

Dissertation Project Report on
Internal audit of Delhi School of Management and suggesting framework on
maintenance of Financial Records

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Certificate from the Institute

This is to certify that Ms. Akanksha Khanna, student of MBA 2012-14 of Delhi School of Management, Delhi Technological University, Bawana Road, Delhi-42 has completed Dissertation Project Report titled Internal Audit of DSM,DTU and suggesting framework for maintenance of Financial Records.

She has completed the Project Work to my satisfaction.

Signature of Official

Name & Designation of Official

Prof. PK Suri

Head of the Department

Place: New Delhi

Date:

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At outset, I would like to thank Prof. PK Suri for providing me an opportunity to carry out a project of this significance that helped me satisfy my curiosity as far as my area of interest was concerned.

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CHAPTER 1: INTRODUCTION

Organization Profile

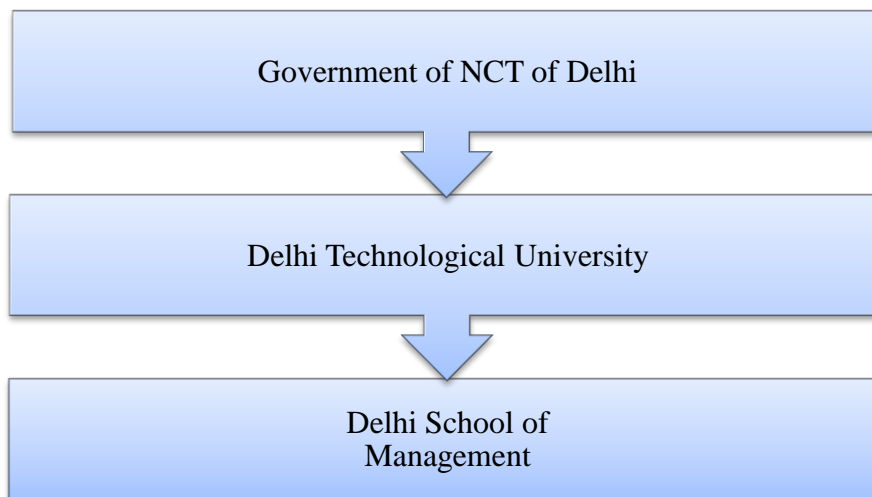
Delhi School of Management (DSM) was established in 2009 with Delhi College of Engineering (DCE) acquiring a University status, being officially renamed as Delhi Technological University (DTU) through a legislature passed by the Delhi State Assembly.

DSM envisages at developing distinctive future managers, keeping up with the tradition of DCE (and now DTU) by providing excellent world class education. DSM was established with a vision of inculcating a penchant for innovation, research, and experimentation in the aspiring managers. DSM aims at extending the seven-decade long legacy of DCE by incubating and developing techno-managers, who are adept at identifying pertinent and critical business problems and apply their technical skills and competencies in solving those issues.

In order to train its students to face the challenges of an information and knowledge driven work environment, DSM provides them with the **Triple E: Education, Experience and Exposure**. DSM strives to inculcate in its students the managerial competence through specialized knowledge and skills, while simultaneously empowering their minds through quality teaching, consultancy, and other professional services in order to fulfill its role of a vibrant and model institution capable of imparting quality education in the area of Management Studies. DSM envisions at developing a knowledge society by providing equitable access to the masses and broadening the span of their participation in the areas of higher education.

Finance to the Department

All the grant and aids given to Delhi School of Management is routed from Delhi Technological University to Delhi School of Management department and Delhi Technological University is under NCT of Delhi and receives grants and aids for its maintenance and plan development from NCT of Delhi.



ABOUT DTU

Delhi Technological University (DTU), formerly known as Delhi College of Engineering, was established in 1941 as Delhi Polytechnic. The college has been under the government of the National Capital Territory of Delhi since 1963, and had been affiliated to the University of Delhi since 1952. DTU has had a long legacy of shaping the youth of the nation into future leaders by instilling in them the morals and values that lie at the very core of our cultural heritage. Over the last seven decades DTU has been the hub of creativity, innovation, and technological excellence in the field of research oriented education. The University offers courses towards Bachelor of Engineering (B.E.), Bachelor of Technology (B-Tech), Master of Engineering (M.E.), Master of Science (M.Sc.), Doctor of Philosophy (Ph.D.) and Master of Business Administration (M.B.A) and contains 12 academic departments with a strong emphasis on scientific and technological education and research

In the Nielsen Survey for India Today's Best Colleges—one of the most respected ranking for India's premier institutions—released on July 8, 2011, DTU scored 7th Position among the top 10 including the IITs. The MDRA Survey for Outlook's Best Engineering Colleges for 2011 also ranked DTU at number 8 in the Top 10 Government Colleges. In the Outlook Survey, DTU has also been placed 3rd in the list of "Top 10 Engineering Colleges in Placement", 7th in "Top 10 Engineering Colleges in Selection Process". DTU also earned the

5th Rank for "Top 10 Engineering Colleges In Personality Development & Industry Interface", and 7th rank for "Top 10 Engineering Colleges In Infrastructure & Facilities".

COURSES OFFERED IN DELHI SCHOOL OF MANAGEMENT

MBA

The School Of Management through its flagship Master of Business administration (MBA) programme seeks to develop managers for an integrated understanding of all business functions. The rigorous curriculum of the Master of Business administration programme has a judicious blend of courses that provide an in-depth understanding of the operational and strategic aspects of management.

The USP of DSM's MBA programme is its dual specialization. First two semesters focus on developing a strong foundation and right attitude by teaching general subjects of Management.

Next two semesters provide the choice of one specialization each from the Technical and Functional area of Management.

Technical Specialization(Third Semester)

- Information Technology Management
- Supply Chain Management
- Knowledge & Technology Management

Functional Specialization (Fourth Semester)

- Finance
- Human Resources
- Marketing

Also, innovative courses like "Mission, Vision and Leadership" provide opportunity for the student to work under the mentorship of Indian Business leaders and to hone their leadership skills.

Delhi School of Management benefits from a highly evolved pedagogy that focuses on research oriented learning with special emphasis on interactive lectures, case studies, class projects & exercises, field projects & company visits, video presentations, guest lecturers from industry experts, and activity labs.

The modules of the course are designed so as to incorporate basic concepts in the initial learning phase followed by practical application of knowledge and its application to contemporary business situations. The framework makes it essential for students to contribute to the learning process by sharing accumulated knowledge and work experience through active group discussions.

In addition to theoretical studies, special importance is given to gaining practical knowledge through the means of business games, field assignments and library work delegated at the Institute. The summer internships are aimed at widening the students' perspective by providing an exposure to real-time organizational as well as environmental problems.

Thus, over the course of two years, students are meticulously prepared to add value to them and to the organizations they would work for.

Infrastructure

DSM strives to extend the glorious legacy of its predecessor, Delhi Technological University, formerly known as Delhi College of Engineering. DSM greatly benefits from the inherent competitive spirit that reverberates through DTU. Under the protective umbrella of DTU, DSM has succeeded in establishing itself, in a very short duration, as a vibrant and model institution capable of imparting excellence in the field of Management Studies. DSM enjoys a State of the Art infrastructure, which is well complemented by a highly evolved pedagogy that focuses on Interactive lectures, Case study Exercises, Class Projects and Exercises, Field Projects and Industrial Visits, Video Presentations, Expert / Guest Lectures, and Activity Labs.

