



MGM DENTAL COLLEGE AND HOSPITAL
INTERNAL AND EXTERNAL AUDIT MECHANISM

Suitable institutional mechanisms should be made available to monitor the effective and efficient use of financial resources. The College should engage both internal and external auditors for this purpose.

Internal Audit:

A Chartered Accountant firm should be appointed as the internal auditor and a team of staff under them will conduct an assessment of the adequacy of internal controls in the system. This would include aspects such as:-

- a) Whether internal controls operating are satisfactorily and give suggestions for improving weak controls or creating them where they do not exist.
- b) That proper books of accounts and operation of accounting software are being maintained for timely and accurate reporting.
- c) That an adequate system is in place to ensure that goods, works and services are being procured in accordance with proper procurement procedures.
- d) That an appropriate system of accounting and financial reporting exists, on the basis of which claims are prepared and submitted for reimbursement.
- e) Adequate records are maintained regarding assets acquired including details of cost, identification and location of assets.

They should also focus on financial compliance while conducting different types of audits as mentioned below:

- Transaction audit includes examination of all relevant vouchers of receipts and expenditure as per the cashbook to establish the expenditure with reference to the activities.
- Compliance audit means examination of documents as to whether money spent was legally meant for that expenditure and whether sanctioned by the competent authority.

The audit team should be given access to all documents, correspondence, Books of Accounts, Office Orders and any other information related to financial transactions as deemed necessary by them.

The Internal audit team should separately provide:

1. details of serious audit observations, such as ineligible expenses, major lapses in internal controls, procurement procedures not followed, incorrect information submitted for reimbursements, difference between cash drawn and expenditure reported, procedural lapse, accounting lapse, accounting books & records not maintained etc.

2. observations that are not serious in nature, but nonetheless require the attention

Internal Audit team should further provide:

- Comments and observations on the financial management records, systems and controls that were examined during the course of the review.
- Deficiencies and areas of weaknesses in systems and controls and recommendations for their improvement.
- Compliance with covenants in the financing agreements and comments, if any, on internal and external matters affecting such compliance.
- Any other matters that the auditor considers pertinent.

External Audit:

External audit is carried out in an elaborate way also looking into the reports of the regular internal audit.

An External Audit Agency (Chartered Accountant Firm) as appointed by the Trust carries out the External audit.

The audit of financial statements shall examine whether the financial statements are prepared in accordance with the applicable financial norms and whether the financial statements are presented fairly, in all material respects, to give a true and fair view.

The external audit teams should make adequate visits and carry out thorough audit of the financial transactions.

They shall vouch:

- whether Expenditure has been incurred in accordance with the framed guidelines, as per established procedures/system;
- Whether Due Diligence has been exercised in procurement of goods and services;
- Whether Funds have been utilized within the budgetary provisions and for the purpose for which they were meant;
- Whether strong internal controls/checks/systems are in place for monitoring the expenditure;
- Whether applicable statutory requirements have been complied with;
- Whether Strong Systems are in place for process of approvals and payments;
- Whether Expenditure has been incurred within the delegation of financial powers defined by the institute from time to time;
- Whether Proper records have been maintained and documents have been kept in the secured form;
- Whether all discrepancies/suggestions made in the previous audit report have been complied with;

- whether suggestions on areas and the manner in which the internal control/systems could be strengthened wherever they have been found to be inadequate and preventive safeguards have been built in against frauds/misappropriation of funds / Losses.

Whenever there are any major findings / objections in the audit reports, the same have to be reported to the College Management which shall in turn take suitable actions. Whenever minor errors of omissions and commissions are pointed out by the Audit team, they are to be immediately corrected / rectified and precautionary steps are also to be taken to avoid recurrence of such errors in future.

- The College Management should consider the audited annual accounts statements and annual budget.

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