

TECHNICAL EDUCATION QUALITY IMPROVEMENT PROGRAMME

(TEQIP)- PHASE-II - MAHARASHTRA

(WORLD BANK FUNDED PROJECT)

GOVERNMENT COLLEGE OF ENGINEERING - KARAD

INTERNAL AUDIT REPORT FOR THE PERIOD FROM 01.04.2013 TO 31.03.2014

PART - A: BRIEF DETAILS OF THE AUDITEE AND AUDIT

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|---|---|
| a. Name and address of the Auditee | : Government College of Engineering-
Karad |
| b. Name of Auditors | : Agarwal A Kumar & Associates |
| c. Days of Audit | : 2 |
| d. Period covered in the previous audit | : NA |
| e. Period covered in the current audit | : April 01, 2013 to March 31, 2014 |

PART - B EXECUTIVE SUMMARY

(a) Objective of Audit

We have conducted the Internal Audit of Government College of Engineering – Karad for the period from April 01, 2013 to March 31, 2014. We have carried out the audit in accordance with the standards on auditing promulgated by the Institute of Chartered Accountants of India and in accordance with the TOR as issued by the funding Agency International Development Association. It is the responsibility of the management to maintain the PFS / FMIS as prescribe



by the funding agency in cash system of accounting, fair and proper documentation, generation books and records, and the various Interim financial reports and annual statements, and to implement a proper internal control system commensurate with the size of the organization.

Our responsibility is to verify the books and accounts commensurate with the standard procedures and guidelines followed by the Project for the different level and to see that there is proper documentation and internal control in existence during the period of audit and to report the deficiencies, if any, existing in the operation of the Project.

(b) Methodology of Audit

The Audit was conducted on the basis of the finalized Audit Program. After distribution of the audit work and responsibilities, the concerned staff performed their job and directly reported to Team Manager on daily basis. Internal Audit program was mainly focused on following areas:

- 1 An assessment of whether the Project Financial Statements have been prepared in accordance with consistently applied Accounting Standards of the Institute of Chartered Accountants of India and gives a true and fair view of the operations of the Project during the year and the financial position of the Project at the close of the fiscal year.
- 2 An assessment of the adequacy of the Project financial management systems including internal controls. The financial management system should include methods and records established to identify, assemble, analyze, classify, record and report on transactions and to maintain accountability for the related assets and liabilities.
- 3 That all project funds have been used in accordance with the conditions of the relevant financing agreement, with due attention to transparency, economy and efficiency and only for the purposes for which the financing was provided.
- 4 All necessary supporting documents, records and books/ statements of accounts have been maintained and all necessary supporting documents such as records, vouchers, bids etc. and books of accounts have been kept in respect of all project expenditures.

- 5 Identify the expenditure which are covered in accordance with the allocation described in Project Implementation Plan –Section – 7 under para “Permissible and Non Permissible expenditures” as eligible and segregate these from non-eligible items.
- 6 Clear linkages exist between the books of accounts maintained for the expenditures and reports presented for the expenditure incurred.
- 7 That test check and verification of the activities were conducted for the project as planned and that they were in line with the agreed loan agreement.
- 8 Verify the eligibility of expenditures for SoE disbursement and separately report upon ineligible expenditure claimed if any.

(e) **Status of implementation of the Financial Management System**

During audit we noted that Financial Management System has been implemented for the Financial Year 2013-14.

(d) **Status of Compliance of previous audit report**

There was no internal audit for the FY 2012-13. So no compliance is required.

(e) **Key areas of weakness**

During audit we noted the following observations regarding procedural lapses :

1. **CASH PAYMENT MADE**

During audit we noted that in some of the cases cash payment for purchase of stationery, hotel bills etc. were made. Details of payments are given below:

Date	V.No.	Amount (Rs)	Observations
20.04.13	C-02	5959.00	Stationary purchased from Jai Ambe Stores. Cash payment made.
17.05.2013	2	7000.00	Amount paid to Jai Ambe Stores for purchase of stationary. Cash payment made.