The activities are largely governed and driven by the students and facilitated by the faculty. The students are encouraged to go for State, National and International level Paper Presentations and Seminars. The enthusiasm, hard work and dedication of the Students and learned Faculty members of DSM are contributing to the institution's rapid ascension in the Corporate World as well as the Academia. Students of Delhi School of Management have

been participating and winning in various National Level Events. Our students have also been taking parts in various Entrepreneurial ventures. DSM students are actively involved in Social Media Marketing Ventures, Online Content Management, Website Development, Blogging, and much more as part of their extra-curricular diversification.

All this is a testament of DSM's commitment of producing techo-managers cum social-entrepreneurs, dedicated to the growth and upliftment of the society as a whole. Delhi School of Management has access to a wide array of world class facilities that include fully equipped Computer Centre, a chain of scientifically advanced Research Laboratories, Smart Classrooms with State of the Art audio and video support, a fully Centralized Library with a plethora of available volumes, an Auditorium with a capacity of over a thousand, an Open Air Theatre, and a fully developed Sports Centre.

FEE STRUCTURE

S.No.	Items of Fee	MBA(₹)
1	Tuition fee	40000/-
2	University fee	
i)	Enrolment fee payable only at time of admission	1000/-
ii)	Development fee per annum	8000/-
iii)	Examination fee and other fee (co-curricular activities, annual gathering, students welfare, institutional development, misc. expenditure on specified items)	3000/-
3	Student fee per annum	8000/-
4	Security deposit (Refundable – payable at time of admission)	5000/-
	Grand Total (1 st Year)	65000/-

S.No.	Item of Fee	MBA
1	Fee	USD 5000/-
<i>*USD 5000/- for FN from SAARC Countries and Candidates from Nepal & Bhutan</i>		

*Fee is likely to be revised

Fee for the the second year will remain the same except that security Deposit will not be charged.

PhD

Doctoral Programme

The Doctoral Programme prepares the students for careers in teaching and research. The academic programme leading to the PhD degree is broad-based and involves a minimum course credit requirement and research thesis. The institute also encourages research in interdisciplinary areas through a system of joint supervision and interdisciplinary group activities. The presence of a strong research oriented faculty provides excellent opportunities for such programme.

As a result of the sound research base and extensive infrastructural facilities available, the institute offers PhD programmes in financial management, supply chain management, information technology management and logistics. The broad objectives of the PhD programme is not only to keep pace with expanding frontiers of knowledge but also to provide research training relevant to the present social and economic objectives of the country.

Delhi School of Management also admits scholars for the PhD programme in areas like Technology Management, Knowledge and Innovation Management, IPR Management, Supply Chain Management, Management of Information System, Total Quality Management, Productivity Management, and Enterprise Management.

Diploma/Certificate Programme in Management (DCPM)

DSM offers a Diploma/Certificate Program in Management (DCPM) to Engineering students of DTU. The prime aim is developing and whetting management acumen in them while pursuing their bachelors in engineering. The course will serve as a medium to improve their managerial skills and facilitate their career advancement.

- Pedagogy includes lectures, case studies, role plays, simulated exercises, term project etc.
- Diploma in Management program will have five subjects (three core and two electives) and a Project.

- Students undertaking few subjects i.e. not completing the requirements of Diploma in Management shall be awarded with Certificate in Management mentioning the subjects undertaken by them.

Subjects Offered

CORE

1. Leadership, team building and conflict management

To acquaint the students with the interpersonal issues, group cohesion and team management.

2. Financial analysis for decision making and consulting

To make students understand the use of Financial Indicators and help in doing accurate financial analysis which is a fundamental element of growth, strategy and overall success.

3. Supply Chain, logistics and retail management & business communication

To familiarize students with SC Strategy, IT in SCM, Transportation, Warehousing and Inventory Management, e-SCM, VMI, 3PL, CRM etc. To make students learn the art of communicating and lasting impression.

ELECTIVES

4. Marketing and creating customer value

To familiarize students with customer value propositions, consumer behaviour and appropriate strategies to enhance and foster customer delight.

To make students gain an insight into the cross cultural and global issues, their challenges and perspectives.

5. Project Management

To facilitate the students to understand and implement the most important part of a project or assignment.

6. Technology and Innovation Management

To make students familiarize with the various facets of innovation management and technological dimension.

Fee structure

Per Subject: Rs. 5,000 Per Student

Complete Course: Rs. 25,000 Per Student

Executive MBA

The Weekend Executive MBA Programme will cater to the needs of working executives who intend to learn cutting edge professional and managerial skills by pursuing such programs while continuing with their existing job assignments.

The programme will be offered with the following objectives:

- To equip working executives to acquire managerial skills necessary to take-up senior management positions.
- To develop analytical skills of the participants by exposing them to real life business problems and case studies.
- To inculcate values and ethics which contribute to high standards of corporate social responsibility and governance.

Programme Content and Duration

The programme is of two years duration spread over four semesters. The classes will be conducted on Saturdays and Sundays

Programme Fee

The fee for this programme is Rs. 1, 22,000/- for First Year and Rs. 1, 16,000 (approx.) for Second Year (in case of admission cancellation/withdrawal, the refund will be as per DTU norms)

CLUBS

Delhi School of Management believes in the overall development of the personality and employing the creativity and enthusiasm of the students to the maximum. Classroom lectures

are certainly important, but to include some variety and fun, various clubs are working together.

All the activities on the campus are driven by the various student committees, forums and interest groups. Each club organizes various events and competitions like that of case-studies, B-Plans, paper presentations, quiz etc.

Sports Club

Aims to reduce the stress of studies and to unleash the inherent talent and abilities of the students, our sport stars, both girls and boys, actively participate in various games and sports with the aim of staying fit. A true sportsperson spirit is generated among the students. It also helps to build self-discipline, trust, respect for others, leadership and coping skills - all of which form the foundation of character building and solid self-esteem.

Kartavya

'Kartavya' aims at creating the social awareness among the people from all over the country and to remind the leaders of tomorrow about their student social responsibility (SSR) and also counsel them about corporate social responsibility (CSR) which has become a matter of great relevance in the current scenario.

HR Club

Human Resource club aims at promoting and providing the learning as well as practical exposure of the various HR operations and issues of the corporate world. To keep up the spirit of the club we conduct regular events and competitions to help students gain insights of the existing and latest HR developments.

HR Club organize sessions like, the HR conclave and Guest lectures wherein they invite eminent industry professionals to share their experiences and brief the students about the HR practices prevalent in their organizations.

Sanskriti

Sanskriti the cultural club of DSM aims at bringing out and nurturing the talents of the budding managers. It seeks to create the environment that provides the students with an

opportunity to showcase their creativity in multiple ways. The club organizes various cultural events. The main purpose of the club is to make the learning journey at DSM, an enthusiastic, cherishing and joyous experience, thereby ensuring the holistic development of its students.

Mecca

Mecca will help lay down a road-map for proper learning and growth. Mecca arranges guest lectures with industry honchos during the semesters. This aids the students by developing and honing their skills and abilities. Mecca aims at providing information and experiences that increase awareness about the marketing function and inform students about the varied and exciting career opportunities available in this field. Some of the other activities include:

Market Surveys

Branding Activities

Designing Advertising / Marketing Strategies

Ad contests

Brand equity quizzes

IT Club

IT club focuses on the management in IT area and it works to update the students regarding the IT profiles with the help of seniors. It caters to the need of various certifications required in IT. It also concentrates on helping the students regarding the subject topics by taking some examples and giving them some quizzes.

Finance Club

Finance club of DSM, which exists with a vision to enhance the knowledge and understandings and nurture the students in the area of finance in accordance with the changing industrial need. By this, they can contribute to the development of financial profession and financial markets in the World. The most important part of the club is to provide opportunities to put theoretical foundations to practice. Members are offered with a variety of platforms in terms of Guest Lectures, market updates, Workshops, Case studies, Projects, Quizzes and news discussions by which they have constantly updated information.

