



REPORT ON
INTERNAL AUDIT FOR THE PERIOD FROM
APRIL 2017 TO SEPTEMBER 2017

Manubhai & Shah LLP
Chartered Accountants

G-4 Capstone, Opp. Chirag Motors,
Sheth Mangaldas road
Ellisbridge, Ahmedabad – 380 006
Phone: 91-79-26470000, Fax: 91-79-26470050
Email: gaurav.parmar@msglobal.co.in
Website: www.msglobal.co.in

PANDIT DEENDAYAL PETROLEUM UNIVERSITY
DRAFT INTERNAL AUDIT REPORT FOR THE PERIOD FROM APRIL 2017 TO SEPTEMBER 2017

1. PREAMBLE:

- 1.1 We have carried out Internal Audit of Pandit Deendayal Petroleum University (University or PDPU) for the period from April 2017 to September 2017 in terms of scope of work.
- 1.2 We submit our report containing observations noticed during the audit along with management response.

2. AUDIT APPROACH:

2.1 Our audit approach was to:

- i) Review procedures and systems with a view to understanding the nature of activities, areas of operations and records maintained.
- ii) Review internal control systems with a view to assessing the efficiency of the system to see that chances of frauds and errors are minimized as well as the system ensures effective checking of transactions at various levels.
- iii) Gain understanding about the working environment and the internal controls system adopted in that relation.
- iv) Verify documents i.e. bills, vouchers and records to satisfy that the established system is followed.

2.2 We have kept in background following broad criteria while ascertaining risk rating of the observations in the attached report:

SCALE	FINANCIAL	COMPLIANCE	OPERATIONAL
High – Requiring immediate action	More than Rs 3 Lakhs	More than Rs 1 Lakhs	Absence of Standard Processes
Medium – Requiring corrective action	Impact of more than Rs 1 Lakh up to Rs 3 Lakhs	More than Rs 50,000 & up to Rs 1 Lakh	Loopholes / area for improvement in Standard Processes
Low – Opportunities for improvement	Impact of Up to Rs 1 Lakh	Up to Rs 50,000	Non-adherence to the Standard Processes

3. AUDIT METHODOLOGY:

3.1 The audit has been carried out in accordance with Auditing and Assurance Standards as well as Standards on Internal Audit prescribed by Institute of Chartered Accountants of India.

3.2 The audit team consisted of following members:

- | | |
|----------------------|-----------------------------|
| • C.A. Gaurav Parmar | - B.Com, FCA, CISA, Partner |
| • C.A. Milan Shah | - B.Com, FCA, Audit Manager |
| • Mr. Neel Mehta | - Audit Assistant |
| • Mr. Kumarpal Jain | - Audit Assistant |
| • Mr. Abhishek Patel | - Audit Assistant |
| • Mr. Jinil Gandhi | - Audit Assistant |
| • Mr. Dheeraj Soni | - Audit Assistant |

4. AUDIT SCOPE & COVERAGE:

4.1 As per Internal Audit Plan, following areas were covered by this report:

AREAS OF OPERATIONS	SCOPE OF INTERNAL AUDIT
Student Process Flow – Primary Source of Revenue	<p>Verification of adequacy and accounting treatment of the following:</p> <ul style="list-style-type: none"> (a) Security Deposit/ Caution Money (b) Levy of various types of Fees as per the Fees Chart (c) Student Fee Matrix (Grade-Wise and Student-Wise) (d) Collection/ Dues/ Penalty/ Fines levied from time to time (e) Promotion of Student may involve change of Fee Structure (f) Hostel Fees collection and Electricity charges to students
Banking Transactions / Cash Transactions	<p>Verification of adequacy or other-wise with respect to the following:</p> <ul style="list-style-type: none"> (a) Bank Reconciliation Statement on monthly basis (b) Debits made by the bank are checked for correctness as per the terms and conditions of the sanction letter
Travel	<ul style="list-style-type: none"> (a) Are all required travel authorization obtained for out-of-state travel from the traveler's supervisory authority prior to committing any funds? (b) Are all Travel Expense Vouchers submitted for all reimbursable expenses in accordance with institution policy? (c) Are all traveling reimbursement authorized with signatures of the traveler, financial manager, and supervisory authority?
Accounting	<ul style="list-style-type: none"> (a) Review of accounting policies adopted (b) Review of Accounting Entries passed along with the adequate supporting for the period from April 2017 to September 2017.

