CHAPTER V

Budgeting, Planning, Accounting and Auditing System of selected Universities

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Budgeting, Planning, Accounting and Auditing System of Selected Universities:

Planning is the basic managerial function. It refers to the systematised pre-thinking for determining a course of action to achieve some desired result and involves identification and evaluation of alternative and selection of the most favourable alternative. Budgeting refers to the process of translating the decisions programmed in the long range planning framed into the annual budget format with more precise measure of inputs, price tags and outputs which are possible and necessary when looking only one year ahead.

The planning and budgeting are vitally important complementary activities linked with each other. They are effective tools in the management of finance of an organisation. The budget of an organisation is prepared to have effective utilisation of funds and for the accomplishment of the objective as efficiently as possible. The budget of University institution is an effective tool for the a) procurement of funds, b) allocation of funds, c) control of funds, d) policy and decision making, e) achievement of goals, f) effective use of funds and g) assessment of the financial health of a University. Planning, on the other hand is one of the vital functions of every manager and is the basis for every activity in an organisation. Planning in a University institution means the process whereby the institution establishes its long run vision, goals and objectives, the identification and evaluation of alternative and choice among alternatives.

Hence, budgeting and planning play an important role in the financial management of any Universities. Whether it is State or Central Universities. It is only through sound and effective technique of budgeting and planning, most of the maladies in the University financial management can be settled.
Accounting on the other hand is the art of recording, classifying and summarising in a significant manner and in terms of money transactions and events of financial character and interpreting the results thereof. Accounts of an organisation give a functional classification of receipts and payments showing fund wise position of income and function wise classification of expenditure and help to analyse and interpret the financial data generated during the process of record keeping.

Auditing is the critical examination of the book of account of an organisation along with the documents and vouchers from which they have been written up. The audit is also necessitated to exercise necessary control over the activities and the functions discharged by subordinate staff which can also be achieved through the system of internal audit and internal check. As such, where there is an accounting, there must be auditing. The financial exercise can be meaningful and beneficial to the organisation only when these two i.e. accounting and auditing go together. The financial accounting and reporting is also a statutory requirement for an organisation. As such the accounts of an organisation are got audited from authorised agency/department so as to verify its correctness and fairness for their maintenance before they are finally accepted by the competent authority. The preparation of Annual Accounts and submission to the Government funding agency, duly audited, is a requirement of Act and Statutes for further release of grants-in-aid for an educational institutions like University. Hence the accounting and auditing system of the University play a predominant role in the effective financial management of the University.

In this Chapter an attempt has been made to examine the existing system of Budgeting, Planning, Accounting and Auditing of the selected Universities, its limitations and weakness if any and to suggest remedies to make the system really informative and a useful tool in the hand of University management and educational policy planner.
5.1 **Budget - Meaning:**

A budget is the monetary or/and quantitative expression of plans and policies to be pursued in the future period. It is a predetermined detailed plan of action developed and distributed as a guide to current operation and as a partial for the subsequent evaluation of performance.

*A budget can be defined as a financial and/or quantitative statement prepared prior to a defined period of time, of the policy to be pursued during that period for the purpose of attaining a given objective*.

From this definition we know that a budget is a detailed plan of operation for some specific future period prepared in advance of the period to which it applies. Thus, the budget of an organisation is a predetermined statement of management policy during a given period which provides a standard for comparison with the result achieved. It reflects the financial aspects in the working of the organisation whether it is within government or not.

5.2 **Budgeting System:**

In order to examine the budgeting system of the University, it is desirable to know about the various budgeting systems. The important Budgeting systems which are adopted in University namely,

1) Line Item Budgeting
2) Programme Budgeting
3) Performance Budgeting
4) Planning Programming and Budgeting
5) Zero Base Budgeting.