CHAPTER 2: FRAMEWORK OF STUDY

Specific objectives of the project

- a. To undertake the assessment of financial records of Delhi School of Management and identifying the Gaps in current system of maintenance of records.
- b. Planning activities to address these gaps and implement remedial action in a planned and structured manner.
- c. Building a framework or guidelines on how records should be maintained.

Scope of study

The study is an internal audit of financial records of Delhi School of Management in current scenario and is focused on suggesting the framework on proper maintenance of financial records. However the scope of the study is limited to DSM department of Delhi Technological University only.

Period of study

The period of study was spread across one month, from 1st April 2014 to 30st April 2014.

CHAPTER 3: RESEARCH METHODOLOGY

Information and records are gathered by meeting various stakeholders involved in management and planning of department level activities that involve sanctioning of budget from the University as well as the stakeholders involved in maintenance of those records.

Research Method:

The research conducted is an exploratory type of a research which involves reviewing existing data or literature. This project involves the analysis of current system performing the Gap analysis of the system and then recommending solutions for proper maintenance of the records.

Sources of Data Collection:

The data for research can be classified into two levels:

1. Primary sources: Primary research is being undertaken by and recording the responses of stakeholders who are directly involved in management and maintenance of financial records. Semi-Structured interviews were taken through interactions with key stakeholders of the department.
2. Secondary sources: Secondary Research is being undertaken by looking through Financial Records of the department and various journals on efficient record management framework for a department

The research involved the review of following financial documents maintained by the department.

1. Sanctioning Records File
2. Expenditure Register
3. Petty Expenditure Register
4. Activity Record File
5. Indent Book

CHAPTER 4: BRIEF OVERVIEW OF AUDIT

Auditing is defined as a systematic and independent examination of data, statements, records, operations and performances (financial or otherwise) of an enterprise for a stated purpose. It refers to audits in accounting, internal controls, quality management, project management, water management, and energy conservation. The purpose is then to give an opinion on the adequacy of controls (financial and otherwise) within an environment they audit, to evaluate and improve the effectiveness of risk management, control, and governance processes.

Historically, the word 'auditing' has been derived from Latin word "audire" which means "to hear". According to Dicksee, traditionally auditing can be understood as an examination of accounting records undertaken with a view to establishing whether they completely reflect the transactions correctly for the related purpose. In addition the auditor also expresses his/her opinion on the character of the statements of accounts prepared from the accounting records so examined as to whether they portray a true and fair picture.

TYPES OF AUDIT

Financial Audit

Auditing is a vital part of accounting. Traditionally, audits were mainly associated with gaining information about financial systems and the financial records of a company or a business.

Financial audits are performed to ascertain the validity and reliability of information, as well as to provide an assessment of a system's internal control. The goal of an audit is to express an opinion of the person / organization / system (etc.) in question, under evaluation based on work done on a test basis.

An audit must adhere to generally accepted standards established by governing bodies. These standards assure third parties or external users that they can rely upon the auditor's opinion on the fairness of financial statements, or other subjects on which the auditor expresses an opinion.

The Definition for **Audit and Assurance Standard AAS-1** by the **Institute of Chartered Accountants of India (ICAI)**: "Auditing is the independent examination of financial

information of any entity, whether profit oriented or not, and irrespective of its size or legal form, when such an examination is conducted with a view to expressing an opinion thereon”.

Performance audits

Safety, security, information systems performance, and environmental concerns are increasingly the subject of audits. There are now audit professionals who specialize in security audits and information systems audits. With nonprofit organizations and government agencies, there has been an increasing need for performance audits, examining their success in satisfying mission objectives.

Quality audits

Quality audits are performed to verify conformance to standards through review of objective evidence. A system of quality audits may verify the effectiveness of a quality management system. This is part of certifications such as ISO 9001. Quality audits are essential to verify the existence of objective evidence showing conformance to required processes, to assess how successfully processes have been implemented, and to judge the effectiveness of achieving any defined target levels. Quality audits are also necessary to provide evidence concerning reduction and elimination of problem areas, and they are a hands-on management tool for achieving continual improvement in an organization.

To benefit the organization, quality auditing should not only report non-conformance and corrective actions but also highlight areas of good practice and provide evidence of conformance. In this way, other departments may share information and amend their working practices as a result, also enhancing continual improvement.

Project management Audits

Projects can undergo 2 types of Project audits

- **Regular Health Check Audits:** The aim of a regular health check audit is to understand the current state of a project in order to increase project success.
- **Regulatory Audits:** The aim of a regulatory audit is to verify that a project is compliant with regulations and standards. Best practices of NEMEA Compliance Center describe that, the regulatory audit must be accurate, objective, and independent while providing oversight and assurance to the organization.

Energy audits

An energy audit is an inspection, survey and analysis of energy flows for energy conservation in a building, process or system to reduce the amount of energy input into the system without negatively affecting the output(s).

Operations audit

An operations audit is an examination of the operations of the client's business. In this audit the auditor thoroughly examines the efficiency, effectiveness and economy of the operations with which the management of the entity (client) is achieving its objective. The operational audit goes beyond the internal controls issues since management does not achieve its objectives merely by compliance of satisfactory system of internal controls. Operational audits cover any matters which may be commercially unsound. The objective of operational audit is to examine Three E's, namely: Effectiveness – doing the right things with least wastage of resources. Efficiency – performing work in least possible time. Economy – balance between benefits and costs to run the operations

This project is focused on assessment of financial records of the department and developing a framework of improvisation in financial record management.

Financial audit

A **financial audit**, or more accurately, an **audit of financial statements**, is the verification of the financial statements of a legal entity, with a view to express an audit opinion. The audit opinion is intended to provide reasonable assurance, but not absolute assurance, that the financial statements are presented fairly, in all material respects, and/or give a true and fair view in accordance with the financial reporting framework. The purpose of an audit is to provide an objective independent examination of the financial statements, which increases the value and credibility of the financial statements produced by management, thus increase user confidence in the financial statement, reduce investor risk and consequently reduce the cost of capital of the preparer of the financial statements.

In accordance with the US GAAP, auditors must release an opinion of the overall financial statements in the auditor's report..

The financial audit is one of many assurance functions provided by accounting firms. Many organizations separately employ or hire internal auditors, who do not attest to financial reports but focus mainly on the internal controls of the organization. External auditors may

choose to place limited reliance on the work of internal auditors. Auditing promotes transparency and accuracy in the financial disclosures made by an organization.

Internationally, the International Standards on Auditing (ISA) issued by the International Auditing and Assurance Standards Board (IAASB) is considered as the benchmark for audit process. Almost all jurisdictions require auditors to follow the ISA or a local variation of the ISA.

Purpose

Financial audits exist to add credibility to the implied assertion by an organization's management that its financial statements fairly represent the organization's position and performance to the firm's stakeholders. An audit is not designed to provide absolute assurance, being based on sampling and not the testing of all transactions and balances; rather it is designed to reduce the risk of a material financial statement misstatement whether caused by fraud or error. A misstatement is defined in ISA 450 as an error, omitted disclosure or inappropriate accounting policy. Audits add value through easing the cost of information asymmetry and reducing information risk.

