

GOVERNMENT COLLEGE OF ENGINEERING, KANNUR

INTERNAL AUDIT REPORT

TECHNICAL EDUCATION QUALITY IMPROVEMENT PROJECT (TEQIP)

Phase II

Part A: Brief Details of the Auditee&Audit

- a. **Name & Address of the Auditee** : **Government College of Engineering,
Mangattuparamba,Kannur.**
- b. **Names of the office Bearers** : Dr VI Beena - **Principal**
Dr. P Mahesh Kumar- **TEQIP Coordinator**
- c. **Name/s of Audit Team Members** : Joy P. Jacob - **Partner**
NismaShanavas & Archa K G -**Articled Assistants**
- d. **Days of audit** : 3 DAYS(04/04/16-06/04/16)
- e. **Period covered in the previous audit** : 1st Oct 2015-31st March 2015
- f. **Period covered in the current audit** : 1st April 2015-30th Sep 2015

Part B: Executive Summary

- a. **Objectives of Audit**
- i) To evaluate the adequacy of internal control systems and management of funds.
ii) To ensure the compliance of the laid down policies and procedures as documented in the Project Implementation Plan and Financial Management Manual of the project.
- b. **Methodology of audit** : Checking of opening balances with last year's audited statements, vouching of all bank and cash transactions, Ledger scrutiny, analysis of fixed assets register, cash book, advance register, checking of bank reconciliation statement, scrutiny of all documents relating to purchase of fixed assets.
- c. **Status of implementation of financial management system.**
- Finance Management System was implemented in the project Institution under the Board of Governors headed by the Chairman. Different Committees and sub- committees are formed for the implementation of the project under the scheme TEQIP Phase II.
- d. **Status of compliance of previous audit reports, including major audit observations pending compliance.**
(Refer Part C)

e. **Key areas of weakness that need improvement:**

i) **Disallowance of expenditure as per the World Bank Rules**

No.	Observations	Implications with risk involved	Recommendations for improvement	Management Response
1	As per the Government Order No.1993/2013/H.Edn, training material charges per programme per person should not be more than Rs 150/ and Rs 50/ for faculty/staff and students respectively. It is observed that expenditure of Rs 385/- per bag was incurred for the purchase of 150 jute bags in relation to NCSEE 2015 conducted during the year. An amount of Rs. 35,250/- is to be disallowed.	An amount of Rs.35,250/- is to be disallowed.	It is recommended to collect the excess amount paid.	

ii) **Procedural Lapse**

No.	Observations	Implications with risk involved	Recommendations for improvement	Management Response
1	<u>Interest on Advance Settlement :</u> As per the Government Order number G.O(P) No.419/11/Fin interest @18% p.ais to be collected on advances given to faculties for project purposes which are not settled within three months. During the course of audit, it is observed that no interest was being collected from the parties even if the advances were not settled within three months. In the absence of adequate information regarding the date of submission and settlement of the bill, we are unable to quantify the interest amount that should have been collected by the Institute.	This amounts to violation of Government order no. G.O(P) No.419/11/Fin dated 04/10/2011.	We recommend the timely settlement of advance and accounting of the same at the earliest.	
2	<u>Performance Security:</u> As per the Procurement Manual, performance security deposit of 5% on the contract price shall be obtained for the procurement of goods/works. It shall be refunded within one month of completion of supply of goods/works or after the expiry of warranty period as the case maybe. It is observed that the same was not collected in case of Procurement of Books which amounted to Rs. 26,007/- (i.e. 5% on the contract value of Rs. 520,140/-)	The procedure laid down in the Procurement Manual is not being followed.	We recommend to follow the norms as laid down in the Procurement Manual.	
3	<u>Incomplete agreement :</u> The Fixed Asset Procurement agreement is not seen signed by the Principal (Head of Institution) and two witnesses.	The agreement becomes incomplete and void if the relevant parties have not signed the same.	The Institution must make sure the agreement is complete in all aspects.	
4	As per the PIP, each institution is to maintain a separate Bank Account for each of the Four Funds namely Corpus Fund, Equipment	It is not as per the prescribed norms.	The same should be transferred to the Main SB account.	