*Definition - Page No. 11.1 Management Accounting - R.K. Sharma & Shashi K. Gupta.*
i) **Line Item Budgeting**:

In Line Item Budgets expenditure are first classified on the basis of the objective on which they are incurred, that is pay of officers and ministerial staff etc. Secondly, the expenditure is classified into Non-plan and Plan categories and development and non-development categories. The limitation of this system of budgeting is that it is not easy to identify and allocate all items of expenditure relating to a single programme.

ii) **Programme Budgeting**:

The Programme Budgeting System involves the documentation of decision or resource requirement and output to be achieved, schedule over the year involved in the planning period and the accompanying information and documentation system.

iii) **Performance Budgeting**:

Performance budget has been defined as a “budget based on functions, activities and projects”. It is a budgeting system in which input costs are related to the performance i.e. end results. It operates within the framework of clearly defined objectives which are sought to be achieved through successful implementation of these programmes and activities undertaken by the concerned department.

Performance budgeting involves: (a) development of performance criteria for various programmes (b) assessment of performance of each programme and by each responsibility units (c) comparison of the actual performance with the budget and (d) undertaking periodic review of the programme with a view to make modification as required. The performance budgeting present more clearly the purpose and fields in which the funds are sought and to bring out the programmes and accomplishment in financial and fiscal terms. It make better understanding and better review of the budget by legislature or the fund sanctioning authority and also improve the formation of the budget and to facilitate the process of decision making at all levels.
iv) **Planning, Programming and Budgeting System (PPBS):**

The Planning, Programming and Budgeting System (PPBS) is a budgetary process that is aimed at making government operations more efficient and more effective. PPBS was first introduced in the U.S. Department of Defence in 1961. The purpose of this budgeting system is to reform the assignments of funds within the public sector and to improve the allocation of fund between the private and public sectors. PPBS treats budgeting as an allocative process and considers budget as a statement of policy.

In this system the functions of planning, programming and budgeting are drawn together and inter-related. It provides an ongoing evaluation of the extent to which results are being achieved, with data feedback into the system for the purpose of auditing and refining operations. This system of budgeting helps the management to classify objectives and to make better decisions for the allocation of resources among different alternative for attaining objectives.

v) **Zero Base Budgeting (ZBB):**

Zero base budgeting (ZBB) is another technique of budgeting and it has an increased use as a managerial tool. This technique was first used in America in 1962. The former President of America, Jimmy Carter used this technique when he was the Governor of Georgia for controlling state expenditure.

The ZBB is a planning and budgeting process which requires each manager to justify his entire budget request in detail from scratch (hence Zero base) and shift the burden of proof to each manager to justify why he should spend money at all. The concept of ZBB requires that activities of the organisation should be viewed afresh and priorities among competing claims for allocation of funds settled on the basis of justifications developed by the use of evaluation technique, like cost benefit analysis, cost effective analysis etc. and on other desirable considerations.
ZBB enables management to allocate funds according to the jurisdiction of the programme and improves efficiency of the management.

The steps involved in ZBB are i) identification of decision units, ii) formation and development of decision practices, iii) evaluating and ranking decision practice in order of priority and iv) preparation of budget by allocating resource activities or decision packages by utilising hierarchical funding cut off levels.

The slight differences on the emphasis of these budgeting systems are namely, Line Item Budgeting which emphasises finances accordingly and ensures legality in regulating expenditure. Performance budgeting emphasises the evaluation part of the function of a budget. Thus it is essentially oriented to the past programme budgeting emphasises the future orientation of budget. The planning, programming Budgeting system of analysis to the process of budgeting which is nothing but the process of decision-making in the field of finances. The ZBB system seeks to justify each proposal/activity/programme for funds in detail from scratch.

The budgeting system of Universities has mainly to be on the Government system since Universities have been and will continue to be dependent almost entirely on budgeting allocation of the Central and State Government. The Government of India has taken various steps to improve the budgeting system of the Government and has stressed the need for application of ZBB in various departments of the Central and State Government (1987).