Audit process and techniques

For collection and accumulation of audit evidence, certain methods and means generally adopted by auditors are

1. Posting checking
2. Testing the existence and effectiveness of management controls that prevent financial statement misstatement
3. Casting checking
4. Physical examination and count
5. Confirmation
6. Inquiry
7. Observation
8. Inspection
9. Year-end scrutiny
10. Re-computation
11. Verification of existence, ownership, title and value of assets and determination of the extent and nature of liabilities

History

Audit of government expenditure

The earliest surviving mention of a public official charged with auditing government expenditure is a reference to the Auditor of the Exchequer in England in 1314. The Auditors of the Imprest were established under Queen Elizabeth I in 1559 with formal responsibility for auditing Exchequer payments. This system gradually lapsed and in 1780, Commissioners for Auditing the Public Accounts were appointed by statute. From 1834, the Commissioners worked in tandem with the Comptroller of the Exchequer, who was charged with controlling the issuance of funds to the government.

The Act also established the position of Comptroller and Auditor General (C&AG) and an Exchequer and Audit Department (E&AD) to provide supporting staff from within the civil service. The C&AG was given two main functions – to authorise the issue of public money to government from the Bank of England, having satisfied himself that this was within the limits Parliament had voted – and to audit the accounts of all Government departments and report to Parliament accordingly.

Stages of an audit

A financial audit is performed before the release of the financial statements (typically on an annual basis), and will overlap the year-end (the date which the financial statements relate to).

The following are the stages of a typical audit:

Planning and Risk assessment

Purpose:

- To understand the business of the organization and the environment in which it operates. The relevant industry, regulatory, and other external factors including the applicable financial reporting framework

The nature of the entity

The entity's selection and application of accounting policies

The entity's objectives and strategies, and the related business risks that may result in material misstatement of the financial statements

The measurement and review of the entity's financial performance

Internal control relevant to the audit

To determine the major audit risks (i.e. the chance that the auditor will issue the wrong opinion). For example, if sales representatives stand to gain bonuses based on their sales, and they account for the sales they generate, they have both the incentive and the ability to overstate their sales figures, thus leading to overstated revenue. In response, the auditor would typically plan to increase the rigour of their procedures for checking the sales figures.

Internal controls testing

Purpose:

- To assess the operating effectiveness of internal controls (e.g. authorization of transactions, account reconciliations, segregation of duties) including IT General Controls. If internal controls are assessed as effective, this will reduce (but not entirely eliminate) the amount of 'substantive' work the auditor needs to do (see below).

Substantive procedures

Purpose:

- To collect audit evidence that the management assertions (actual figures and disclosures) made in the Financial Statements are reliable and in accordance with required standards and legislation.

Methods:

- where internal controls are strong, auditors typically rely more on **Substantive Analytical Procedures** (the comparison of sets of financial information, and financial with non-financial information, to see if the numbers 'make sense' and that unexpected movements can be explained)
- where internal controls are weak, auditors typically rely more on **Substantive Tests of Detail** (selecting a sample of items from the major account balances, and finding hard evidence (e.g. invoices, bank statements) for those items)

Notes:

- Some audits involve a 'hard close' or 'fast close' whereby certain substantive procedures can be performed before year-end. For example, if the year-end is 31 December, the hard close may provide the auditors with figures as at 30 November. The auditors would audit income/expense movements between 1 January and 30 November, so that after year end, it is only necessary for them to audit the December income/expense movements and 31 December balance sheet. In some countries and accountancy firms these are known as 'rollforward' procedures.

Finalization

Purpose:

- To compile a report to management regarding any important matters that came to the auditor's attention during performance of the audit,
- To evaluate and review the audit evidence obtained, ensuring sufficient appropriate evidence was obtained for every material assertion and
- To consider the type of audit opinion that should be reported based on the audit evidence obtained.

Internal audit

Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organization's operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.^[1] Internal auditing is a catalyst for improving an organization's governance, risk management and management controls by providing insight and recommendations based on analyses and assessments of data and business processes. With commitment to integrity and accountability, internal auditing provides value to governing bodies and senior management as an objective source of independent advice.

The scope of internal auditing within an organization is broad and may involve topics such as an organization's governance, risk management and management controls over: efficiency/effectiveness of operations (including safeguarding of assets), the reliability of financial and management reporting, and compliance with laws and regulations. Internal auditing may also involve conducting proactive fraud audits to identify potentially fraudulent acts; participating in fraud investigations under the direction of fraud investigation

professionals, and conducting post investigation fraud audits to identify control breakdowns and establish financial loss.

Internal auditors are not responsible for the execution of company activities; they advise management (or similar oversight body) regarding how to better execute their responsibilities

Organizational independence

While internal auditors are not independent of the companies that employ them, independence and objectivity are a cornerstone of the internal audit; and are discussed at length in the standards and the supporting practice guides and practice advisories. The required organizational independence from management enables unrestricted evaluation of management activities and personnel and allows internal auditors to perform their role effectively.

Role in internal control

Internal auditing activity is primarily directed at evaluating internal control. Under the COSO Framework, internal control is broadly defined as a process, effected by an entity's board of directors, management, and other personnel, designed to provide reasonable assurance regarding the achievement of the following core objectives for which all businesses strive:

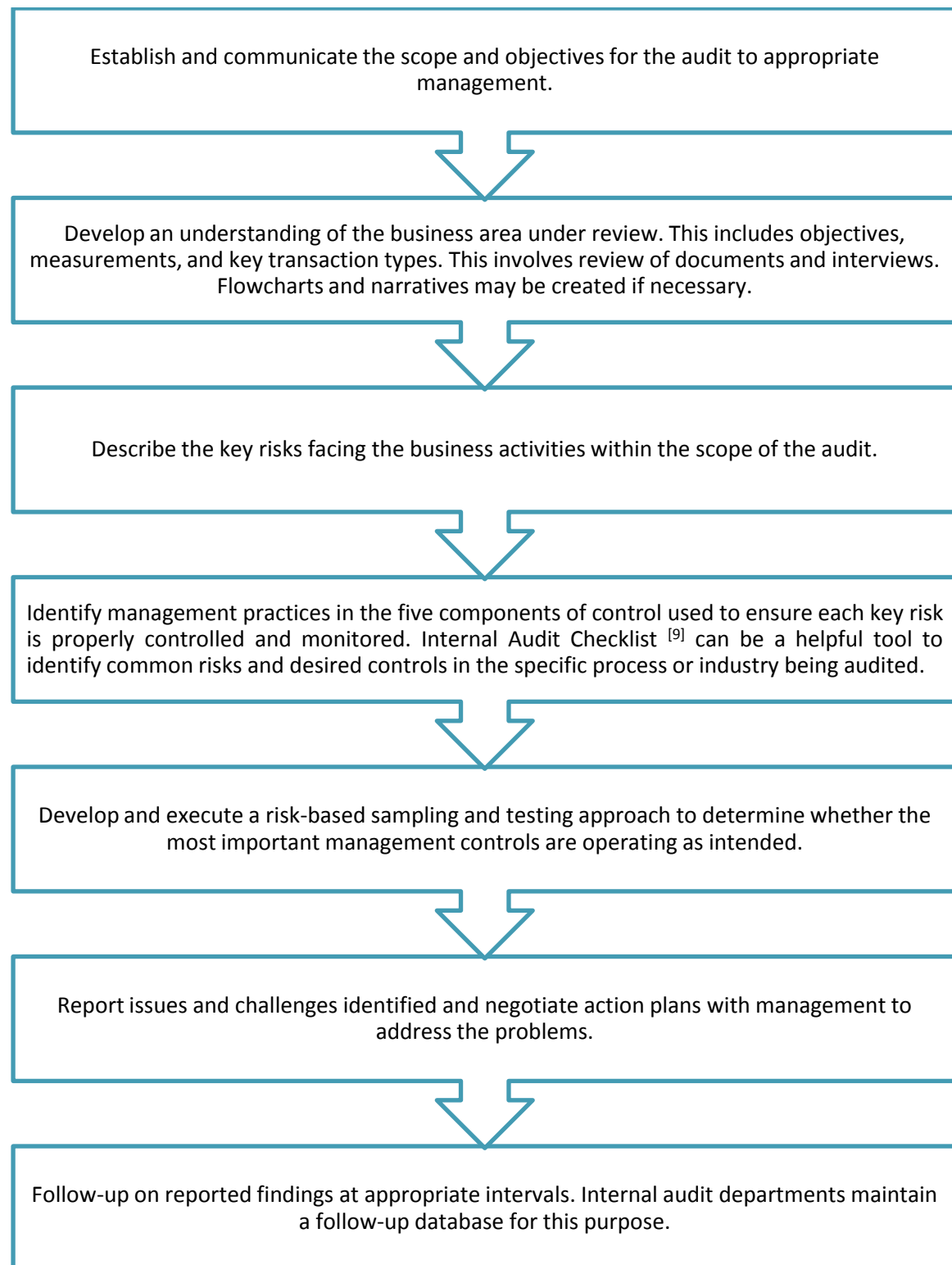
- Effectiveness and efficiency of operations.
- Reliability of financial and management reporting.
- Compliance with laws and regulations.
- Safeguarding of Assets