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	Replacement Fund, Maintenance fund and Faculty Development Fund by contributing 0.5%(total 2%) of annual recurring expenditure of the institution. These funds are not to be used during the project period.All transactions occurring during the normal course of operations are to be routed through the Main SB account. But it is observed that the Performance Security collected during Procurement of goods in the form of Demand Drafts are being transferred to Corpus Fund Bank A/c.			
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iii) Accounting Lapse

No.	Observations	Implications with risk involved	Recommendations for improvement	Management Response
1	Stale Cheque: During the course of our audit, it is observed that the stale cheques are not transferred to a separate account as prescribed in the Financial Management Manual.	It amounts to violation of FM Manual.	We recommend doing the accounting as per the FM manual.	
2	Difference in MFMR : As per the PIP and FM Manual of TEQIP, each institution is required to submit to SPFU, Financial Monitoring Report containing the details of money expended on various activities. It is on the basis of these reports that the funds are being allotted to institutions. During the course of audit, it is observed that the amount accounted in books (tally) as expenditure are not matching with amount recorded in MFMR for the month of August 2015 and September 2015 as detailed below.	MFMR will not reflect the actual position of amount spent for each activity.	We recommend ensuring uniformity in MFMR and Tally.	

(Rs in Lakhs)

Particulars		(As per FMR)	(As per Tally)	Difference	Response
Month	Head of Accounts				
Aug '15	FSD	1.05	0.61	0.44	
	III Cell	0.00	0.44	-0.44	
Sep '15	FSD	2.41	2.38	0.03	
TOTAL				0.03	

iv) Accounting books & records not maintained

No.	Observations	Implications with risk involved	Recommendations for improvement	Management Response
1	Petty Cash Book : The institution is required to maintain the Petty Cash Book as per the FM Manual. But it is observed that the same is not being done by the institution.	It amounts to violation of FM Manual.	We recommend to maintain Petty cash book.	
2	During the course of our audit it is observed that the payment to faculties for taking remedial classes was made as a single payment to the EAP coordinator and not to the individual faculties.	The veracity of the actual payment made cannot be ascertained.	The institution is required to maintain a separate receipt for each faculty in case of payment of remuneration instead of single payment to EAP coordinator.	

Part C: Compliance of previous Audit Reports:

INTERNAL AUDIT COMPLAINTS

No.	Observations	Description	Status of implementation
1	Petty Cash Book : Petty Cash Book is not maintained by the Auditee.	Petty Cash book is not maintained as prescribed by list of Books to be maintained as per Finance Manual.	Not implemented.

STATUTORY AUDIT COMPLAINTS

(a) GENERAL OBSERVATIONS

No.	Observations	Description	Management Response	Status of implementation
1	The institute is not annexing the actual bus tickets and train tickets. Instead they are claiming the TA as per KSR rules.	Each faculty/experts can claim their TA/DA according to their grades prescribed in relevant rules. But the same should be supported by actual bills. Taxi Bills Should be annexed in case of Taxi Travels .But the institute in most cases is not annexing any trip sheets for travels, instead of this they are claiming Rs.16 per km as per the Govt Order.	As per instruction from SPFU we are following the practice that only for air travel, officers are requested to submit the actual tickets and not for other conveyances. Instead, the concerned officer is giving a declaration regarding the journey performed in the TA form. Regarding travel by taxi it is instructed that trip sheet should be attached only when we	Not implemented.