5.3 Form of the Budget:

The Budget also known as “annual financial estimate” presents under different heads the estimated receipts and expenditure of the University in respect of a financial year, before the commencement of that year. The budget specifies the objects for and the

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limits up to which expenditure may be legally incurred during the course of financial year. Its object is to exercise financial control over approved items of income and expenditure, in other words it is an instrument of financial control.

The Budget estimates shall be prepared in the form suggested by the State Government / Government of India / University Grant Commission (UGC), as the case may be. According to the form suggested by the UGC, which has already been adopted by most of the Universities, the Budget is broadly divided into four parts. These are-

1) Part I - Non Plan - dealing with the receipts and expenditure connected with the normal functioning of the University including general and auxiliary services.

2) Part II - Plan - dealing with the receipts and expenditure on development activities in the University out of plan provision.

3) Part III - Earmarked (Special Funds) - dealing with the receipts and expenditure against funds earmarked for specific purposes.

4) Part IV - Debt, Deposits, Advances etc. - dealing with the receipts and expenditure relating to debt, deposits, advances etc.

In case of Parts I, III and IV, the form provides for preparation of an ‘Abstract’ and a ‘Summary’ of the Budget in addition to the detailed Budget. The Abstract gives readily and overall picture of the particular part of the Budget and the Summary provides for the Heads of Accounts for the preparation of the Appropriation.
Accounts (no. Appropriation Accounts would be necessary for Part II - Plan). A consolidated general review of the entire Budget will be readily available from the form "Budget at a Glance" which provides for exhibiting part-wise break-up in respect of the provision for the ensuing year vis-a-vis the corresponding provision for the current year.

The Budget is made up of major heads which are further sub-divided into sub-major heads and minor heads. Further break-up of the provision against each minor head into sub-heads, detailed heads and primary units is also given in the Budget wherever necessary. The major, minor and other heads of accounts are so fixed as to facilitate financial control and to make available statistical information required by the authorities of the University or Government, or UGC.

The Budget estimate should also contain -

1) A Budget Note or Explanatory Memorandum at the beginning which should explain salient feature of the items provided and the important variations between the Budget and the revised estimates of the current year and the Budget estimates of the ensuing year. It will consist of:

i) Review of the fiscal administration of the past year;
ii) The Financial position for the current year;
iii) The Budget estimates for the ensuing year; each head of accounts shall be dealt with separately and the proposal for new expenditure should be explained clearly. The Budget estimates as a whole must be analysed to find out first the extra expenditure over the current year and striking increases should be examined and explained.

The Explanatory Memorandum should also indicate in important cases the actual physical achievement as compared to the expenditure actually incurred and proposed. It should also indicate the physical achievement anticipated next year for which the provision is proposed.
2) Budget note at the end of the Budget explaining briefly such items as are new, how the various provisions made in the Budget are arrived at and the details of non-recurring items of expenditure.

3) An appendix showing the aggregate provision on account of pay and allowances in respect of post according to their categories under different major heads of account.

4) The Budget estimate will contain separate columns for -
   i) Heads of accounts including their sub-division.
   ii) Actuals for the previous year.
   *iii) Budget estimates for the current year.
   iv) Revised estimates for the current year and
   v) Budget estimates for the ensuing year.

5) The details of progressive expenditure, grants received, etc. will also be briefly included in the case of continuing schemes.

5.4 Preparation of the Budget Estimates:

The Budget Estimates shall be prepared by the Departments of the University bearing in mind the instruction given here under:

1) Estimates for Receipts: In the case of Maintenance and Development Budgets, the receipts mainly comprise of grant-in-aid from the State Government/University Grant Commission. In the case of Maintenance grant, the Block grant is decided and communicated by the State Government Commission. This takes into account the grant fixed for the previous year and normal increases due to increments in pay of staff and rise in cost of maintenance of the other services of the University. In the case of Development grants, the funds are made available by
the commission according to the phased programme of the plan an individual Development projects/schemes approved by it.

2) The estimates for receipts from students fee etc. would be prepared by the students section, on the basis of the anticipated number of students during the ensuring year as finalised by the Registrar Office with the approval of the Vice Chancellor.

