internal Audit Report for the period 1st July 2016 to 30th September 2016

OBJECTIVES OF INTERNAL AUDIT

The Internal Audit has the following objectives:

- To verify the correctness, accuracy and authenticity of the financial accounting and statistical records presented by the management.
- To confirm that the Liabilities incurred by the organization in respect of its valid and legitimate activities.
- To comment on the effectiveness of the internal control system and the internal check system in force and to suggest ways and means to improve these systems.
- To facilitate the early detection of Misstatement.
- To examine the protection afforded to assets held by the organization and use of them for its business activities.
- To identify the authorities responsible for purchase of assets and other items as well as disposal of assets.
- To ensure that the standard accounting practices which have been followed by the organization are strictly followed.

Internal Audit Report for the period 1st July 2016 to 30th September 2016

OVERVIEW OF THE AUDIT APPROACH

The Audit Plan has been envisaged by:

- Taking account of the risks identified by our audit team through scrutiny of various internal documents, past records, and various rounds of discussion with the key personnel of the organization.
- Using internal auditor's experience working with your organization and related industry that require management's attention.
- Discussing all identified risks and other relevant issues with the organization management to identify the potential scope of Internal Audit
- Discussing all the identified areas having insufficient controls and require management specific attention.

Internal Audit Report for the period 1st July 2016 to 30th September 2016

SCOPE OF REVIEW AND OBSERVATION

- **Cash Verification**
- **Bank Balance and borrowings**
- **Salaries – Teaching & Non-teaching staff**

Internal Audit Report for the period 1st July 2016 to 30th September 2016

CASH VERIFICATION

- Physical verification of Cash was conducted on 19th September 2016 and the same was found to be in order
- The Society has highest cash balance of Rs. 14.70 Lakhs for the quarter ending 30th September 2016
- Threshold Limit is not fixed for petty cash expenses. Further it was observed that petty cash is provided as per the requirement
- One single/consolidated entry is passed to book the petty cash expenses pertaining to period of 15 days.
- Selected samples of cash payments and traced to cash payment vouchers and observations found was rectified immediately.
- we have performed substantive procedures for cash receipts
- To check for the accuracy, we have matched the totals of cash receipts and cash payments tracing to the general ledger
- To have the cut off procedures, we have compared the dates for recording of cash transactions with the dates of cash deposited in the bank or cheque sent. It was observed that there are some delays in depositing the cash in the bank but proper care has been taken for safe custody of cash till the time of

deposit. Powers of safe custody of the cash is vests with the Secretary of the Institute

Recommendations:

We would recommend to

- It is not suggestable to maintain huge amount of cash balances and it is recommended to have cash balances for an amount of Rs. 50,000/- or Rs. 1,00,000/- subject to approval of the management
- Maintain a list of expenses which are impracticable to pay in a mode other than cash and to expend the cash for such purposes only. The same list can be circulated across all the cashiers in the organization.
- Petty cash entries can be passed on daily basis instead of consolidated entry or prepare and maintain consolidated statement of petty cash expenses expended at each unit attached with supporting bills/documents for better review of cash expenses in the organization.

BANK BALANCES AND BORROWINGS

- The Organization has the following types of accounts held with banks:
 1. Current Accounts/SB account
 2. OD account
- We have verified that some expenses have been paid in cash/bearer cheque instead of account payee cheque.
-

RECOMMENDATIONS:

We would recommend to

- Reduce the cash transactions and make use of digital cash wherever practicable.
- Use Account Payee Cheques instead of Cash/ Bearer Cheque.
- Update Tally Accounting software regarding the missing cheques Report so generated.

Salaries – teaching and non-teaching staff

- we have verified monthly salary workings along with the attendance register duly maintained with HR department
- TDS has been deducted wherever necessary
- the monthly inputs will be prepared by the institute HR and upon extensive verification of the salary workings by the group HR, salaries inputs shall be finalized
- All the workings of salaries for teaching and non teaching staff have been verified by us and found to be in order



To

Rural Institute of Social & Economic Empowerment

NH 5, Vallur Village

Ongole (M)

Dear Sir/Madam,

Sub: Internal Audit Report for the period 01.10.2016 to 31.12.2016

With reference to the above subject, I inform your good self that kindly find the Internal Audit Report for the quarter ending 31st December 2016

Thanking You,

Yours Faithfully



**M/s RURAL INSTITUTE OF SOCIAL & ECONOMIC
EMPOWERMENT**

INTERNAL AUDIT REPORT

FOR THE PERIOD 1st October 2016 to 31st December 2016

Internal Audit Report for the period 1st October 2016 to 31st December 2016

ADDRESSE:

M/S RURAL INSTITUTE OF SOCIAL & ECONOMIC EMPOWERMENT

VALLUR VILLAGE

ONGOLE (M)

REPORTED BY:

Team of Internal Auditors

Internal Audit Report for the period 1st October 2016 to 31st December 2016

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INTRODUCTION

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- Reliability and Integrity of Financial and Operational Information.
- Effectiveness and Efficiency of operations.
- Accurate Internal and External Financial Reporting.
- Safeguarding of assets.
- Compliance with Laws, Regulations and Contracts.

We have conducted our audit in accordance with Standards on Auditing (SA's) issued by the Institute of Chartered Accountants of India. These Standards require that we plan and perform the internal audit to obtain reasonable assurance as to report the management about accounting system and related internal control.