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			claim more than Rs16/km. Hence objection may be relieved.							
2	The Documentation must be in the format as per the government rules. In most cases the submission received from the departments is attached in separate file.	The Institute is required to keep the submission received from the departments in payment voucher file so as to link the payment voucher with submission.	Noted for future guidance. Hence objection may be relieved.	Implemented.						
3	The tally voucher numbers are not in order with the payment vouchers in physical form.	There should be clear linkage between the tally vouchers and the payment vouchers in physical copy so as to understand the transaction.	Corrected. Hence objection may be relieved.	Not implemented.						
4	The Payment made under the head " Academic Support to Weak Students " for remedial classes conducted is paid in the name of EAP Coordinator. The institute is not maintaining any receipt for the individual faculties. Moreover submission received from each faculty for their claim in respect of remedial class is handled by EAP Coordinator and there is no documentation for the same in TEQIP Office.	The institute is required to maintain a separate receipt for each faculty in case of payment of remuneration instead of paying the same to a single person. Submission from each faculty is to kept in the file in which its payments related.	Noted for future guidance. Hence objection may be relieved.	Irregularity is rectified.						
5	During the course of audit it was observed that FMR submitted by the institution for the year ended March 2015 did not tally with the actual expenditure incurred till date. The details are as follows : <table border="1" data-bbox="204 1339 587 1507"> <tr> <td>Total as per FMR</td> <td>Rs 261.34 Lakhs</td> </tr> <tr> <td>Total as per books</td> <td>Rs 261.32 Lakhs</td> </tr> <tr> <td>Difference</td> <td>Rs 0.02 Lakhs</td> </tr> </table>	Total as per FMR	Rs 261.34 Lakhs	Total as per books	Rs 261.32 Lakhs	Difference	Rs 0.02 Lakhs			Not rectified.
Total as per FMR	Rs 261.34 Lakhs									
Total as per books	Rs 261.32 Lakhs									
Difference	Rs 0.02 Lakhs									

• **PROCUREMENT OF ASSETS/EQUIPMENTS/EBOOKS...ETC**

No.	Observations	Description	Management Response	Status of implementation
1	During the period 2014-15, college has awarded a contract to L4 vendor, M/s Integrated Instruments & Services ,Muvattupuzha. The price quoted by lowest bidders is as follows. L1 Prompt Machine Tools- 241479 L2 Scientific Enterprises - 347020 L3 Elmactics Enterprises -457671 As per our evaluation specifications for the	College could not give reasonable justification for selecting L4 vendor. Had college selected L1 vendor, cost could have been saved up to Rs227871.	It may please be noted that there were only 3 valid quotations out of 6. 3 Quotations were invalid since they were not satisfying the specifications of the equipment. The supply order has been placed for the lowest among the	We agree with the management's response.

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	product given by L1, L2 and L3 match with specifications given in Invitation for Quotation.		valid quotations. This is clear from the tender tabulation (Attached as Annexure1)													
2	College has awarded the following contracts to L4 vendors <table border="1"> <thead> <tr> <th>Package no.</th> <th>Package name</th> <th>Awarded to</th> </tr> </thead> <tbody> <tr> <td>2</td> <td>CTM</td> <td>Integrated Instruments & Services</td> </tr> <tr> <td>29</td> <td>PLC Trainer Kit</td> <td>MTAB,Chennai</td> </tr> <tr> <td>131</td> <td>FPGA Boards & Related Software</td> <td>CoreEI Technologies, Bangalore</td> </tr> </tbody> </table>	Package no.	Package name	Awarded to	2	CTM	Integrated Instruments & Services	29	PLC Trainer Kit	MTAB,Chennai	131	FPGA Boards & Related Software	CoreEI Technologies, Bangalore		Among the received quotations LI, L2 and L3 were not satisfying some of the required essential features given in specifications for all packages. For package No 29, PLC Trainer kit LI, L2 and L3 were not satisfying desktop rack type feature and modular extension feature. And most of the dynamic modules are also not available with these three bidders. For package No 131, the video imaging kit and associate features are not included in the quoted models of LI, L2 and L3 bidders.	We agree with the management's response.
Package no.	Package name	Awarded to														
2	CTM	Integrated Instruments & Services														
29	PLC Trainer Kit	MTAB,Chennai														
131	FPGA Boards & Related Software	CoreEI Technologies, Bangalore														

• FACULTY & STAFF DEVELOPMENT PROGRAMMES

No.	Observations	Description	Management Response	Status of implementation
1	An external faculty development programme on "knowledge management, practice & application" attended by Mr .Hemachandran (Workshop Suprent) N on 18-22 November 2013 amounting to Rs.68503/-.	1. During the course of our audit we observed that Ship Bill amounting to Rs.14700/- of which original invoice is not found. Hence it is disallowed.	As per the instruction from SPFU, only for air travel officers are requested to submit original tickets. Here the concerned officer had submitted a document which proved that the amount claimed was as per existing rates. (Attached as Annexure 3). So the payment may be ratified.	Not rectified.
2	An external faculty development programme on ""Program on human resource training and development" attended by Mr .Hemachandran (Workshop Suprent) on 28 October 2013- 1 November 2013.	The Programme attended by Mr.Hemachandran N is not a subject oriented programme as per our view.Instead it can be considered as a management capacity development programme. So proper classification is to be done.	Done, Hence objection may be relieved.	Not rectified.

