

GUIDELINES FOR INTERNAL AUDITORS

I. OBJECTIVE

The objective of Internal Audit (IA) is assist the Top Management in the organisation with analysis, appraisals, information and recommendations concerning the activities reviewed for improving results. IA should focus in providing independent appraisal of operating systems, procedures and controls in a quest for maximum efficiency. It is the effective contribution of the IA that will enable the Top Management to have better control of the future progress of the business.

II SCOPE

IA should ensure that:

- a) the existing internal controls are adequate and effective
- b) the financial accounting and other records and reports show results of actual operations accurately and promptly.
- and c) each unit of the organisation follows the policies and procedures as laid down by the Top Management.

III. AREAS TO COVER

IA should cover the following five areas of operations.

1. Reliability and integrity of information:

IA should review the reliability and integrity of financial and operating information and the means used to identify, measure, classify and report such information.

2. Compliance with policies, plans, procedures, laws and regulations

IA should review the systems established to ensure compliance with those policies, plans, procedures, laws and regulations which could have a significant impact on operations and reports and should determine whether the organisation is in compliance thereof.

3. Safeguarding of assets:

IA should review the means of safeguarding assets and, as appropriate, verify the existence of such assets.

4. Economical and efficient use of resources:

IA should appraise the economy and efficiency with which resources are employed.

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5. Accomplishment of established objectives and goals for operation and programmes:

IA should review operations and programmes to ascertain whether the results are consistent with established objectives and goals and whether the operations and programmes are being carried out as planned.

IV. DUTIES AND RESPONSIBILITIES

1. IA has to ensure that books of accounts including statutory records are maintained correctly.

2. IA to satisfy that the rules and regulations and orders having financial bearing are issued by the competent authorities and that the same are observed by all departments. For this purpose, the audit should scrutinise all transactions accounted for in the books with reference to the initial documents like purchase orders, receipts, vouchers, pay rolls, adjustment memos, sales invoices, journal entries etc., etc., and check the books of accounts like journals, ledgers and final accounts including the schedules.

3. IA should review all transactions from the angle of financial propriety and should recommend correct methods of executive action and ways and means for effecting economy and for safeguarding against fraud, misappropriation or other losses with the emphasis upon prevention. Where irregularities are detected IA should see that they are promptly reported to the higher authorities for immediate action.

4. In striving to make the accounting department more efficient in attaining its basic management objectives, IA has the responsibility of apprising the efficiency of both the accounting procedures and the actual performance of the staff.

5. IA has to ensure that the subsidiary accounts and other relevant records maintained in other Departments are scrutinised at suitable intervals.

6. IA should undertake special investigations and reviews as may be required from time to time and on the instructions of the Top Management.

7. IA should take physical verification of stores, raw materials finished goods and movable assets.

8. IA should also check the accuracy of the monthly journal entries prepared by various sections.

9. Organisational effectiveness is determined to a very large extent on the management's ability to raise man power to the highest performance levels possible. IA should therefore conduct studies on procedures covering recruitment, performance, appraisals, promotions, man power planning, identification of potential persons for taking up higher job responsibilities work environment and employee health.

10. Finally IA has to be satisfied that the system of internal check currently followed is satisfactory.

Note to Management:- To be effective, an internal auditor must have good business experience, job knowledge, tact, pleasant manners, analytical ability, innovative approach and above all both written and oral communication skills to put over his views in a convincing manner. On no account should internal audit be used as a tool to settle personal rivalries in an organization.

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