   In the case of receipts from land and buildings, the estimates will be furnished by the Estate Branch. Similarly, the estimates for other Heads, will be prepared by the Departments concerned. The Estimates would be finalised by the Budget Section with reference to last year’s actuals and other relevant factors affecting the receipts.

3) In case of Earmarked (Special) Funds, the estimates for receipts will be prepared by the concerned section and furnished to Budget Section.

4) In the case of Deposits etc. heads, the estimates will be finalised by the Budget Section on the basis of information furnished by the Estate Officer, Students Section, Engineering Department etc.

5) Estimates for Expenditure: Both in the case of Maintenance and Development Budgets, estimates for expenditure under the various Heads will be prepared by the Departments. In the case of Finance Department, the estimates will be prepared by the Budget Section. New items of expenditure for Maintenance grant will be compiled separately for approval of the Finance Committee before inclusion in the Budget.

   The estimates will be supported by the Schedules of Establishment and details of Scheme-wise expenditure, whenever necessary.
6) In the case of Earmarked Funds, the estimates of Expenditure under the various Heads/Schemes will be prepared by the concerned section and forwarded to the Budget section.

7) In case of Deposits etc. heads, the figures will be finalised by the Budget section on the basis of information furnished by the Estate Office/Students Section, Engineering Department etc.

8) All new major works or schemes or posts for which provision is proposed to be included in the budget estimates should invariably be placed before the Building and Works Committee.

9) Proposals for creation of new posts should be accompanied by full details of the existing strength of the relevant section or unit and circumstances justifying the creation of new posts.

10) Framing of the budget estimates should not be taken as an occasion for making proposals for changes in the scale of pay and allowances. Such proposals shall be submitted separately when the occasion arises for the consideration of the University authorities and only on their final acceptance the provision should be made in the Budget.

11) Proposals involving ‘new expenditure’ will not ordinarily be considered unless exceptional circumstances exist where the expenditure on the scheme is “inescapable” and there is a strong justification to incur expenditure. The order of preference in selection of works and schemes should be -

   i) Development and other expenditure for which grant from the UGC or Government is forthcoming and there will be no financial burden on the University funds.
ii) Development and other expenditure which is productive and can be balanced by fees etc.

iii) Other Development expenditure.

iv) Schemes of low priority which have already been held over at a convenient intermediate stage or have to reach such stage.

v) All expenditure considered to be extremely of low priority by the above standards and therefore should either be terminated or postponed.

12) Every proposal for new expenditure or fresh charges should be accompanied with a statement of new item of expenditure or fresh charges in the prescribed form. The Department should in each case, indicate the portions of the new items which are non recurrent, terminable recurrent (i.e. items not involving permanent but only temporary additions to the expenditure) or permanent recurrent.

13) In the case of a proposal for increase in staff or revision of pay, the numbers, rates of pay and allowances and the period if the appointments are temporary, should be given in detail.

14) In estimating the cost of the schemes in the budget year, it should be carefully considered when the scheme is likely to be implemented and a prorata provision should be made. It may also be stated whether the scheme has received the required administrative approval of the competent authority.

15) If the scheme involves the construction of buildings or other works, the cost of such works should be stated. In the case of building programme a list showing the Major works proposed to be executed during the year should form part of the Budget. Provision for special repairs for buildings shall be
indicated separately with full justification and estimates. The total cost of
the each scheme the amount already spent and the balance required for future
year should be clearly shown. If any building already in existence is to be
vacated as the result, it should be stated how it is proposed to utilise the
building so vacated.

Provision should be made only for works of which the preliminaries such
as the acquisition of site, preparation of detailed plans and estimates, etc., have
either been settled or are likely to be settled before the close of the year.

16) Loss or addition of revenue or savings in existing expenditure involved in
the scheme should also be stated.

17) The Executive Council should be informed of the normal aspects which come
into picture when considering any item of expenditure.