Management is responsible for internal control, which comprises five critical components: the control environment; risk assessment; risk focused control activities; information and communication; and monitoring activities. Managers establish policies, processes, and practices in these five components of management control to help the organization achieve the four specific objectives listed above. Internal auditors perform audits to evaluate whether the five components of management control are present and operating effectively, and if not, provide recommendations for improvement.

In the United States, internal auditors may assist management with compliance with the Sarbanes-Oxley Act (SOX).

Internal Audit Execution

A typical internal audit assignment involves the following steps:



Audit assignment length varies based on the complexity of the activity being audited and Internal Audit resources available. Many of the above steps are iterative and may not all occur in the sequence indicated.

In addition to assessing business processes, specialists called Information Technology (IT) Auditors review information technology controls.

Internal audit reports

Internal auditors typically issue reports at the end of each audit that summarize their findings, recommendations, and any responses or action plans from management. An audit report may have an executive summary; a body that includes the specific issues or findings identified and related recommendations or action plans; and appendix information such as detailed graphs and charts or process information.

The recommendations in an internal audit report are designed to help the organization achieve effective and efficient governance, risk and control processes associated with operations objectives, financial and management reporting objectives; and legal/regulatory compliance objectives.

Audit findings and recommendations may also relate to particular assertions about transactions, such as whether the transactions audited were valid or authorized, completely processed, accurately valued, processed in the correct time period, and properly disclosed in financial or operational reporting, among other elements.

Under the IIA standards, a critical component of the audit process is the preparation of a balanced report that provides executives and the board perspective, analysis and workable recommendations for business improvements in critical areas, auditors help the organization meet its objectives.

Audit philosophy

Some of the philosophy and approach of internal auditing is derived from the work of Lawrence Sawyer. His philosophy and guidance on the role of internal audit was a forerunner of the current definition of internal auditing. It emphasized assisting management and the Board in achieving the organization's objectives through well-reasoned audits, evaluations,

and analyses of operational areas. He encouraged the modern internal auditor to act as a counselor to management rather than as an adversary. Sawyer saw auditors as active players influencing events in the department rather than criticizing all degrees of errors and mistakes. Sawyer often talked about “catching a manager doing something right” and providing recognition and positive reinforcement. Writing about positive observations in audit reports was rarely done until Sawyer started talking about the idea. He understood and forecast the benefits of providing more balanced reporting while simultaneously building better relationships. Sawyer understood the psychology of interpersonal dynamics and the need for all people to receive acknowledgment and validation for relationships to prosper.

Sawyer helped make internal auditing more relevant and more interesting through a sharp focus on operational or performance auditing. He strongly encouraged looking beyond financial statements and financial-related auditing into areas such as purchasing, warehousing and distribution, human resources, information technology, facilities management, customer service, field operations, and program management. This approach helped catapult the chief audit executive into the role of a respected and knowledgeable adviser who was thought to be reasonable, objective, and concerned about helping the organization achieve the stated goals.

Auditing is defined as a systematic and independent examination of data, statements, records, operations and performances (financial or otherwise) of an enterprise for a stated purpose. It refers to audits in accounting, internal controls, quality management, project management, water management, and energy conservation. The purpose is then to give an opinion on the adequacy of controls (financial and otherwise) within an environment they audit, to evaluate and improve the effectiveness of risk management, control, and governance processes.

Historically, the word ‘auditing’ has been derived from Latin word “audire” which means “to hear”. According to Dicksee, traditionally auditing can be understood as an examination of accounting records undertaken with a view to establishing whether they completely reflect the transactions correctly for the related purpose. In addition the auditor also expresses his/her opinion on the character of the statements of accounts prepared from the accounting records so examined as to whether they portray a true and fair picture.

CHAPTER 5- CURRENT SYSTEM

DSM department is wholly maintained by Delhi Technological University so the revenues generated by DSM department viz through academic fees, examination fees etc. falls under the head of Delhi Technological University and DSM holds no responsibility of holding the revenues submitted by the students enrolled in their program.

All the expenditures are borne by the University itself however it requires procedures and sanctions by the department and activity heads to get the budget for carrying out developmental and other activities in the department.

As a part of internal assessment of records it is important to review all the financial records structure of the department. The following financial records (mentioned below) were furnished on which the assessment is carried forward.

1. Sanction Order Maintenance File : This file maintains the copies of budget sanction requests and proposals prepared by the department and activity heads and submitted to the University in order to get grants and aids from the university
2. Expenditure Register: The register records all the expenses borne by the department during club activities, paying honorariums to the faculties, guest lecturers, prospectus printing etc.
3. Petty expenditure Register: This register maintains the petty day-to –day expenses borne by the department. eg.Tea, Canteen expenses etc.
4. Activity Records Maintenance File: this file maintains the records of all the activities and events held in the college till date and also the records of students participation activities in other colleges.

For consumables and non-consumable product needs the department is provided with an Indent Book on which they can enter specify the details of the products that they want to get issued from the “Stores” in University. The requisition of the goods is done by the department staff and The indent book requires approval signatures of the demander and the head of the department and the indent form is submitted to the Stores to get the article. One copy of the form is retained by the department while other copy is submitted to the Store cell.

The department is getting the consumables and non consumable goods indented and no cost is borne by the department directly and is borne by the university so reviewing the financial records of the stores cell is out of the scope of this project

All the administrative expenses like telephone expenses, electricity expenses, water charges, cleaning of corridors etc are also borne at the university level and not at department level.

All the employees and staff salaries, LTC allowances are borne by the University and not at the department level. Service books maintained, Provident Fund A/cs , Final payment cases of funds & pensions ,Number of officials provided with rent free accommodation are maintained at University level and is not accounted for and so not reviewed at the departmental level.

The fixed assets and consumer goods like desktops, projectors, refrigerators ,furniture accounting is done at University level and not at the department level.

The accounts had been prepared on cash basis instead of on accrual basis.

The accounts had been prepared on single entry system instead of double entry system.

Adequacy of Internal audit system

The internal audit is not conducted by the department earlier from the commencement of the department in 2009.

There are no internal audit manual and auditing standards.

No review meeting were taken by the management to monitor the working of internal audit

System of physical verification of assets

- The physical verification of fixed assets for the period has not been conducted.
- The physical verification of Library books for the period has not been conducted.

System of physical verification of inventory.

The physical verification of inventory like books and publications, stock of paper, stationery and other consumable items had not been conducted.

