FINANCIAL REGULATIONS

&

AUDIT PROCEDURES POLICY

Policy No. FRAPP 2024

KARE/IQAC/FRAPP/2024/01

KALASALINGAM ACADEMY OF RESEARCH AND EDUCATION

(Deemed to be University)

(Under the section 3 of UGC act 1956)

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FINANCIAL REGULATIONS & AUDIT PROCEDURES POLICY

<u>Policy Preparation & Verification Team</u>

Prepared: 2024

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FINANCIAL REGULATIONS & AUDIT PROCEDURES POLICY

1. INTRODUCTION

Kalasalingam Academy of Research and Education (KARE) is committed to ensuring financial integrity, transparency, accountability, and compliance in all its operations. Effective financial management is essential to safeguard institutional resources, support academic and research excellence, and maintain stakeholder trust.

This policy establishes a structured framework for financial regulations, control mechanisms, and audit procedures to ensure proper utilization of funds and adherence to statutory requirements.

2. PURPOSE

The purpose of this policy is to:

- Establish clear financial governance and control systems
- Ensure proper utilization and safeguarding of financial resources
- Promote transparency and accountability in financial transactions
- Define audit mechanisms for monitoring and compliance
- Prevent financial irregularities, fraud, and misuse of funds
- Ensure compliance with statutory, regulatory, and institutional requirements

3. SCOPE

This policy applies to:

- All departments, schools, and administrative units of KARE
- Faculty, staff, and administrative personnel involved in financial activities
- Research projects, grants, and sponsored programs
- Vendors, contractors, and third-party service providers

4. DEFINITIONS

- Financial Regulations: Rules governing budgeting, expenditure, accounting, and financial reporting
- Audit: Independent examination of financial records and processes
- Internal Audit: Periodic review conducted within the institution
- External Audit: Audit conducted by statutory or independent external auditors
- Budget: Approved financial plan for a specific period
- Expenditure: Use of funds for institutional purposes
- Financial Irregularity: Any deviation from approved financial norms or procedures

5. OBJECTIVES

- To ensure sound financial management practices
- To maintain accurate and timely financial records
- To strengthen internal control systems
- To ensure accountability at all levels
- To facilitate effective auditing and compliance
- To minimize financial risks and irregularities

6. GENERAL PRINCIPLES

- Transparency: All financial transactions must be clear and traceable
- Accountability: Responsibility must be clearly defined at each level
- Segregation of Duties: No single individual should control all aspects of a financial transaction
- Authorization: All expenditures must be properly approved
- Conflict of Interest: All individuals involved in financial decision-making, procurement, budgeting, contract approval, or audit activities shall disclose any actual, potential, or perceived Conflict of Interest. Individuals having such a conflict shall recuse themselves from the related decision-making or approval process in accordance with the University's Conflict of Interest Policy.
- Compliance: Adherence to applicable laws, regulations, and policies
- Documentation: Proper records must be maintained for all transactions

7. FINANCIAL MANAGEMENT FRAMEWORK

7.1 Budgeting

- Annual budgets shall be prepared by the respective departments and approved in accordance with the University's Delegation of Financial Powers and Budget Approval Framework. Financial approval limits applicable to Heads of Departments, Deans, Registrars, the Finance Officer, the Vice-Chancellor, and other competent authorities shall be notified separately and reviewed periodically.
- Departments must operate within approved budget limits
- Periodic budget reviews shall be conducted

7.2 Revenue Management

- All income sources must be properly recorded
- Fees, grants, and other revenues must be accounted transparently

7.3 Expenditure Control

- All expenditures must be:
  - Necessary and justified
  - Approved by authorized personnel
  - Supported by valid documentation
- All payments exceeding the limit prescribed in the University's Delegation of Financial Powers shall be made through approved banking or authorized electronic payment systems. Cash payments shall be discouraged except where specifically permitted under institutional procedures.
- High-value expenditures shall require the prescribed approval hierarchy and supporting documentation before commitment or payment.

7.3.1 Petty Cash

Petty cash shall be maintained only by authorized departments or offices within limits approved by the Finance Department. All petty cash transactions shall be supported by original vouchers, entered in the petty cash register, periodically reconciled, and reviewed by the designated approving authority. Surprise verification of petty cash may be conducted by the Internal Audit Team.

