

Year-end Instructions to Head(s) of Institution(s) and Guidelines for Auditors' - Accounts and Audit for the year ended 31 March, 2020

1. Before the commencement of audit the Institution head is required to call for a meeting between the accountants of the institution and the concerned appointed auditor to discuss and plan out the audit for the financial year. **The Institution head must hand over a copy of instructions and final print outs of Financial Statements for Financial Year 2018-2019.**
2. All the issues must be addressed and settled to the satisfaction of the Auditors'. Any qualification by the auditors, by way of exception on the accounts shall be treated as serious lapse and must be explained and resolved by the head of Institution. The Institution head must ensure that they have discussed the audit observations with their auditors' and should also ensure resolving open issues to the satisfaction of auditors'. The audit of accounts must be completed by and the audited accounts must be received on or before by D.A.V CMC.
3. The institutions should ensure that they have received balance confirmations as at 31 March, 2020 for their current accounts / loan and reserve fund account with DAV CMC.
4. The institution is not entitled / allowed to receive any foreign contribution from foreign source. It is to be received only by D.A.V. CMC. In case there is a deviation, it would be a contravention of the Foreign Contribution Regulation Act, 1976.

However, the institution is allowed to receive income in foreign currency from Indian Source. It means income in foreign currency can be taken from an Indian National Resident (i.e. NRI accounts) abroad. In case the institution earns such income from Indian National Resident abroad it should mention the said amount under respective heads in the Notes Forming Part of the accounts.

5. The financial accounts of the institution must reflect prior / previous year figures under the respective heads.
6. All donations whether received in cash or kind must be entered in the accounts against receipt. The value for donation in kind must be entered as per value indicated by donor / value declared in the registered document / valuer's report where the value of the donated asset is substantial and not verifiable by any other means.

Large donations must be directly received and accounted for by the D.A.V. CMC.

The institution should at the time of taking donation obtain a letter from the donor, which indicates full particulars of donor, including name, address and permanent account number (PAN). The donor may be requested to give a noting on each donation that is towards Corpus Fund.

No anonymous donation should be obtained as anonymous donations will be subject to tax with effect from 1 April, 2006. The institution should give a certificate signed by the Principal and the auditor stating that no anonymous donations have been received during the financial year.

7. The incurring of expenditure must be in accordance with the sanction limit of the Principal / Manager / Local Managing Committee. Purchase orders / or award of contract must be based on competitive quotations and in case of expenditure requiring Local Management Committee approval; approval must be available with the institution. All approval and sanctions relating to expending of funds must be made available to the auditor.
8. The fixed assets of the institution must be entered in a Fixed Assets Register and the assets identifiable with each asset on the basis of code number. Physical verification of assets must be conducted every year, physical discrepancies – short fall must be accounted for before writing off. Depreciation has to be provided on the written down value method at the rates prescribed in the Income Tax Rules, 1962.

Part A

9. Inter institutions and balances with Managing Committee must be reconciled along with confirmation certificates. Non-reconciliation of inter account balances will be viewed seriously by DAV CMC and necessary action will be initiated.
10. Reconciliation of intra-account balances being the Main School Account with the Pupil Fund, Transport and Hostel Account wherever applicable, is a must. Non-reconciliation of intra-account balances will be viewed seriously by DAV CMC and necessary action will be initiated.
11. The accounts of the institution must be maintained on **Mercantile System of Accounting (Accrual basis)** and the institution must close the accounts on 31 March, 2020 by taking into account **all the expenses incurred but not paid**; and **all income accrued but not received before** the closing date of **31 March, 2020**.

Interest on deposits must be accounted for on accrual basis after obtaining Certificate of interest earned from 1 April, 2019 to 31 March, 2020 from the bank / depositee each year.

12. The institution must ensure that they have made proper tax deduction at source on payments made / advances given / year-end accruals for
 - a. Salaries,
 - b. Professional Fee,
 - c. Contractors / Advertisement Agencies, and
 - d. Rent.

and also the institution must ensure depositing the same into Central Government Account within the prescribed time limit. Further, the Institutions should also ensure that they have filled the TDS returns within the time limits as prescribed.

The institution must ensure obtaining:

- Permanent Account Number (PAN), and
- Complete Address

from above-mentioned deductee(s) which includes employees and vendors like contractors, professionals and landlords before recording entries and making disbursements.

13. The institutions should ensure obtaining Certificate for Deduction of Tax at Source in Form 16A from income earned from:
 - Fixed Deposits with Banks,
 - Rental income,
 - Investments in Government Securities (Applicable only to Main Accounts Section DAV CMC)
 - Any Other Source

The institutions must record the Gross Income Earned and Taxes Deducted at Source accordingly.