CHAPTER 6- GAP ANALYSIS OF THE SYSTEM

The department strives to maintain transparent accounting procedures for all the activities and events conducted in the purview of the department. The department was cooperative in sharing the financial records for the assessment.

However during my analysis some gaps were seen and I have tried to recommend strategies on how we can enhance the efficiency of record management in our system.

Traditional method of record management is currently in practice. All the records till date are maintained in four registers ie. Sanction and Budget Allotment file, Expenditure Register, Petty expenditure Registers, Activity file

These files form an integral part of financial records of the department.

However there is no structured and date wise maintenance of these records.

1. During the assessment of records it was found that many records were missing eg. Sanction File are maintained from 05/02/2013 to 21/04/2014. Petty expenditure records from September 2010 were maintained.
2. No proper indexation of records were done.
3. Records of the events and activities and its expenditure details does not mention the date on which the expenditure took place.
4. It is cumbersome to recheck the expenses and transactions occurring during the event and requires a need of calculator to check and review each recording expenditure which would be time consuming for the management incase they want to review the records further.
5. The accounting entry on expenditure register specifies the voucher numbers but the department do not possess the voucher documents. A repository possessing the activity wise vouchers should be maintained by the department.
6. All the expenditure details like activities and event details , honorarium given to the faculties and guest lecturers are documented together in one register itself. One page guides us to the activities expenditure details the next page guides to honorarium details which creates difficulty in understanding the records.
7. Proposal document and the sanctioned amount document should be kept together and a copy should be attached in expenditure register.

8. Sanction document does not specify the numbering as to where the expenditure details of the particular activity is maintained so it becomes time consuming to match and map the sanction document with the expenditure details of an event.
9. It is important to map sanction letter with expenditure details. In some cases it was seen that sanction letter is given but the expenditure details are not mentioned in the register.
10. No backup of the financial documents is maintained anywhere. In case of any unfortunate circumstances we can lose the entire financial records of the department.

CHAPTER 7- RECOMMENDATIONS AND GUIDELINES

It is important for a department to maintain a sound and reliable framework for maintenance of records. I would like to propose a structure for maintenance of financial records

Proper Records Management

The purpose of the Records Management Framework is to help DSM staff and faculty members understand the records management principles applicable to the information they create and receive, and to help employees manage financial information in a secure and efficient manner.

Benefits of Records Management

Records management will result in a number of positive benefits for units, most notably:

- Reduced costs that arise through use of stationary items like registers, pens, folders etc.
- Increased useable space
- Increased efficiency: Information can be efficiently retrieved by those with a legitimate right of access, for as long as the information to support audit decisions and conclusions needs to be held;
- Information is secure from unauthorized and accidental alteration or erasure, that access and disclosure is properly controlled and audit trails track usage and changes;
- There are consistent and documented retention and disposal procedures to include provision for permanent preservation of archival material and secure disposal of information at the end of its life;

The cost of filing cabinets, file folders, and other tools associated with paper records storage is considerable in DSM. These costs (and inefficient use of expensive office space) can be reduced or eliminated with the application of records management principles. In addition, costs associated with employee time spent searching for records, and being

forced to recreate the record if it cannot be found are significant, as is the cost of commercial records storage.

Digital Records Management allows for the controlled destruction of insignificant information, reduces storage needs in both the hardcopy and digital world. Records management is about managing records – no matter what format.

Records management helps in the administration of the department records by allowing employees to locate information reliably and efficiently.

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Records Management allows money to be saved on filing cabinets, file folders, and the cost of employee time spent filing and retrieving records. Expensive commercial records storage may be reduced or eliminated, while space currently used for records retention on campus may be purposed for more productive purposes.

It is important to have robust, consistent procedures adopted to handle the records in line with set policies. The organized financial record management framework should be organized to ensure:

- Staff can work effectively and efficiently without having to waste time hunting for information;
- Management can find what they need quickly and easily or determine who has the data;
- New staff can learn to use the system quickly;
- Any risks that information can be accidentally amended, deleted or that confidential information can be accidentally disseminated are minimised;
- Internal audit work is conducted in an orderly, efficient and accountable manner;
- Continuity is provided in the event of a disaster;
- Records are relevant, reliable, authentic, complete and usable;