Internal Audit Report for the period 1st October 2016 to 31st December 2016

OBJECTIVES OF INTERNAL AUDIT

The Internal Audit has the following objectives:

- To verify the correctness, accuracy and authenticity of the financial accounting and statistical records presented by the management.
- To confirm that the Liabilities incurred by the organization in respect of its valid and legitimate activities.
- To comment on the effectiveness of the internal control system and the internal check system in force and to suggest ways and means to improve these systems.
- To facilitate the early detection of Misstatement.
- To examine the protection afforded to assets held by the organization and use of them for its business activities.
- To identify the authorities responsible for purchase of assets and other items as well as disposal of assets.
- To ensure that the standard accounting practices which have been followed by the organization are strictly followed.

Internal Audit Report for the period 1st October 2016 to 31st December 2016

OVERVIEW OF THE AUDIT APPROACH

The Audit Plan has been envisaged by:

- Taking account of the risks identified by our audit team through scrutiny of various internal documents, past records, and various rounds of discussion with the key personnel of the organization.
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- Discussing all identified risks and other relevant issues with the organization management to identify the potential scope of Internal Audit
- Discussing all the identified areas having insufficient controls and require management specific attention.

Internal Audit Report for the period 1st October 2016 to 31st December 2016

SCOPE OF REVIEW AND OBSERVATION

- **Bank borrowings and Finance cost**
- **Expenses – Electricity charges, insurance, repairs and maintenance, bus maintenance expenses**
- **Investments & Deposits**

Internal Audit Report for the period 1st October 2016 to 31st December 2016

BANK BORROWINGS AND FINANCE COST

- We have examined the bank borrowings availed by the institute for the period April 2016 to December 2016
- The interest workings has been computed manually and tallied and traced to the bank statements
- The bank charges wherever applicable has been verified and traced to the bank statements
- During the course of the audit, we have found that some of the entries has not been updated in the books based on the bank statements. Those were updated and recorded properly during the course of the audit

EXPENSES – ELECTRICITY CHARGES, INSURANCE, REPAIRS AND MAINTENANCE, BUS MAINTENANCE EXPENSES

- We have examined the electricity charges accounted in the books. All the charges have been recorded successfully and traced the amounts to demands raised by the electricity department
- TDS has deducted appropriately and accounted in the books at proper intervals
- The institute is having practice of creating of insurance for buses and other assets

- There was no practice to maintain the insurance schedule by the institute but as part of the scope of the work, we, the internal auditors used to maintain the schedule of insurance
- The prepaid has not been segregated in the insurance premium paid for the buses, these errors were rectified during the audit
- Some of the expenses which are in nature of capital expenditure were wrongly treated under the head “repairs and maintenance”. These were rectified and corrected during the course of our audit period
- Bus maintenance expenses were recorded appropriately

INVESTMENTS AND DEPOSITS

- The institute has maintained deposits with electricity department, BSNL and AICTE
- Obtained the schedule of deposits made with AICTE and traced all the amounts with the bank statements and found in order
- Interest has been accrued wherever necessary



To

Rural Institute of Social & Economic Empowerment

NH 5, Vallur Village

Ongole (M)

Dear Sir/Madam,

Sub: Internal Audit Report for the period 01.01.2017 to 31.03.2017

With reference to the above subject, I inform your good self that kindly find the Internal Audit Report for the quarter ending 31st March 2017

Thanking You,

Yours Faithfully



**M/s RURAL INSTITUTE OF SOCIAL & ECONOMIC
EMPOWERMENT**

**INTERNAL AUDIT REPORT
FOR THE PERIOD 1st January 2017 to 31st March 2017**

Internal Audit Report for the period 1st January 2017 to 31st March 2017

ADDRESSE:

M/S RURAL INSTITUTE OF SOCIAL & ECONOMIC EMPOWERMENT
VALLUR VILLAGE
ONGOLE (M)

REPORTED BY:

Team of Internal Auditors

Internal Audit Report for the period 1st January 2017 to 31st March 2017

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INTRODUCTION

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Internal Audit Report for the period 1st January 2017 to 31st March 2017

OBJECTIVES OF INTERNAL AUDIT

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Internal Audit Report for the period 1st January 2017 to 31st March 2017

OVERVIEW OF THE AUDIT APPROACH

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Internal Audit Report for the period 1st January 2017 to 31st March 2017

SCOPE OF REVIEW AND OBSERVATION

- **Fixed assets**
- **Sundry Debtors and Creditors**
- **Unsecured loans**
- **Year end procedures**

Internal Audit Report for the period 1st January 2017 to 31st March 2017

FIXED ASSETS

- There were no deletions during the year
- Assets were capitalized based on the put to use concept and not on the date of purchase or date of advance
- One consolidated schedule is being maintained by the society covering all the institutes
- All the additions have been recorded in the books appropriately
- Check has been performed and ensured that depreciation on assets has been calculated based on the asset put to use.
- If any asset is purchased worth less than Rs. 5000/- institute is having practice of expense it off the same in books
- Asset tagging has been following for each asset purchased but there is no list of assets which is being maintained by the institute
- The interest workings have been computed manually and tallied and traced to the bank statements
- The bank charges wherever applicable have been verified and traced to the bank statements

- During the course of the audit, we have found that some of the entries has not been updated in the books based on the bank statements. Those were updated and recorded properly during the course of the audit

Sundry Debtors and Creditors

- The institute does not have practice of debtors and creditors confirmation. Alternately the accountant of the society shall be obtaining the confirmation over the phone
- We are unable to generate age wise sundry debtors since the account software which is being maintained by the institute has not been updated till the time of audit completion
- There is a cycle of 60-90 days for clearing the payments and the list of payments which are dues shall be approved by the treasurer and accordingly payments shall be released to sundry creditors

Year end Procedures

- All the year end procedures were properly carried out by us and errors were rectified during the audit period