7. OBSERVATIONS RELATED TO AUDIT OF OTHER AREAS IN SCOPE OF WORK:

Observations in the Audit Areas covered during Audit from April 2017 to September 2017:

1. UNDER RECOVERY OF ACADEMIC FEES:

Observations	Risk Category	High	Risk Type:	Financial												
Based on the fees reconciliation of student's data as per the administration department and fees collected record by accounts department, we have noted short receipt of fees worth Rs. 35,85,100/- from students. (The status on 20/11/2017)				Root Cause												
The student wise recovery of fees is mentioned in Annexure-7.				- Lack of adequate follow up and absence of strict implementation of penal provision.												
School wise summary of fees recovery is mentioned hereunder:				Possible Impact												
<table border="1"> <thead> <tr> <th>School</th><th>Amount in Rs.</th></tr> </thead> <tbody> <tr> <td>SLS</td><td>4,30,100</td></tr> <tr> <td>SPT</td><td>6,44,500</td></tr> <tr> <td>SPM</td><td>12,42,500</td></tr> <tr> <td>SOT</td><td>12,68,000</td></tr> <tr> <td>Total</td><td>35,85,100</td></tr> </tbody> </table>				School	Amount in Rs.	SLS	4,30,100	SPT	6,44,500	SPM	12,42,500	SOT	12,68,000	Total	35,85,100	<ul style="list-style-type: none"> - Possibility of income leakage. - Non-availability of outstanding details.
School	Amount in Rs.															
SLS	4,30,100															
SPT	6,44,500															
SPM	12,42,500															
SOT	12,68,000															
Total	35,85,100															
Recommendations				<ul style="list-style-type: none"> - For recovery of fees from the students who had not paid Fee, PDPU should involve admin department and also impose penalty for delayed payment. 												
Management Response				<ul style="list-style-type: none"> - The matter is discussed in the meeting chaired by the Director General and attended by all the Schools Directors & Registrar along with CFO and AO. A policy shall be announced covering disciplinary and penalty for such cases. A nodal officer shall be appointed by each School to coordinate with Accounts Department. 												

2. NON RECOVERY OF ACADEMIC FEES FOR PRIOR YEARS:

Observations

Apart from the recovery of current year fees, we have verified the fees recovery from the students from whom fees for last year was not received and reported by us. The Recovery of Rs. 20,92,600/- is still pending from 30 students. List of such students has been given in Annexure-8 along with the management response for non-recovery of fees. (Status as on 27/11/2017).

Risk Category

High

Risk Type:

Financial

Root Cause

- Absence of proper follow up procedure of students for the recovery of pending fees.

Possible Impact

- Chances of fees remaining outstanding for a long period of time affecting revenue of the university.
- The possibility of increase in the amount of bad debts because of liberal policy for recovery of fees.

Recommendations

- There should be regular co-ordination between admin department and accounts department for sharing the status of outstanding fees.
- Penal provisions should be followed in order to reduce the transactions of outstanding fees.

Management Response

- The matter is discussed in the meeting chaired by the Director General and attended by all the Schools Directors & Registrar along with CFO and AO. A policy shall be announced covering disciplinary and penalty for such cases. A nodal officer shall be appointed by each School to coordinate with Accounts Department.

