

TECHNICAL EDUCATION QUALITY IMPROVEMENT PROJECT (TEQIP) Phase II

Internal Audit Report for the Half year ended 30th September 2014.

(Name & Address of the auditee)	
Rajiv Gandhi Institute of Technology Vellore P.O. Pampady, Kottayam	
Office Bearers	Co-ordinator : Mr.Gymmy Joseph Kattoor
	MIS Officer : Mrs.PriyankaGirish
	Accountant : Mrs.GeethaRejil
	Data Entry Operator : Mrs.RevathyRenju
Days of Audit	01-12-2014 to 03-12-2014

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1. **Scope & Objective of the engagement**

Verification of transactions related to funds received from TEQIP to ensure that expenditures have been incurred in accordance with the PIP so as to identify non permissible expenditures and also to ensure that expenses have been booked in the correct heads of account. To ensure that figures reported in FMR reports are correctly reported, Internal Control procedures are adequate and are strictly followed, Physical verification of Fixed Assets.

2. **Executive Summary**

Methodology of Audit	<p>The following methodology was adopted for conducting the internal audit.</p> <ol style="list-style-type: none">1. Vouching of Expenses: Vouching of expenses was conducted by going through the work orders, Quotations obtained and associated approval papers like purchase orders, sanction orders et. Expenses were analysed with respect to the budgets allocated, Project Implementation Plan and Financial Manual for TEQIP , with specific importance being given to permissible/non permissible expenses and financial limit set for each category of expenses.2. Physical verification of fixed assets purchased during the audit period was conducted and numbering of assets was also checked.3. Security deposit, EMD; Security deposit and Earnest Money Deposit received from the suppliers during the audit period was verified and checked whether the same has been deposited in the account.4. Physical verification of Bank Guarantees/ Fixe Deposit Receipt received from the suppliers as Security Deposit / Earnest Money Deposit was done.5. Analysis of utilisation of funds allocated was done to ensure that funds were utilised as per the guidelines specified by the project Implementation Plan. A cash flow statement depicting the utilisation of funds for various purposes was drawn up with opening cash balance arriving at the closing cash balance.
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3. Compliance of previous audit reports

Observation	Description	Status of implementation
Non-permissible expenditure	A co-ordination fee of Rs. 4000 was paid to faculties for arranging classes and workshops	The institute reimbursed the amount to the TEQIP fund.
Performance Audit Expenses debited to the IOC	The expenses incurred for performance audit which is reimbursable from SPF has been debited to IOC.	The said amount has been credited to miscellaneous Income when it is reimbursed from SPF. During the current period performance audit expenses are shown as an advance to SPF.
Confirmation Statements of Bank Accounts	Bank confirmation statements as on 31.03.2014 are not obtained.	Obtained.
Maintenance of "Four Funds"	"Four Funds " are maintained by the institution as per the PIP of TEQIP , but annual contributions by the institution as per the instructions of TEQIP were not done yet.	Presently revenue generated while conducting classes and programs under TEQIP, were deposited to the Four Funds. Institutional contributions were not made yet.

4. Status of Implementation of Financial Management System

A Finance Management Committee headed by a senior faculty has been functioning. The Committee is assisted by the Senior Accountant of the Institution. Also a junior accountant is posted for ensuring proper accounting and exclusively works only for the programme. The proposals from faculties for procurement and conducting classes under the project were submitted to the TEQIP Executive Committee after obtaining the approval of concerned sub-committee and Finance Committee, the specified procedures for procurement and conducting classes were started. All expenditures incurred was monitored by Finance Committee Head and sanction given to only permissible expenses specified in Project Implementation Plan after obtaining the work completion certificate from an authorised person or report of receipt of goods from Department Head. Sanction orders were properly verified and signed by the Principal and Financial Co-ordinator. As per the instructions in Sanction Orders the cheque were issued with the signature of Principal of the Institution and TEQIP Co-ordinator.

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5. Analysis of MFMR & FMR

Monthly Financial Monitoring Report (MFMR)

Observation	Impact	Management Response
1. Difference observed between the accounts and MFMR presented to SPFU for the month of September 2014.	Expenditure has been understated in MFMR.	Amount of TDS deducted during September 2014 is not booked as expenditure during the month due to oversight. The same is adjusted and rectified in the month of October 2014.