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4	An external faculty development programme CEP course on 'Energy Management' was attended by Mr.Sailesh from 18th to 22nd November 2013.	Boarding Pass for flight travel is not attached .Hence amount of Rs.4683/- is disallowed.	Requested the officer to submit the same.	Not rectified.
5	TA expense relating to Meeting organized by SPFU for the III cell coordinators amounting to Rs.5780 (Voucher No.658&600 is not coming under FSD)	Any expense relating to meetings/workshop organized by the NPIU/SPIU is should be under the head IOC. So Proper Classification is to be done.	Done, Hence objection may be relieved.	Not rectified.
6	Registration fee of Rs.4000 paid to Dr.Govindan P AP in ME.	Original Invoice not found for the same. Only a duplicate copy is annexed. So Registration fee amounting Rs.4000/- is not allowed. {Note : Ref: Voucher No.678}	Concerned officer is now doing post doctoral fellowship at Denmark. He is informed to produce the same.	Not rectified.
7	Registration fee of Rs.2000 /-paid to Dr.Govindan P AP in ME.	Original Invoice not found for the same. Only a duplicate copy is annexed. So Registration fee amounting Rs.2000/- is not allowed. {Note : Ref: Voucher No.681}	Concerned officer is now doing post doctoral fellowship at Denmark. He is informed to produce the same.	Not rectified.
8	An in house STTP on 'recent advances in power system' was conducted by the institution during 16th to 20th December 2013.	1. Excess Taxi Fare Claimed Rs.2772/- is not allowed. 2. Excess amount spend on Training Material & Stationary Provided to Faculty is Rs.19969/-(Laptop Bag and Book) is not allowed.	1. Taxi fare claimed was Rs 16/km as per Govt rules 2. The programmementioned was a STTP for five days. The coordinators followed the DTE rules for conducting such STTP programmes. Also it may please be noted that the total expenditure for the programme was Rs. 78982/ When the sanctioned amount for similar DTE course is Rs 90000/. (Attached as annexure 5). Hence the expenditure may be ratified. Also it may please be noted that for all other in-house programmes except these type of STTPs, the institute had taken steps to limit the material charges to Rs. 150/faculty.	Irregularity still exists.
9	STTP on 'MasterCAM& solid works - 2014'	Excess amount spend on training material and stationary is Rs.10500/- is not allowed.	Same as given for Section 8. Here the total expenditure was Rs.52693/-.	Irregularity still exists.
10	Registration Fee of Rs.1000/-For the Second National Conference held at GEC Kannur paid to In-house Faculty Dr.Govindan P	Proper Receipt voucher for the same is not furnished. So the same is not allowed.	Concerned officer is now doing post doctoral fellowship at Denmark. He isinformed to produce the same.	Irregularity still exists.

11	STTP on 'Recent trends in bioenergy-2014'(RTIBE 2014) conducted during 24-28 March 2014.	Excess Training Materials and stationary claimed Rs.9800/- is not allowed	Same as given for Section 8. Here the total expenditure was Rs.82041/-.	Irregularity still exists.
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• **ACADEMIC SUPPORT FOR WEAK STUDENTS**

No.	Observations	Description	Management Response	Status of implementation
1	Remedial Class payments amounting to Rs.64800/- on 29.04.2014.	Attendance register for taking remedial class is not found. Moreover payment is made to EAP Coordinator as a single payment not to respective faculties.	Attendance register was kept by concerned nodal officer. Regarding the payment to individual faculty, it will be noted for future guidance.	Irregularity is rectified. Not rectified.