Further, the institution must ensure that the difference between the current year balance and the previous balance appearing under the designated accounts must be equivalent to the sum total of taxes deducted at source as shown in Form No. 16A received from parties. In case of discrepancy the institution must obtain the missing Form No. 16A from the concerned party.

14. The audit report must be on **Form No. 10BB** as prescribed under Income Tax Rules, 1962. The format of the prescribed form is uploaded in a Separate Folder named **Statutory Audit Guidelines and Formats 2019-2020** on the DAV CMC website: www.davcmc.com in **Annexure A**.

The institutions and the auditors are required to report:

- i. in Point 8 of Part B of Form No. 10BB an amount equivalent to the Grand Total Income as appearing on Income side of the Income and Expenditure Account after reducing deficit;
- ii. in Point 9 of Part B of Form No. 10BB an amount equivalent to the Grand Total Expenditure as appearing on the Expenditure side of the Income and Expenditure Account as reduced by Surplus and thereafter reduce the current year depreciation charged and further increased by the total capital expenditure incurred during the financial year.

The resultant figure will be the amount applied to charitable or religious purposes; and

- iii. in Point 10 of Part B of Form No. 10BB an amount equivalent to 15% of the Total Income as shown in Point 8 of Part B.
15. The **Financial Statements** (Accounts) are **required** to be **prepared** with **standardised account heads** for Income and Expenditure Account as well as the Balance Sheet items in the prescribed format is uploaded in a Separate Folder named **Statutory Audit Guidelines and Formats 2019-2020** on the DAV CMC **website: www.davcmc.net.in** in **Annexure B**. The Institutions are required to follow the prescribed format as the same will facilitate in the consolidation of audit of accounts at DAV CMC.
 16. The Institutions are required to give Notes forming part of accounts with regard to accounting policy and accounting standards followed are to be given as described in **Annexure C** which is uploaded in a Separate Folder named **Statutory Audit Guidelines and Formats 2019-2020** on the DAV CMC **website: www.davcmc.net.in**.
 17. Balances with DAV CMC whether appearing under Loan Account or Capital Fund or Reserve Fund or Current Account must be reconciled along with confirmation certificates. The prescribed format has been given in **Annexure D** which is uploaded in a Separate Folder named **Statutory Audit Guidelines and Formats 2019-2020** on the DAV CMC **website: www.davcmc.com**. In case of non-reconciliation, reasons are to be intimated to DAV CMC who would look into it and necessary action will be taken.
 18. The Institution must submit bank reconciliation statement as on 31 March, 2020 along with balance confirmation certificate obtained from the bank, the format of which is uploaded in a Separate Folder named **Statutory Audit Guidelines and Formats 2019-2020** on the DAV CMC **website: www.davcmc.com** in **Annexure E**.
 19. The institution should report items of incomes and expenses which are exceptional in nature for which separate account heads and account codes should be maintained.
 20. The Institutions are required to obtain signed declaration in writing from members of the Executive Committee who by himself / herself or through his / her relative is interested in the specified transactions with any of the institutions or The Managing Committee which requires disclosure in Form No. 10BB report and may be required by the Income Tax Officer in **Annexure F**.
 21. The Institutions are required to send a document checklist indication that they have sent all the required documents as per format which is uploaded in a Separate Folder named **Statutory Audit Guidelines and Formats 2019-2020** on the DAV CMC **website: www.davcmc.com** in **Attachment 2**.
 22. The D.A.V. CMC shall be posting the soft copy of the above mentioned Formats in a Separate Folder named **Statutory Audit Guidelines and Formats 2019-2020** on the DAV CMC **website: www.davcmc.com**.
 23. It is advised that the institutions refer to the following guidelines on:
 - a. Mercantile System of Accounting,
 - b. Fixed Assets Accounting,

- c. Account Reconciliations, and
- d. Withholding Tax Compliance (TDS).

as issued by the DAV CMC earlier for the purpose of finalisation of accounts.

NOTE

Additional Important guidelines to be taken special care of by the Institutional Heads and Statutory Auditors during the Statutory Audit as on 31/03/2020.

1. Fee reconciliation statement vis a vis fee receivable and fee received and other reconciliation statement viz Bank reconciliation etc. Should be enclosed.
2. Certain specific changes have been made this year in the following schedules in comparison to previous years: -
 - (i) Schedule - 1
 - (ii) Schedule – 3
 - (iii) Schedule – 7 and
 - (iv) Schedule – 11.

Detailed guidelines are uploaded in a separate folder named Statutory Audit Guidelines and Formats 2019-20 on the DAV CMC website: www.davcmc.net.in in Annexure B.

3. Schools are required to furnish details in respect of points A to I as per Annexure attached.