18) The estimates should on no account be framed mechanically by merely
repeating on the basis of past actuals. In framing the budget estimates, the estimating
authorities should exercise the utmost foresight. An exhortation to show foresight
is not an invitation to provide for additional item of expenditure without justification
while provision should be made for all items of expenditure that can be foreseen,
it is essential that the amount of provision should be restricted to the absolute
minimum necessary. The Head of Departments should see that the rules for the
preparation and submission of budgets are followed strictly and they should devote
their personal attention to the preparation of budget estimates.

5.5 **Budgeting System of the Selected Universities**

In order to examine the Budgeting system of the selected Universities data
are collected through a pretested questionnaire, the primary data so collected has
been analysed on the issues of formulation of the budget (existing practices) and system of budgeting recommended by the finance officers of the Universities as given hereinafter.

5.5.1. Formation of Budget:

As per the response given by the Finance Officers of the selected Universities (i.e. NEHU, Tezpur University, Gauhati University, Dibrugarh University and Manipur University), their budget is formulated on the line suggested by the University Grant Commission (UGC). It has been reported that all the Universities prepared their budget on the basis of estimated income and expenditure, not on the basis of available funds and expenditure. The budget in all the Universities is prepared after getting proposals from departments and after the finance wing takes into accounts of past year income and expenditure with anticipated increase. It has been reported that in case of all Central Universities and State Universities that they cannot include new schemes/programmes in the budget without the approval of the funding agency. It is also reported that the approval of the Government is required for inclusion of any new schemes/programme in the budget. The budget is scrutinised by the Finance Committee before submitted to Syndicate (Executive Council) in all the selected Universities. It has been reported that the budget is approved by the University authorities in case of all the selected Universities excepting the Tezpur University in which the budget is approved by the Government.

The Finance Officer of North Eastern Hill University (NEHU) has expressed opinion in favour of Zero-Base Budgeting system, where the Finance Officer of Tezpur University is in favour of programme Budgeting. The Treasurer of Gauhati University (GU) recommended the combination of Zero-Base Budgeting and Planning Programming Budgeting System. The Registrar of Dibrugarh University has expressed opinion in favour of Programme Budgeting and the Finance Officer of Manipur University expressed in favour of performance Budgeting.
5.6. Planning Process:

It is imperative on the part of the University institutions to prepare both long-term and short-term plans, taking into consideration the environment and circumstances under which they are operating. Like every other business enterprise the Universities should also effectively plan for the mobilisation and utilisation of their resources. The primary data so collected on items of formulation of plan have been analysed and given hereinafter.

The Finance Officer/Treasurer/Registrar of all the selected Central and State Universities have stated that Five Year Plans are formulated in respect of their Universities. All the Universities are also formulating Annual Plans.

It has been reported that Planning Committees exist in all the selected Universities. Outside experts are associated/represented on the Planning Committee in case of NEHU whereas only internal representative are associated in case of Tezpur University, Gauhati University, Dibrugarh University and Manipur University.

It has also been reported that the Plan requirements of the Universities are discussed by the State Planning Board in case of State Universities i.e. Gauhati University, Dibrugarh University and Manipur University. The plan requirements are discussed in the Planning Commission, Government of India in respect of Central Universities i.e. NEHU and Tezpur University. In case of all the selected Central and State Universities, it has been reported that plans are approved by the Government/Funding Agencies and communicated to them. A time lag in plan communication has been reported by all the Universities selected for study.

From the above description it has been concluded that the non-association of outside experts may deprive the university from the expert opinion in formulation of
plans. The non-participation of University Institution in the State Planning Boards and Planning Commission of the Government of India at the time of discussing the Five Year Plans and Annual Plans may deprive the University from presenting its requirement for future growth and development as well as for providing a matching share in the case of State Universities for lifting the Central assistance from the University Grant Commission. The time lag in communication of the plan allocation may stand in the way of timely planning and executive of various programmes/activities and planning of expenditure.

