

PRINCIPLES AND PHILOSOPHY OF AUDIT INCLUDING INTERNAL AUDIT

Auditing

What do we want our auditors to be:

- Advisers;
- Inspectors;
- Police;
- Guardians of the public purse;
- Enforcers; etc.
- P r o t e c t o r s



WHAT IS AUDIT

Audit means financial vigilance.

Financial vigilance against fraud, misappropriation, wastage, misutilization, inefficient or in-effective utilization of money and other sources.

Audit, in other words, means to ensure accountability of those in charge of money and other resources.



What is Internal Audit

- Internal Audit is an **independent** and **objective** organisational function that **adds value** to and improves the overall **effectiveness and efficiency** of an organisation's operations.
- An aid to Management.
- Instrument to ensure accountability and transparency.

Principles of Audit

- Independence
- Objective
- Process Based
- Rule Based
- Confidentiality
- Evidence Based
- Professional and Skill based
- Clear scope of audit

Basic Philosophy of Audit

- Checks and Balances
- Public Money hence Accountability
- Independent monitoring
- 3 Es: Economy, Efficiency and Effectiveness
- Transparency
- Process and purpose oriented and not person oriented
- Fairness
- Genuine mistakes/lapses Vs Misappropriation/Fraud

Work Procedure of Internal Audit

- **Preparation of Audit Plan.**
- **Intimation of plan to Auditee units.**
- **Listing of documents to be audited.**
- **Visit of the Audit team to the unit and scrutiny of the documents.**
- **Preparation of objection statement**
- **Response of the unit to the observations.**
- **Finalization of the Audit Report.**

Work Procedure of Internal Audit

- **Follow up of the Audit Report.**
- **Consolidation of the reports at the Apex level.**
- **Submission of the report to the Head of the Organisation.**

Role in different types of Internal Audit

- Audit of Sanctions, Receipts, Expenditure, Contracts, Store Accounts etc.
- Local Audit
- Review of Local Audit (Higher Audit)

Audit can be conducted before the payment takes place i.e. Pre-Audit or after the transaction i.e. Post-Audit.

Audit of Sanctions

- All sanctions issued by authorities lower than the Govt. of India are susceptible to audit by Internal Audit.
- Internal Audit ensures that sanction accorded by the Competent Authority is in accordance with the delegated financial powers as laid down.
- In case of Govt. orders, internal audit will play its role to ensure that the order is followed up properly.
- Ink signed copy of the sanction will be verified during audit.

Thank You