Reconciliation of MFMR presented to SPFU & based on our observation

Particulars	As per our observation	As per the Auditee	Difference
1. Expenditure for the month of September has been understated in MFMR.	1. During the month September 2014, expenditure under the head 'Academic support for weak students' reported in the MFMR amounts to Rs 3.11 lakhs. However as per accounts expenditure under the same head has been stated at Rs 3.45 lakhs. Upon verification it was found the the expenditure was stated in MFMR excluding the TDS portion.		The difference being Rs 0.34 lakh.

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Financial Monitoring Report (MFMR)

Observation	Impact	Management Response
<p>Expenditure reported in FMR for the period under audit(April – September 2014) does tally with the ledger balances. However cumulative expenditure reported in the FMR varies with the ledger balances.</p> <p>1. Cumulative expenditure under the head 'R&D' as per ledger balance is Rs0.73 lakhs whereas in FMR it is Rs 0.83 lakhs.</p> <p>2. Cumulative expenditure under the head 'FSD' as per ledger balance is Rs70.98lakhs whereas in FMR it is Rs 71.43 lakhs.</p> <p>3. Cumulative expenditure under the head 'Capacity Development' as per ledger balance is Rs5.50lakhs whereas in FMR it is Rs5.06 lakhs.</p> <p>4. Cumulative expenditure under the head 'Reforms' as per ledger balance is Rs19.53lakhs whereas in FMR it is Rs 19.73 lakhs.</p> <p>5. Cumulative expenditure under the head 'Student Support' as per ledger balance is Rs7.65 lakhs whereas in FMR it is Rs 7.56 lakhs.</p> <p>6. Cumulative expenditure under the head 'IOC' as per ledger balance is Rs 27.23 lakhs whereas in FMR it is Rs 27.09 lakhs.</p>	<p>FMR presented to SPFU should tally with the ledger balances to reflect the actual expenditures incurred under each head.</p>	<p>Noted for future compliance</p>

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<p>7. Cumulative expenditure under the head 'Equipment' as per ledger balance is Rs 405.04 lakhs whereas in FMR it is Rs 401.76 lakhs.</p> <p>8. Cumulative expenditure under the head 'Books,LRs&Softwares' as per ledger balance is Rs 81.02 lakhs whereas in FMR it is Rs 84.31 lakhs.</p>		
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Reconciliation of FMR presented to SPFU & based on our observation

Particulars	As per our observation	As per the Auditee	Difference
Closing Balance as per FMR varies with actual balance.	Opening Balance in FMR has been stated at Rs – 2.97 lakhs whereas actual opening balance is Rs 13.59 lakhs.		Hence opening Balance has been understated by Rs 16.56 lakhs.
	Total receipts has been understated in the FMR . (a) An amount of Rs 0.05 lakhs pertaining to ‘ Performance Security’ has been omitted in FMR. (b) Bank interest has been reported in FMR at Rs0.55 lakhs whereas actual bank interest amounts to Rs 0.77 lakhs. (c) Other income amounting to Rs 0.44 lakhs has not been considered in FMR.		

	Particulars	Amounts (Rs. in lakh)
	Closing Balance as per FMR	60.46
Add	Opening balance understated	16.56
	Other Receipts understated	0.71
Less	Expenses understated in FMR	
	Balance as per Bank	77.73

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- a detailed analysis of the MFMR as well as FMR presented to the SPFU needs to be conducted and reconciliation of the differences to be stated in the reconciliation statement,
- Variance in the expenditure as stated in the reports and actual expenditure
- Ineligible expenses in various heads needs to be pointed out here
- Any other observations
- Wrong grouping of expenditures

6. Functional area wise Reports

6.1 Purchase of Materials & Services (including Fixed assets)

Observation	Implication	Recommendation	Management Response
Purchase of materials and services was done properly through work orders, quotations and associated approval papers like purchase orders, sanction orders authorised by appropriate authority.	Positive implications since procedures are followed properly.	Follow the procedures as done at present.	Noted

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6.2 Maintenance of Fixed assets, Library books and other tangible assets (including consumables and stores)

Observation	Implication	Recommendation	Management Response
Fixed assets procured during the period are properly recorded in the fixed asset register.	Positive implications since procedures are followed properly.	Follow the procedures as done at present.	Noted
A Unique Identification Number is allotted and not affixed on Book Racks and 2 Fixed Assets purchased during the audit period.	Unless identification numbers given identification of the said asset becomes difficult.	As done in the case of other assets numbering should be done immediately.	Will be rectified
Books procured to Library during the period were serially numbered, affixed seal and entered in the Library Register. Process of Sorting of Books is going on.	Positive implications.	Follow the procedures as done at present.	Noted