• **INSTITUTE INTERACTION WITH INDUSTRY (III CELL)**

No.	Observations	Description	Management Response	Status of implementation
1	An in house programme "Kerala state entrepreneurship meet" conducted by the institutions during 28-29 march 2014 of which Rs.481004/- is spent.	1. TA bill amounting to Rs.38102/- in connection with distribution of brochures in various districts is not supported by any external vouchers. Hence is not allowed. 2. TDS not deducted for payment to Aster ad media of Rs.98080/- in connection with event management. And it is subject to TDS under section 194 c of IT Act 1961.	1. Group of students comprising of 4 or 5 travelled to almost all engineering colleges in Kerala to distribute the brochures of the programme and to invite the students. It was really an appreciable work done by the students and it was not easy for the students to keep all the bills and tickets for the travel and food expenditure incurred which lasted for more than one month. So the faculty who was in charge of that programme submitted a voucher amounting Rs.38102/-. This was approved by the finance committee of the institute after making a thorough assessment regarding the possibility of expenditure incurred by the students. Principal and HODs are the members of this committee. Hence the payment may be ratified. 2. Noted for further guidance.	The irregularity exists.
2	Industrial training of faculty at Keltron component complex ltd amounting to Rs.112,236/-	The Institute is signed MOU with Keltron component complex ltd. So registration fee Rs.112,236/- paid to the company is subject to TDS	Noted for further guidance.	The irregularity exists.

		under section 194 C of the Income Tax Act 1961. {Note: Ref: Voucher No.681 dated 08/08/2014.}		
3	Workshop on 'ARM architecture and programming' conducted during 8-10 march 2014 (3 days)by M/s Cranes software international pvt ltd Bangalore amounting to Rs.63955/-	Remuneration to an expert firm for minimum is limited to Rs.10, 000/- (Rupees Ten Thousand only) for a day. No other payment/reimbursement by way of travel, boarding and lodging. Remuneration includes TA /Honorarium/ Loading but limited to Rs.10000/-. In this Case institute is paid 1.Rs.24000:Honararium 2.Rs.13088: TA 3.Rs.3400 : Lodging Total Payment amounting to RsRs.40488/- but for a 3 day programme the remuneration is limited to Rs.30000/- .Therefore 10,488/- is not allowed.	The sessions of the programme was engaged by three experts engaging 8 sessions for three days and Rs 24000/ was paid as honorarium (3000/ session). When payment is done to an individual Rs 3000/ session, lodging and travelling expenses are also to be met. Hence payment may be ratified.	The irregularity exists.
4	Campus Placement Programme Conducted by M/s Tata Consultancy Services	TA Bill is not allowed for Rs.2500/-	Was done due to oversight. May be ratified.	The irregularity exists.
5	Campus recruitment by Nest Technologies	Travelling Allowances and Lodging expense is not allowable amounting to Rs.26717/-	Was done due to oversight. May be ratified.	The irregularity exists.

• **INTERNATIONAL TRAVEL SUPPORT SCHEME**

No.	Observations	Description	Management Response	Status of implementation
1	Presentation of paper at International conference on harnessing technology in Caledoian college of engg,Muscat by Dr K M Peethambaran amount Rs. 36946/-	Approval From SPFU is obtained. But as per guideline by NPIU the institute is required to obtain approval from MHRD.	Approval from SPFU is obtained on 8.3.2014. NPIU insisted to obtain the permission from MHRD for international travel w.e.f 1.10.2014. All the international travels prior to that date were sanctioned by SPFU only.	The said irregularity is not rectified, but for the International Travels thereafter, approval from MHRD was obtained.
2	Presentation of paper at International conference on harnessing technology Caledoian college of engg,Muscat Dr T D John amount Rs. 36946/-	Approval From SPFU is obtained. But as per guideline by NPIU the institute is required to obtain approval from MHRD.	Same as in 1 above.	Not rectified.