It is therefore suggested that Universities should prepare long term, five-year and annual plans fully reflecting their requirements and submit the same to the Government so that their plan requirements could be assessed and funds provided. Each University should constitute a Planning Committee under the Chairmanship of the Vice-Chancellors consisting of both internal and outside experts to be nominated by the Vice Chancellors. While nominating members to the said Committee, it should be insured that all sections of University are represented, may be by rotation and only those outside experts are nominated who are well conversant with educational planning. The sanction/allocation for the five years and annual plans should be communicated to the University without any time lag so that they could plan their programmes and expenditure accordingly.

5.7. **Accounting System:**

To examine the accounting system of an organisation, it is desirable to know the conceptual framework of accounting procedures/systems. The accounting procedures/systems are namely -

i) Receipts and Payment Account.

ii) Income and Expenditure Account.
i) **Receipts and Payment Account**: The Receipts and Payment Account is the summary of actual cash receipts and payments extracted from the cash book covering a particular period. All receipts and payments during the period whether an account of capital or revenue should be included in the account. The account commences with the opening balance of cash and similarly closed with the balance of cash at the end of the period. It does not include any income or expenses outstanding and naturally fails to reveal the actual income and expenditure of the period it covers. Receipts and Payment account need not be necessarily accompanied by a balance sheet.

ii) **Income and Expenditure Account**: The Income and Expenditure Account is a revenue account prepared by a non-trading concern and includes all income earned during a given period (whether actually received or not) and expenditure incurred for the purpose of earning such income (whether actual paid or not). The account does not start with any balance and difference between the two side would mean either excess of income over expenditure or vice versa. The Income and Expenditure Account must always be accompanied by its relative balance sheet.

5.8. **Accounting System of Selected Universities**:

In order to examine the accounting system of the selected Universities information are collected through questionnaire, the data so collected has been analysed as under.

**North Eastern Hill University (NEHU)**:

The Finance officer of NEHU have stated that accounts are prepared as Receipt and Payment accounts. The University is following Cash based accounting system and is also prepared the balance sheet. The Finance officer further have expressed opinion in
favour of double entry system of accounting. He also express opinion about to change the system of accounting from cash basis to accrual basis. It has been reported that a combined bank account for all grants is maintained by the University and separate accounts for each grant is also prepared. The University's fund is kept under the Current bank account and Separate Students Fund account is also maintained.

The University account are maintained, operated and complied centrally by the Finance Wing of the University.

Tezpur University:

As per the response given by the Finance Officer the University's accounts are prepared on the line of Receipt and Payment accounts. The University also prepared Income and Expenditure accounts and Balance Sheet. The accounts are prepared on cash basis instead of accrual basis. The Finance officer further have expressed his opinion in favour of double entry system of accounting. It has also reported that Bank Account is maintained separately for each grant and separate accounts are prepared for each grant. The University's Fund is kept under Saving Bank Account and students fund is maintained separately under distinct head. The accounts are maintained, operated and compiled centrally by the Finance Wing of the University.

Gauhati University:

The Treasurer of Gauhati University have stated that the accounts are prepared as Receipt and Payment Accounts. The University also prepared Income and Expenditure Account and Balance Sheet. The University is also following cash based accounting system. He also recommended the Double entry system of accounting.

The University is maintaining separate Bank Accounts for each grant and prepared separate accounts for each grant. It has also been reported that the University. Funds are
kept under both the Saving Bank Account and Current Bank Account. The University also maintained separate Students Fund Account. The University’s accounts are maintained, operated and compiled Centrally by the Finance Wing.

**Dibrugarh University:**

Dibrugarh University also prepared its accounts on the line of Receipt and Payment Accounts. The University is also following cash based accounting system. The University prepared Balance Sheet for every Financial Year. The University also maintained separate Bank account of each grant and prepared accounts separately for each grant. It has also been reported that the funds are kept under Saving Bank Account as well as under Current Bank Account. It also maintained separate Student fund account under distinct head. The accounts are maintained, operated and compiled centrally by the Finance Wing of the University.

