

Audit of Educational Institutions

Audit of books of educational institutions i.e. Schools, Colleges, Universities etc is known as audit of educational institutions. This type of audit comes under the category of special audit.

The auditor may thoroughly study the trust deed of the trust to which the school or the college belongs and in the case of the audit of an University, he may study the Act of Legislature and the rules that are applicable to that university.

The institution may receive the following:

1. Grant from government, local authority or governing bodies.
2. Legacies.
3. Donation in cash and in kind.
4. Income from Investments.
5. Admission fees, Tuition fees, Hostel fees etc.
6. Fines and penalties.
7. Contribution towards specific fund.
8. Rental income etc.

Records to be verified by Auditor in Educational Institutions

To verify the above, the auditor may examine the following books and records:

1. Minutes of the managing committee.
2. Students' fees Register.
3. Cash Book and counterfoils of receipts for fees, caution deposit, fine etc.
4. Rental and Lease agreements.
5. Correspondence and other documents relating to legacies, grants etc.

Role of an Auditor in Audit of Educational Institutions

While examining the above records, the auditor has to ensure the following:

1. He shall evaluate and confirm the effectiveness of internal check system of accounting of the receipts.
2. He should verify that the fees are collected from all the students and if there is any concession, the same is granted by a person who is so authorized.
3. He should also ensure that the fees received in advance and fees receivable are properly accounted and irrecoverable fees are written off under the authorization of the appropriate person.

An auditor may ensure the following while verifying records of Educational Institutions:

1. that the admission fees are credited to capital fund A/c.
 2. that the fines and penalties are collected after due authorization and accounted properly.
 3. that a separate register is maintained for caution deposit received from students and the refund due out of caution deposit is refunded to the students.
 4. that long outstanding tuition fees, hostel fees etc., are periodically reviewed and reported to the management for further action.
 5. that the funds created for specific purpose are maintained separately, the investments representing such funds are kept separately and the surplus income from such funds are accumulated and invested along with the capital fund maintained for the purpose.
 6. that the amounts that are refundable to the students are shown as liability in the Balance sheet.
 7. that all the capital expenditure are approved by the managing committee.
 8. that the internal control procedure relating to purchase of stationery, provisions, clothing and other items are effective and chances of pilferage and fraud are minimum.
- The auditor may verify all the expenditure in the usual manner and examine the payment out of funds created for specific purpose thoroughly and ensure that the receipts and payments out of this funds are accounted and presented separately in the Balance Sheet.

Generally, the procedures for auditing is same like other audit even auditor need to follow other steps.

The steps for audit of educational institutions are as follows:- Study of the trust deed or regulations.

Examine the previous financial statements.

Noting of provisions applicable. Evaluation of internal control system.

Examine the minute of the meeting and resolution. Verification of students fee register. Authorization for fee concessions .

Verification of cashbook with respect of counterfoils of receipts and payments.

Examination of capital fund regarding admission fees.

Verify free studentship and concessions .

Confirmation of fines for late payment or absence.

Check hostel dues recovery.

Verification of rental income or expenses.

Examine the bank pass book of different nature.

Verification of investment register and also ask about any interest and dividend from investment if any.

Verify grants from any local bodies or Government with reference to memo or sanction letter.

Reporting of any arrears.

Vouch counterfoils of receipts taken from donors.

Confirmation of any deposits and caution money and its treatment.

Examination of expenses for library books and sports equipments.

Checking of acknowledgement letter if any with regards to scholarship.

Examination of payments with respect to prizes if any.

Examine the salary register. Verify the Provident Fund Register.

Check annual report with accurate supporting documents.

Vouching of all establishment expenses.

Vouch payment for electricity and water bill.

Examination of payment for hostel maintenance and any other miscellaneous expenses.

Inspection of facilities given to students under any schemes associated with Government.

Verification of Fixed Assets Register.

Verify ownership and existence of Fixed Assets .

Confirmation of statutory compliance i.e. P.F., Income Tax etc.

Verification of separate statements of accounts for different funds.

Checking of calculation of salary payable and deductions. At last, cross check all procedure.

Questions

- 1.Explain in detail about the records to be verified by Auditor in Educational Institutions.
2. Discuss about the role of an Auditor in Audit of Educational Institutions .

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