7.4 Procurement Procedures

- Procurement must follow institutional procurement policy
- Competitive bidding and vendor selection transparency must be ensured

7.5 Asset Management

- Proper records of assets must be maintained
- Periodic verification of assets must be conducted

7.6 Digital Financial Systems

The University shall utilize approved accounting software, Enterprise Resource Planning (ERP) systems, or other authorized financial management systems for recording, processing, and monitoring financial transactions. Appropriate controls shall include user authentication, role-based access, maker-checker authorization, audit trails, regular data backups, and periodic review of system access privileges.

8. AUDIT PROCEDURES

8.1 Internal Audit

Internal audits shall ordinarily be conducted at least once every financial year. Risk-based audits or special reviews may be undertaken more frequently depending on the nature of activities, financial exposure, or institutional requirements.

8.2 External Audit

External statutory audits shall be conducted annually by auditors appointed in accordance with applicable statutory and regulatory requirements.

8.3 Special Audit

- Initiated in case of suspected irregularities or fraud
- May involve external experts

8.4 Audit Reporting

- Audit findings shall be documented and reported
- Departments must respond to audit observations
- Corrective actions must be implemented

8.5 Fraud Identified During Audit

Where an internal or external audit identifies suspected fraud, financial irregularity, misappropriation, or other serious misconduct, the matter shall immediately be reported to the Competent Authority and referred for action under the University's Anti-Fraud Policy. Pending investigation, appropriate interim measures may be taken to safeguard institutional assets, records, and evidence.

9. ROLES AND RESPONSIBILITIES

9.1 Management

- Ensure implementation of financial policies
- Approve budgets and major expenditures

9.2 Finance Department

- Maintain financial records
- Monitor transactions and compliance
- Prepare financial statements
- Maintain the University's Delegation of Financial Powers Schedule and ensure compliance with approved financial authority limits.
- Monitor electronic financial transactions and maintain appropriate accounting system controls.

9.3 Internal Audit Team

- Conduct audits and risk assessments
- Recommend improvements
- Conduct follow-up reviews to verify implementation of audit observations and corrective actions.

9.4 Department Heads

- Ensure compliance within their units
- Monitor budget utilization

9.5 Employees

- Follow financial procedures
- Maintain integrity in financial dealings

10. INTERNAL CONTROLS

- Segregation of duties
- Authorization and approval mechanisms
- Regular reconciliation of accounts
- Access control for financial systems
- Periodic review and monitoring
- Maker-checker authorization for financial transactions, wherever applicable.
- Role-based access control within accounting software and ERP systems.
- Maintenance of complete electronic audit trails for financial transactions.
- Periodic review of user access rights and system privileges.
- Regular backup and secure storage of financial data.

11. NON-COMPLIANCE AND VIOLATIONS

Violation of this policy may result in:

- Disciplinary action
- Financial recovery
- Suspension or termination
- Legal proceedings

12. RECORD KEEPING

- All financial records shall be maintained accurately, completely, and in accordance with applicable accounting standards and statutory requirements.
- Financial records, supporting vouchers, audit reports, contracts, and related documentation shall ordinarily be retained for a minimum period of eight (8) financial years or for such longer period as required by applicable law, audit requirements, grant conditions, or ongoing legal proceedings.
- Digital and physical records shall be stored securely with appropriate access controls and backup arrangements.

13. REVIEW AND AMENDMENT

- This policy shall be reviewed periodically
- Updates shall be made based on regulatory and institutional changes
- This Policy shall be approved by the Board of Management/Governing Body upon the recommendation of the Finance Committee and shall be reviewed at least once every three (3) years or earlier if required due to changes in statutory, regulatory, or institutional requirements.

14. SUPPORTING POLICIES

- Anti-Fraud Policy
- Disclosure (Whistleblower) Policy
- Procurement Policy
- Data Protection Policy
- Cybersecurity Policy
- Conflict of Interest Policy

CONCLUSION

This Financial Regulations & Audit Procedures Policy ensures that Kalasalingam Academy of Research and Education maintains robust financial governance, transparency, and accountability, thereby supporting its mission of academic and research excellence.