6.3 Maintenance of Cash & Bank

Observation	Implication	Recommendation	Management Response
The institute maintains a double column cash book which is kept updated and signed and verified by the In-Charge.	Positive implications since procedures are followed properly.	Follow the procedures as done at present.	Noted

6.4 Advances, Deposits and other current assets

Observation	Implication	Recommendation	Management Response
Advance issued to various faculties is properly recorded in the Advance Register	Positive implications since procedures are followed properly.	Follow the procedures as done at present.	Noted

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6.5 Operational Expenses (Manpower, and other operational expenses)

Observation	Implication	Recommendation	Management Response
Operational expenses have been properly accounted.	Positive implications since procedures are followed properly.	Follow the procedures as done at present.	Noted

6.6 Other Income (Interest income and any other income received)

Observation	Implication	Recommendation	Management Response
Interest income earned from bank deposit has been properly accounted and other incomes received during the period is also accounted	Positive implications since procedures are followed properly.	Follow the procedures as done at present.	Noted

6.7 Statutory Liabilities (Service Tax, TDS, Returns, Employee payments etc.)

Observation	Implication	Recommendation	Management Response
TDS deducted wherever it is needed.	Positive implications.	Follow the procedures as done at present.	Noted

6.8 Contracts (register)

Observation	Implication	Recommendation	Management Response
Maintained properly	NIL		

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6.9 Staffing

Observation	Implication	Recommendation	Management Response
TEQIP norms and procedures are followed by TEQIP Staff	Positive implications since procedures are followed properly.	Follow the procedures as done at present.	Noted

6.10 Existence and Frequency of Surprise verification and procedural audit.

Observation	Implication	Recommendation	Management Response
A Performance audit and Data audit were conducted during the period subject to audit.	Implicates the proper control on procedures and proper maintenance of database.	Follow the procedures as done at present.	Noted

6.11 Comparison of Annual Budgetary Statement

Observation	Implication	Recommendation	Management Response
NIL			

- Disallowance of any payments as per PIP and FMM
- Purchases not according to PIP
- Delay in payments, pending bills, delay in implementation of activities
- Stock register
- Existence of system of physical verification of assets and stores
- Identify ineligible expenses
- Procedural lapse in making and authorizing
- Accounting lapse
- Internal control weakness observed
- Maintenance of books of accounts
- Flaws in Deduction payment and filing of returns

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- Maintenance of Assets and numbering
- Preparation of Cash and bank reports
- Unsettled advances
- Recoverability of advances and deposits
- Existence of liabilities
- Verification of physical and financial progress.
- Adequacy of staffing and requirement of training if any
- Any other matters if any

Method of Accounting/Accounting Policies/Basis of Accounting System as per FMM:

(i) Each accounting unit i.e. NPIU, SPFU, and Basic Fund Institutions/Advanced Fund Institutions would adopt Double Entry System of book keeping on Cash basis.

(ii) All payments will be charged off to relevant project activity account head at the time of making the payments, except advance payment.

(iii) Advance payments will be charged off to the relevant project activity account head on adjustment.

(iv) Assets created out of project will be accounted at cost.

(v) No depreciation will be provided on Fixed Assets acquired under the project.

(vi) Materials purchased for project activities will be charged off to the relevant project expenditure head at the time of purchase itself.

(vii) Release of funds to States will be accounted for as advance in the books of accounts and treated as expenditure only upon submission of expenditure information.

(viii) Release of funds to staff/ suppliers will be accounted for as advance in the books of accounts and treated as expenditure only upon submission of expenditure information.