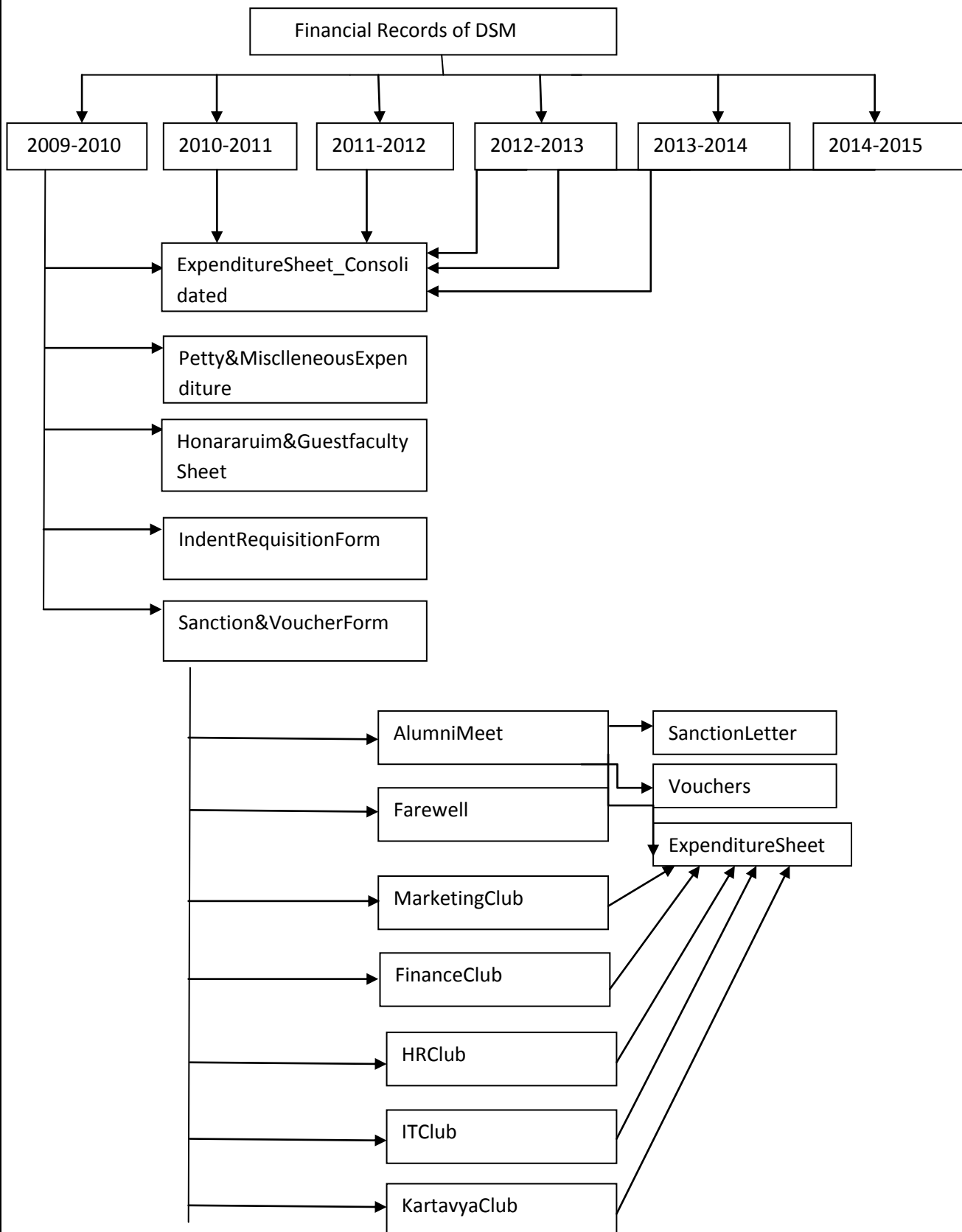
RECOMMENDED FRAMEWORK

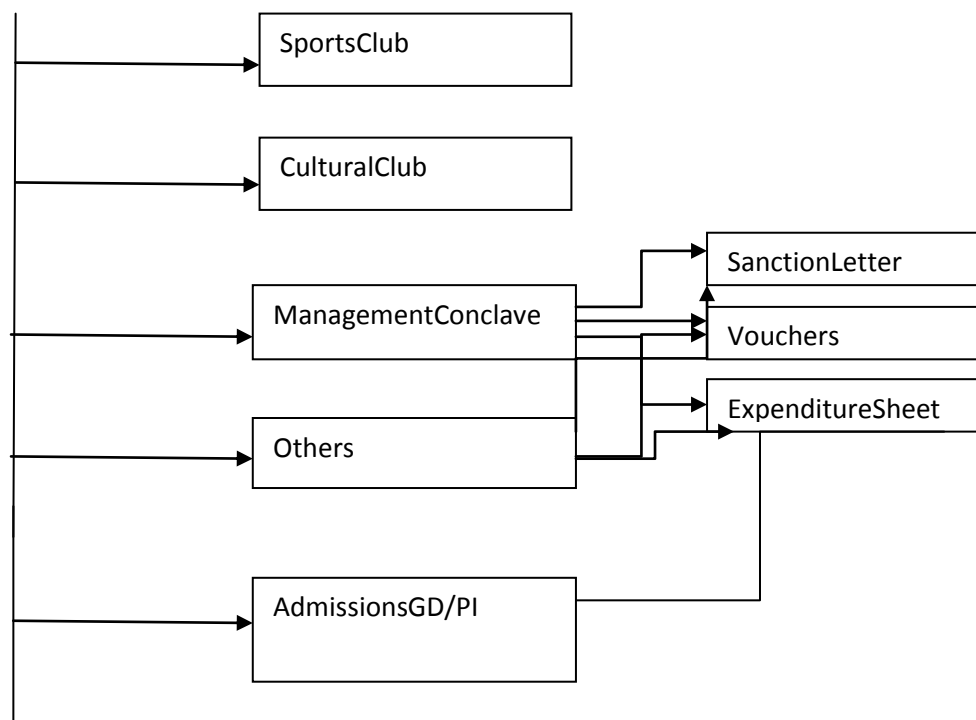
1. It is customary to understand the requirement of the system and while conducting the gap analysis on the system it was found that there is a need to define a framework and a structure for reliable and proper maintenance of records.
2. It is important to maintain a digital record management system in order to keep the record in relevant, reliable, authentic, complete and usable manner
3. .
4. The records can be maintained in multiple formats but for this project I have proposed to use Microsoft Excel to maintain the financial records since usage of Excel spreadsheet is simple and the management and staff would be comfortable in working and maintaining records on Microsoft Excel.
5. A folder is the system totally dedicated to the maintenance on financial records that will act as a central repository for reference of financial information should be maintained in DSM office computer.(For the Snapshots refer to Annexure 2)
6. For maintaining the financial records of the department it is important to organize the financial records on the basis on the financial year in which the transaction or the activity has happened. It is highly recommended to give the financial details of every activity and transaction under the proper financial year.
7. Classification of the financial records is another important parameter to organize the records structurally else it would become difficult for everyone who want to review the records again.
8. User & Access Permissions are provided for each file. Only the faculty who is heading particular club activity will get a read and write access to the financial records folder also the Head of the Department is given access to all financial records folder.
9. Accounting done in one sheet should not be repeated in other sheet. Recording of data should be done only once.
10. Consolidated Expenditure sheet should be updated monthly and should be mailed to the Head of the Department within the first week of the next month.

11. Sanction letters hardcopy is submitted at university level for approval and grants. Since this is Key Document in planning the event and activity it is advised that a scanned copy of attested document is maintained in the specific activity folder.
12. All the expenditure details are maintained in the spreadsheet and each club maintains the expenditure details, sanctioning letter copies and voucher copies independently and securely and the faculty head will get read and write access to particular club folder.
13. It is recommended that the department maintains the scanned copies of all the vouchers and bills received during the arrangement and coordination of activities and events.
14. A repository maintaining the scanned copies of all vouchers and bills involved during management of the activities ensures smooth review of the records and would reduce the impact on loss of key documents on the management if the assessment takes place in future. It will ensure efficiency and transparency of the system.
15. Admissions Spreadsheet would maintain all the expenditure involved during the GD/PI process for admissions in various programmes like Regular MBA, Executive MBA, Doctor of Philosophy and Diploma and Certificate Programs.
16. Petty Expenditure spreadsheet would maintain the expenditure that involves petty cash flows like canteen expenditures and other miscellaneous expenditure.
17. Indent Requisition Form Spreadsheet maintains all the records of Non Consumable goods that the department has requested for its day to day operations. Although the items are only indented from the stores department and department does not pay to the stores in any cash or kind but it is recommended that the department should maintain the indented item records on a soft copy so as to get precise and accurate picture of cost and expenses that University has to spend on this department. It would help the University and department management in future to calculate and analyze the returns that DSM department generates for the University.

18. It is advisable that the staff and the faculty should be trained with this process and maintenance of all the financial data in digital form.
19. It is advisable that within 10 working days (post the event) the details should be updated in digital form along with the scanned copies supporting the expenditure sheet.
20. All the expenditure details should be maintained and updated in consolidated expenditure sheet by the end of each month and submitted to the Head of the Department by first week of the next month so that all the records can be reviewed every month.