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3	Geo congress 2014 at Atlanta,USA by Dr VandanaSreedharan amounting to Rs 249415/-	Approval From SPFU is obtained. But as per guideline by NPIU the institute is required to obtain approval from MHRD.	Same as in 1 above	Not rectified.
4	Presentation of paper titled 'A reliable system for non-contact ECG measurement with minimal power line disturbance on ICBET 2014 at Penang,Malaysia by AhammedMuneer K V amounting Rs. 78469/-	Approval From SPFU is obtained. But as per guidelines by NPIU the institute is required to obtain approval from MHRD.	Same as in 1 above	Not rectified.
5	Presentation of paper at Valencie,Spain amounting to Rs. 218480/-	Approval From SPFU is obtained. But as per guidelines by NPIU the institute is required to obtain approval from MHRD.	Same as in 1 above	Not rectified.
6	'HEFAT 2014' international conference on heat transfer,fluid mechanics and thermodynamics amounting to Rs. 222711/-	Approval From SPFU is obtained. But as per guidelines by NPIU the institute is required to obtain approval from MHRD.	Same as in 1 above	Not rectified.
7	Presentation of paper on 'Dynamical systems and differential equations held at Madrid,Spain amounting to Rs.157361/-	Approval From SPFU is obtained. But as per guidelines by NPIU the institute is required to obtain approval from MHRD.	Same as in 1 above	Not rectified.
8	Presented a paper on 'Compaction behavior of organo clay amended sand bentonite mixtures' in 7th international congress on environmental geotechnics by Rs. 256189/-	Approval From SPFU is obtained. But as per guidelines by NPIU the institute is required to obtain approval from MHRD.	Same as in 1 above. Here the sanction from SPFU was obtained on 20.9.2014	Not rectified.

Part D: Serious Observations

1. As per the Government Order No.1993/2013/H.Edn, training material charges per programme per person should not be more than Rs 150/- and Rs 50/- for faculty/staff and students respectively. It is observed that expenditure of Rs 385/- per bag was incurred for the purchase of 150 jute bags in relation to NCSEE 2015 conducted during the year. An amount of Rs. 35,250/- is to be disallowed.

Part E: Other Observations

1. The following differences were observed as per the Audited Statements as on 31.03.2015 and the opening balance of Tally Accounts.

Sl. No.	Name of the account	As per Audited statements (Rs)	As per Tally accounts(Rs)	Difference (Rs)
1	Advance by institution	1,000.00	0.00	1,000.00
2	VAT 5%	0.00	2,120.00	(2,120.00)
3	Difference in opening balances	0.00	1000.00	(1000.00)

We have considered the Audited Statements as on 31.03.2015 as the base and made the corrections in opening balance of Tally Accounts accordingly.

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2. The Bank Balance as per Audited Statements as on 31.03.2015 and the opening balance as per Tally accounts were Rs.50,12,819/- and Rs. 50,09,807/- respectively. The reason for the difference of Rs.3012/- was that three cheques issued on 31.03.2015 were not considered in the Audited statements.
3. It was observed that no control exists for many assets bought during TEQIP phase II. Thereby, it is recommended that a log book be maintained for such assets purchased for monitoring the functioning and efficiency of the same. It is also recommended that all the Major assets bought must be insured to cover such assets from loss due to fire or any other damages.

Statement of Utilisation for the period under audit

Particulars		Amount in Rs.
Opening Cash & Bank Balance	(A)	5009807.00
Opening Unspent balance as per the last audit report as on 31/03/2015	(B)	9543143.00
Amount received during the period		150,00,000.00
Other Income if any (other than bank interest)		-
Total	(C)	
Total expensed during the period (eligible)		5869402.00
Total Expensed during the period (ineligible)		35250.00
Total Expenses on cash basis	(D)	59,04,652.00
Closing unspent balance as on 30/09/2015	(B+C-D)	18638491.00
Interest		
Interest received in the account as at the beginning of the period under audit		0
Interest received on the Bank balances during the period	(E)	2,03,746.00
Advances		
Advances remaining unsettled at the beginning of the period		42000.00
Advances issued during the period	(F)	7,19,190.00
Advances settled during the period	(G)	52,000.00
Advances remaining unsettled at the end of the period		7,09,190.00
Sundry creditors settled	(H)	40000.00
Closing Cash & Bank Balance as on 31/03/2015	(A+C-D+E-F+G-H)	13601711.00