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7. Analysis of Utilisation

Sl.no	Component	Cost (in crores)	Cumulative Expenditure Till date
1.	Improvements in teaching, training and learning facilities	4.5	4.6
2.	Modernization and Strengthening of Libraries	0.50	0.44
3.	Starting new PG Programmes, assistance ships and enhancement of research and consultancy activities	1.20	0.19
4.	Faculty and Staff Development for improved competence	1.00	0.72
5.	Enhanced interaction with industry	0.40	0.11
6.	Institutional management capacity enhancement	0.30	0.05
7.	Implementation of Institutional reforms	0.20	0.20
8.	Academic support for weak students	0.40	0.07
9.	Refurbishment (Minor Civil Works)	0.50	0.10
10.	Incremental Operating Cost ¹	1.00	0.27
	Total	10.00	6.75

*Advances made need not be considered utilisation. Accounting on cash basis only

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- 8. Statement of Utilisation for the period under audit**

Particulars		Amount in Rs.
Opening Cash Balance	(A)	13,59,458
Opening Unspent balance as per the last audit report as on	(B)	1,11,631
Amount received during the period		1,50,00,000
Other Income if any (other than bank interest)		44,000
Total	(C)	1,50,44,000
Security Deposit/EMD received		4.650
Total Receipt	(H)	1,50,48,650
Total expensed during the period (eligible)		65,70,848
Total Expensed during the period (ineligible)		
Total Expenses on cash basis	(D)	65,70.848
Closing unspent balance as on	(B+C-D)	85,84,783
Interest		
Interest received in the account as at the beginning of the period under audit		
Interest received on the Bank balances during the period	(E)	76701
Advances		
Advances remaining unsettled at the beginning of the period		20,000
Advances issued during the period	(F)	26,05,935
Advances settled during the period	(G)	4.64.500
Advances remaining unsettled at the end of the period		21,61,435
Repayment of SD/ EMD	(I)	
Closing Cash Balance	(A+H-D+E-F+G)	77,72,526

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9. Statement of Utilisation for the whole year
(Same as of "Statement of Utilisation for the period under audit")

Particulars		Amount in Rs.
Opening Cash Balance	(A)	13,59,458
Opening Unspent balance as per the last audit report as on	(B)	1,11,631
Amount received during the period		1,50,00,000
Other Income if any (other than bank interest)		44,000
Total	(C)	1,50,44,000
Security Deposit/ EMD received		4.650
Total Receipt	(H)	1,50,48,650
Total expensed during the period (eligible)		65,70,848
Total Expensed during the period (ineligible)		
Total Expenses on cash basis	(D)	65,70.848
Closing unspent balance as on	(B+C-D)	85,84,783
Interest		
Interest received in the account as at the beginning of the period under audit		
Interest received on the Bank balances during the period	(E)	76701
Advances		
Advances remaining unsettled at the beginning of the period		20,000
Advances issued during the period	(F)	26,05,935
Advances settled during the period	(G)	4.64.500
Advances remaining unsettled at the end of the period		21,61,435
Repayment of SD/ EMD	(I)	
Closing Cash Balance	(A+H-D+E-F+G)	77,72,526

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Observations on Utilisation

Observation	Implication	Recommendation	Management Response
The institution has utilised the funds allocated for procurement to a great extent and is approaching the maximum utilisation capacity .Out of Rs 5.50 crores permitted, procurement has reached Rs 5.14 crores.	Procurement should be made within the limits specified by TEQIP.		

10. Subsequent Events

Observation	Implication	Recommendation	Management Response
NIL			

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11. List of Committed expenditures

Component	Particulars of expenditure	Amount	Expected date of completion
Improvements in teaching, training and learning facilities	Load frame	998573	
	Diesel Generator set	1790000	
Modernization and Strengthening of Libraries			
Starting new PG Programmes, assistance ships and enhancement of research and consultancy activities	Assistantship	3,00,000	
	R&D	10,00,000	
Faculty and Staff Development for improved competence	Subject domain-10,00,000	30,00,000	
	Pedagogical training -2,00,000		
	Inhouse programme-10,00,000		
	Seminar/worshop -4,00,000		
	Staff development-2,00,000		
	Others- 2,00,000		
Enhanced interaction with industry		10,00,000	
Institutional management capacity			

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enhancement			1,00,000	
Implementation of Institutional reforms			3,00,000	
Academic support for weak students			2,00,000	
Refurbishment (Minor Civil Works)			5,27,027	
Incremental Operating Cost ¹	Salary -165000		3,00,000	
	Consumables-10000			
	Operation & maintenance -125000			
Total			95,15,600	

12. Any other Observations if any

Observation	Implication	Recommendation	Management Response
TDS ledger has not been maintained in tally software.	Difficult to trace whether TDS has been properly deducted and remitted.	Maintain a TDS ledger and record the transactions properly.	Will be maintained