DATA FLOW DIAGRAM

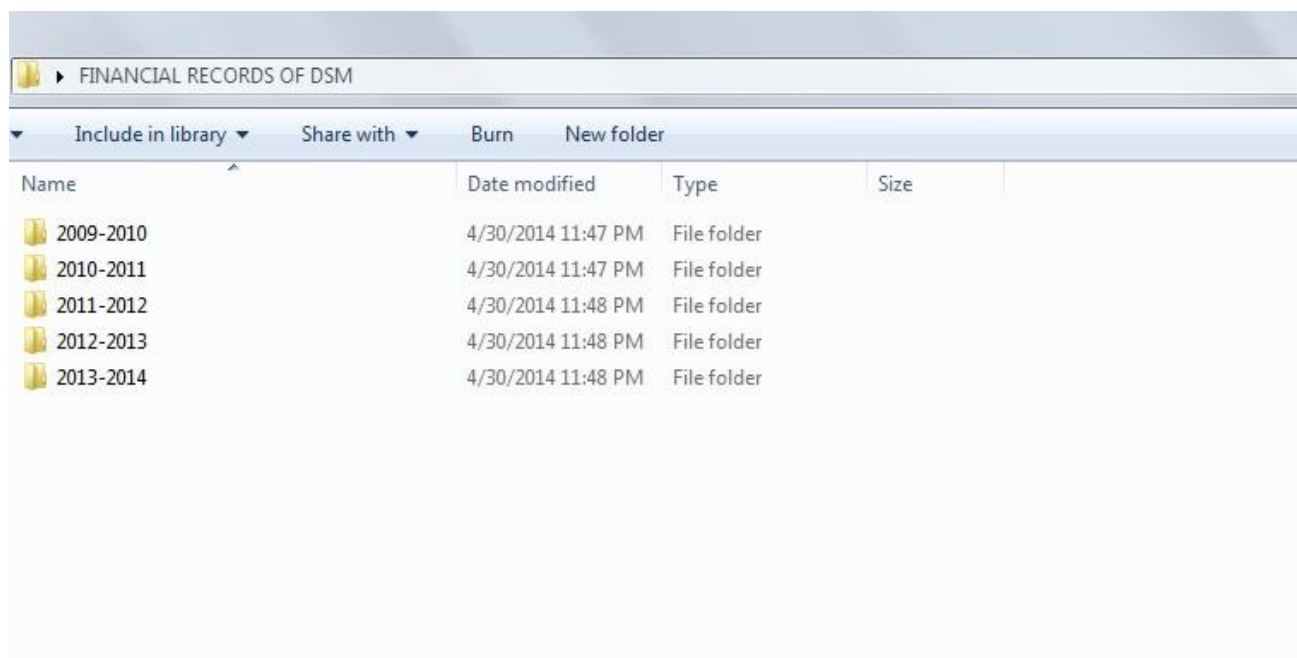




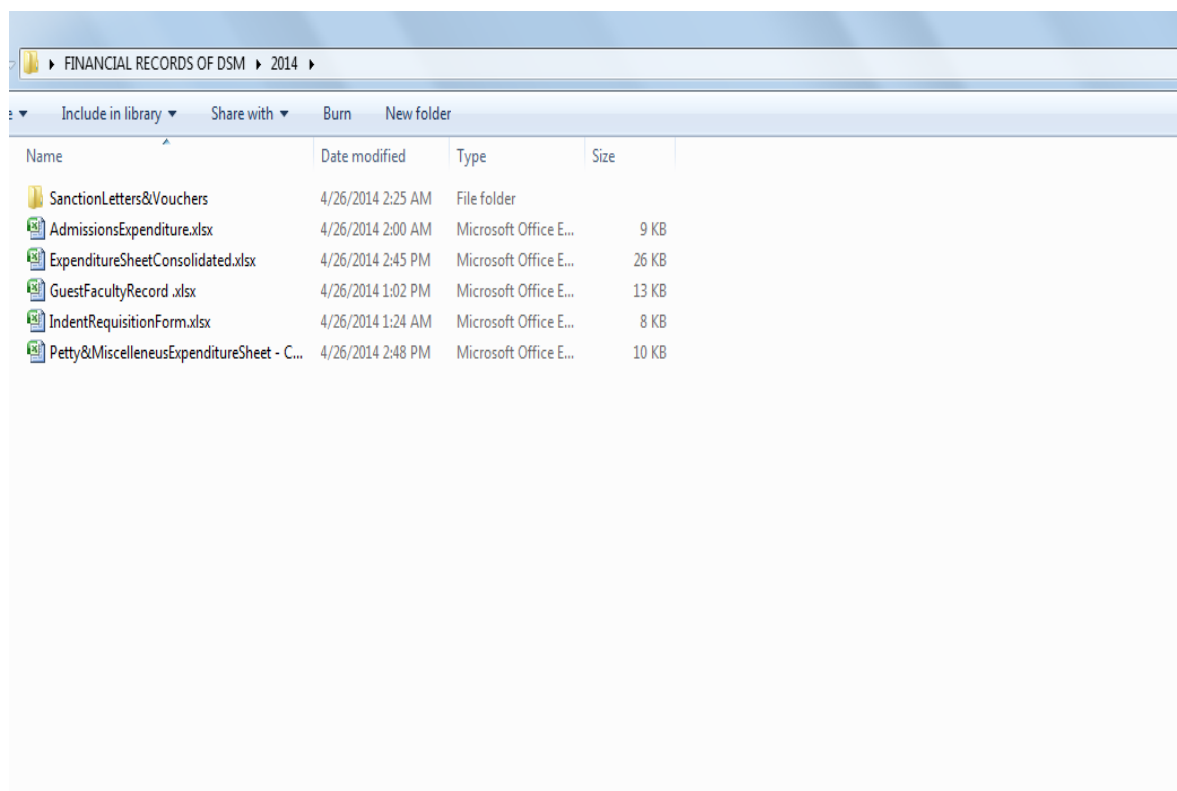
REFERENCES

1. State records of South Australia-assessment & Audit (Government of South Australia).Guidelines January 2012 version 1.
2. HM Treasury Internal audit Records Management.
3. Records Management Manual at UBC Authored By :University archives
4. University records Retention Policy by Boston University
5. www.wikipedia.com

ANNEXURE



FINANCIAL RECORDS OF DSM				
Include in library ▾ Share with ▾ Burn New folder				
Name	Date modified	Type	Size	
2009-2010	4/30/2014 11:47 PM	File folder		
2010-2011	4/30/2014 11:47 PM	File folder		
2011-2012	4/30/2014 11:48 PM	File folder		
2012-2013	4/30/2014 11:48 PM	File folder		
2013-2014	4/30/2014 11:48 PM	File folder		



FINANCIAL RECORDS OF DSM ► 2014 ►				
Include in library ▾ Share with ▾ Burn New folder				
Name	Date modified	Type	Size	
SanctionLetters&Vouchers	4/26/2014 2:25 AM	File folder		
AdmissionsExpenditure.xlsx	4/26/2014 2:00 AM	Microsoft Office E...	9 KB	
ExpenditureSheetConsolidated.xlsx	4/26/2014 2:45 PM	Microsoft Office E...	26 KB	
GuestFacultyRecord.xlsx	4/26/2014 1:02 PM	Microsoft Office E...	13 KB	
IndentRequisitionForm.xlsx	4/26/2014 1:24 AM	Microsoft Office E...	8 KB	
Petty&MiscelleneusExpenditureSheet - C...	4/26/2014 2:48 PM	Microsoft Office E...	10 KB	

FINANCIAL RECORDS OF DSM > 2014 > SanctionLetters&Vouchers >				
Include in library ▼	Share with ▼	Burn	New folder	
Name	Date modified	Type	Size	
AlumniMeet	4/26/2014 2:50 PM	File folder		
CulturalClub	4/26/2014 2:17 PM	File folder		
Farewell	4/26/2014 2:25 PM	File folder		
FinanceClub	4/26/2014 2:18 PM	File folder		
GDPIAdmissions	4/26/2014 2:20 PM	File folder		
HRCclub	4/26/2014 12:44 PM	File folder		
ITclub	4/26/2014 2:45 PM	File folder		
ManagementConclave	4/26/2014 2:45 PM	File folder		
MarketingClub	4/26/2014 2:45 PM	File folder		
Others	4/26/2014 2:45 PM	File folder		
SportsClub	4/26/2014 2:45 PM	File folder		

FINANCIAL RECORDS OF DSM > 2014 > SanctionLetters&Vouchers > AlumniMeet >				
Include in library ▼	Share with ▼	Burn	New folder	
Name	Date modified	Type	Size	
SanctionLetter	4/26/2014 1:40 AM	File folder		
VouchersofExpenditure	4/26/2014 1:40 AM	File folder		
AlumniMeetExpenditure.xlsx	4/26/2014 2:15 PM	Microsoft Office E...	9 KB	

GuestFacultyRecord.xlsx - Microsoft Excel

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GuestFacultyRecord.xlsx - Microsoft Excel								
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Petty&MiscelleneusExpenditureSheet -

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	A	B	C	D	E	F	G	H
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2	S.No	Date	Expenditure Details	Voucher No.	Amount	Remarks	ScannedCopyAttached(Yes/No)	
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CanteenExpenses PettyMiscellaneousExpenses