**Manipur University:**

Prior to the conversion into Central University, the University’s accounts are prepared on the line of Receipts and Payments Accounts. The University is following cash based accounting system and is also prepared Balance Sheet for every financial year. The University also maintained separate accounts for each grants. It has also reported that Provided Fund Account, Pension Fund Accounts are maintained separately. The Funds are kept under both Saving Bank Account and Current Bank Account and it also maintained separate Students fund account under distinct heads. The University’s account are maintained, operated and compiled centrally by the Finance Section of the University. At present, (after conversion) the accounts are maintained and financial statements are prepared on the basis of historical cost convention. The University still followed cash basis of accounting. However in case of Retirement Benefits Retirement Pension and Interest on Special Term Deposit, the University follow accrual basis.
The adoption of cash basis owes its origin to pre-eminence of the budget as the principal means of financial control for the Universities. The present accounting system of the Universities may be described as a quasi-commercial system with some of the government accounting concepts and terminology (i.e. Revenue Expenditure, Capital Expenditure, Debt, Deposits and Advances) as a part of the system. This system closely resembles with Government Accounting System.

5.9 Auditing System:

The audit plays an important role in the effective financial management of University. It reflects on the proper management of University finances and their utilization for the purpose for which they have been allotted and sanctioned. The audit also draws attention to financial irregularities, if any, and also gives a fair picture of the maintenance of accounts. The audited accounts also help the University in the correct assessment of its performance. As the auditor bring out all the weak points, there is every opportunity to improve upon the weak points observed. It advise the University with regard to improvement of its financial management system and judicious utilisation of funds.

Audit is of vital importance to an organisation because spending departments have a constant fear that audit has to be conducted and irregularities have to be found out if any, are bound to create problems. Thus, the audit provide code of conduct for all institutions. This is a statutory requirement and also an essential condition for the further release of funds by the funding agencies.

In order to examine the auditing system of an organisation, it is important to know the conceptual frame-work of various prevalent auditing system being followed for the conduct of the audit. The prevalent auditing systems are: i) Internal Audit, ii) Concurrent Audit, iii) Pre-Audit and iv) Post Audit.
i) Internal Audit: Internal audit is an independent appraisal activity within an organisation for the review of accounting, financial and other operations as a basis for service to the management. Internal auditors check irregularities, help the various departments under the organisation in the proper upkeep of their accounts, assist and guide settlement of audit papers of external audit and minimisation of audit objections. This audit is in addition to the statutory audit.

ii) Concurrent Audit: The Concurrent audit is conducted by an external agency. Under this audit the organisation make the payment and immediately thereafter the vouchers along with relevant records are presented to the auditors for applying necessary checks. The observations with regard to such payments which are required to be met by the organisation are conveyed to them through audit memorandum for compliance. The limitations of this audit is that overpayments, if any, cannot be stopped because when the records are check, the payments had already been made. At times it may happen that overpayments made may not be recovered from the payee outside the organisation.

iii) Pre-Audit: The pre-audit is conducted by an independent agency on day to day basis. In this system of audit the bills duly passed by the concerned department of the organisation are presented to statutory auditors with relevant records for clearing the bills for release of the payments after exercising necessary checks. In this system no payments can be made without pre-audit. The actual payees receipts, audit of stores, income and booking of expenditure is however, checked by the same auditors on a post audit basis. The limitation of this system of auditing are i) sometimes it causes delay in releasing payments and ii) in case of difference of opinion
between the auditors and authorities of the organisation the cases have to be referred to the Government for clarification etc. which may cause undue irritation and inconvenience to the payee. Despite these limitations this system of audit prevents overpayments and reduces the chances of defalcations. It goes a long way for the proper maintenance of accounts, timely clarification of annual accounts, issuance of audit report and submission of audited grant utilisation certificates to the funding agencies.

iv) **Post-Audit**: The post-audit is conducted by statutory auditors at convenient intervals. Under this system test check of the accounts of the organisation is conducted by auditors in respect of those months as are confidentially intimated by the head office of the statutory auditors to the office-in-charge of the audit party. The audit party conducts the detailed audit of selected months. However they are authorised to conduct the detailed audit of other months in case of any apprehensions of grave irregularities, etc. The shortcomings of this audit are: i) time lag in the conduct of regular audit, ii) delay in the certification of annual accounts and issuance of audit report, iii) delay in release of grants by funding agencies for want of timely submission of grant utilization certificates.