3. PROCESS OF PURCHASE ORDERS AND WORK ORDERS:

Observations

- The procedure of preparing purchase order has been established and followed in majority of the purchase transactions. However,in following 2 instances purchase order has not been prepared as follows:

Date of entry	Expense head	Party involved	Amount	Description of goods
10/08/ 2017	Furniture & Fixtures	Om Crafts	1,49,576	White board, Sliding channel
28/09/ 2017	Admission Exps	Jay Exporters	1,93,200	Jute bags Quantity:2000

- There is absence of central recording and monitoring of the PO / WO this has resulted in following gaps in audit trails:
 - All department issues PO/ WO on their own. Hence there is inconstancy in format of PO/ WO despite there is standard format adopted by PDPU.
 - PO / WO are not serially numbered in all cases
 - Difficulties arise in tracking the status of the PO / WO
 - Chances of duplicate payments against same invoices if not serially numbered.

Risk Category

Low

Risk Type:

Operational

Root Cause

- Lack of awareness among the concerned departments regarding importance of following these procedures.

Possible Impact

- Possibility of vendor charging differential rates which may result into paying excess amount to such vendor.
- Ambiguity in work orders identification when frequent work orders are issued to a specific party.

Recommendations

- All the transactions should be routed through the said procedure to the extent possible in order avoid ambiguity and bring transparency in the purchase process.

Management Response

- Noted and shall take due care in such instances. Post implementation of TCS ion the centralized issuance of PO shall be done.

4. PROCEDURE FOR CAPITALISATION AND BILL PROCESSING:

Observations	Risk Category	Medium	Risk Type:	Operational
<ul style="list-style-type: none"> - The purchase of LED monitor of Rs.14,500/- is expensed out instead of capitalizing it. It is booked as expense under head Computer Tools, Spares Exps. - Purchase of audio equipment for auditorium worth Rs. 8,45,000/- has been done from M/s Audio Vision without inviting quotations from multiple parties and making comparative analysis. - Purchase of RO System of Rs. 3,12,500/- has been done from A One Engineering Corporation on 05/07/2017 but installation certificate has not been found for installation of such system at High rise hostel C block. - It has been found that there has been substantial delay in capitalization of fixed assets purchased even after obtaining installation certificate of the specific assets. <p>Some of the instances where such delay in capitalization has been noticed are depicted in Annexure-9.</p>	Root Cause			
	Possible Impact			
	Recommendations			
	Management Response			

5. EXCESS PAYMENT MADE:

Observations	Risk Category	High	Risk Type:	Financial						
<ul style="list-style-type: none"> During the course of audit, we have identified following 2 cases in which booking and payment of expenses has been done twice against the same bill: <table border="1"> <thead> <tr> <th>Date of entry in books</th><th>Name of the party</th><th>Amount excess booked</th></tr> </thead> <tbody> <tr> <td>26/07/2017</td><td>Techno Gas Systems Pvt Ltd</td><td>3,35,720</td></tr> </tbody> </table> <ul style="list-style-type: none"> Under IEP for Sacred Heart University, visa charges has been charged by Vagabond Holidays 30 students and 2 faculties. In total payment of Rs. 4,69,200 has been made for 32 persons whereas 27 students and 2 faculties have attended the visit. This has resulted into excess payment of Rs. 46,519 for 2 persons. 	Date of entry in books	Name of the party	Amount excess booked	26/07/2017	Techno Gas Systems Pvt Ltd	3,35,720	Root Cause			
Date of entry in books	Name of the party	Amount excess booked								
26/07/2017	Techno Gas Systems Pvt Ltd	3,35,720								
	<ul style="list-style-type: none"> Payment against copy of invoice Absence of Work Order / Purchase Order processing system Delay in receiving invoices from the parties. Absence of policy to entertain the Bills of Vendor received after substantial time period 									
<h3>Management Response</h3> <ul style="list-style-type: none"> Due compliance have been done. 	<h3>Possible Impact</h3> <ul style="list-style-type: none"> Excess payment to vendors The payment made to vendor without services being availed. Blockage of funds due to excess payments made. 									
	<h3>Recommendations</h3> <ul style="list-style-type: none"> The payment should be released only after the receipt of the original copy of invoice from the concerned vendor. 									

Place: Ahmedabad

Date: 12/01/2018

(G. R. Parmar)
Partner
Membership No. 121462