RECOMMENDATIONS

We recommend that payment should be made through cross account payee cheque so that cash transactions and retention of cash in hand will be minimized.

PART – C

COMPLIANCE OF PREVIOUS AUDIT REPORT

Previous year audit has not been conducted , hence compliance of previous report is not required.

PART – D

SERIOUS OBSERVATIONS

During audit we found serious observations such as major laps in internal control, system weakness, cash payment made etc. Details are given below:

1 OUTSTANDING ADVANCES AS ON 31.03.2014

During the course of audit we have observed that the following advances were outstanding as on 31.03.2014. The detail is as follows:

Date of Advance	V.No	Amount(Rs.)	Observations
11.11.2013 03.12.2013	241,247	200000.00 150000.00	Advance given to Shinde SM. But bills were not settled till March 2014.
19.08.2013 03.09.2013	160,161, 167	41000.00 57000.00 83500.00	Advance given to Shri. Acharya AR But bills were not adjusted till March 2014.
03.03.2014	350	18000.00	Advance given to Shri Sonaware Amol R But bills were not settled till March 2014.
10.01.2014 12.02.2014	291 327	75000.00 75000.00	Advance given to Konnur BA. But bills were not settled till March 2014.
18.03.2014	377	12000.00	Advance given to DR.Chogule But bills were not settled till March 2014.

RECOMMENDATIONS

We recommend that advances should be adjusted as soon as bills are submitted so that true and fair position of account can be depicted at the year end.

2. CHECKING OF PROCUREMENT SYSTEM

On checking of procurement procedure we noted that goods and services financed have been procured in accordance with relevant financing agreements and as per the World Bank guideline for procurement of goods, works and services. Further we checked procurement files and noted that major procurements were made during audit period but for local procurements quotations were not invited. Details are given below :

Date	B.No.	Amount (Rs)	Observations
17.05.2013	2	7000.00	Amount paid to Jai Ambe Stores for purchase of stationary. Quotations not taken.

20.04.13	C-02	5959.00	Stationary purchased from Jai Ambe Stores. Quotations not taken.
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3. CHECKING OF TDS RECORDS

During the course of audit we have observed that TDS was not deducted and deposited into bank within prescribed time period. The details are given below:

Date	B.No.	Amount (Rs)	Observations
23.04.14	1851348	76796.00	Paid to Sakeel Press private limited for advertising. TDS not deducted at the time of payment.
23.04.14	10014922 50	45625.00	Paid to Indian express limited for advertising. TDS not deducted at the time of payment.
27.05.14	31	45000.00	Paid to Sagar Caterers for providing Lunch , Tea and Snacks during workshop. TDS not deducted.
14.08.13	-	232585.00	Paid to Vertors for providing soft skill training to students. TDS not deducted.

PART – E

OTHER OBSERVATIONS

During audit we noted some observations which were not serious though required to be mentioned in the report. Details are given below:

1. SCRUTINY OF FIXED ASSETS REGISTER

We checked the fixed assets register and noted that it is being prepared on prescribed format. Further we noted that FAR was signed by competent authority.

2. BANK RECONCILIATION STATEMENT NOT PREPARED

On checking of bank records we noted that college have opened five bank accounts. Bank balance Rs. 1368136 in Account no : 60089100493. But Bank Reconciliation Statement was not prepared.

3. DETAIL OF FUND RECEIVED

We noted that following funds were received during financial year 2013-14 by Government College of Engineering – Karad :

Particulars	Amount
Opening Balance as on 1 st April, 2013	Rs. 19405964
Funds Received from State Govt. Vide Letter No.NPIU/TEQIP-II/FIN/26/1249 Dated 1 st october, 2013	Rs. 24000000
Interest earned on grant available for TEQIP only during the year (31 st March, 2014)	Rs.1547097 /-
Other income	NIL
Expenditure	38349959
Unspent Balance	Rs. 7241784/-

PART - F

EXECUTIVE SUMMARY AND SUGGESTIONS/RECOMENDATIONS

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