With this conceptual framework of the system of auditing data relating to auditing system of the selected Universities are collected through a pre-tested questionnaire, the primary data so collected has been analysed as given hereinafter.

5.10 **System of Auditing in Selected Universities**:

**North Eastern Hill University (NEHU)**:

The annual accounts and balance sheet of the NEHU shall be audited by the Comptroller and Auditor General of India at least once in every year and at intervals of
not more than fifteen months. As per the response given by the Finance Officer, the University is following Post audit system without internal audit and is satisfied with the existing system of audit. However the finance officer have recommended concurrent auditing system.

**Tezpur University:**

Similarly, the annual accounts and balance sheet of the Tezpur University shall once in every year and at intervals of not more than fifteen months, be audited by the Controller and Auditor-General of India or by such persons as he may authorise in his behalf. The University is following Post Audit system with internal audit and is also satisfied with the existing system of audit followed. The Finance Officer of the University have also reported in favour of post audit with internal audit system.

**Gauhati University:**

The annual accounts of the Gauhati University shall be audited by the Examiner of Local Accounts, Assam, at least once in every year and at the intervals of not more than fifteen months. The accounts so audited shall be published in the Official Gazette. As per the response given by the Treasurer of the University regarding the auditing system, the University is following post audit with internal audit and is satisfied with the existing system of audit. But, the post audit of the accounts are done by Government auditor who do not take up the audit timely and it adversely affect the Audit system of the University. The Treasurers of the University have also reported in favour of Post Audit with internal audit and recommended this system of auditing.

**Dibrugarh University:**

In case of Dibrugarh University, the accounts are audited by a firm of Charter Accountants subject to overall audit scrutiny by the Accountant General. The Finance Committee of the University also shall conduct quarterly internal audit and the report of such audit shall be submitted to the State Government regularly. The State Government also have
the power to order an audit of the accounts of the University (including those of the institutions managed by it) when deemed necessary. The University is following post audit with internal audit system and is also satisfied with the existing system of auditing followed. The Registrar (being Secretary of Finance Committee) have also reported in favour of Post audit with internal audit system.

**Manipur University:**

The accounts of the Manipur University shall be audited by the Examiner of Local Fund Accounts, Manipur or any person authorised by him in his behalf. The auditing is done at least once in every year and at the intervals of not more than fifteen months. The audited accounts shall be published by the Syndicate in Manipur Gazette. The University is following post audit with internal audit system and is also satisfied with the existing auditing system of the University.

However, since the University has been converted in Central University, the annual accounts shall be audited by Comptroller and Auditor General of India at least once in a every year and at intervals not more than fifteen months.

It can be inferred from the foregoing description that there is similarity in the auditing system followed in NEHU and Tezpur University. In both the University accounts are audited by the Comptroller and Auditor General of India at least once in every year. However in case of Gauhati University, Dibrugarh University and Manipur University, the accounts are audited by the Examiner Local Fund Accounts of the respective State Government. It is also found that all the University followed post-audit with internal audit system excepting NEHU which followed post audit without internal audit system.

To conclude effective and efficient auditing system for Universities need no emphasis for the management of University Finances. Keeping in view the merits and demerits of
prevalent auditing systems, opinions experienced by Finance Officers/ Treasurers/ Registrars of the selected Universities the pre-auditing system with internal check is recommended for Universities. However, it has been reported that pre-audit stands in the way of speedier execution of programmes. It is therefore suggested that audit should help, guide and advise the Universities to correct financial transactions. This will go a long way in the improvement of financial management of such institutions.