

INTERNAL AUDIT REPORT
Muzaffarpur Institute of Technology, Muzaffarpur
For the period ending 31st March 2018

Part A: Brief details of the Auditee and Audit:

- a. Name and address of the Auditee : Muzaffarpur Institute of Technology, Muzaffarpur, Bihar-842003.
- b. Names of Office bearers : Prof.Jagdanand Jha (Principal)
Faiz Ahmad (Co-ordinator)
- c. Name/s of Auditor : Todi Tulsyan & Co.
- d. Days of audit : 2
- e. Period covered in the previous audit: Not Applicable
- f. Period covered in the current audit :01-10-2017 to 31-03-2018

We have conducted the Internal Audit of TEQIP-III Project of: **Muzaffarpur Institute of Technology, Muzaffarpur, Bihar-842003** for the period from October 01, 2017 to March 31, 2018.

We have carried out the audit in accordance with the standard on auditing promulgated by the Institute of chartered Accountants of India. It is the responsibility of the management to maintain the Project Financial Management System as prescribed by the funding Agency in cash system of accounting, fair and proper documentation, generation of books and records and the various Interim financial reports and annual statement and to implement a proper Internal control system commensurate with the size of 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.

Part B: Executive Summary:

- a) Objectives of audit
- a) check accuracy and authenticity of records presented by management
- b) Ascertain that accounting policies are followed as per plans
- c) Analyse & improve internal check system
- d) Facilitate prevention and detection of misstatements
- e) Examine safeguarding of asset



- f) Conduct special investigation for management
- g) Provide new suggestion to management
- h) Review operation of overall internal control system
- i) To evaluate adequacy of internal control system
- j) To ensure compliance of laid down policies, procedures, accounting and financial reporting documented in Financial Management Manual of the project.

b) Methodology of audit

The Audit was conducted on the basis of finalized Audit Program Internal Audit Program was mainly focused on following areas:

1. An assessment of the adequacy of the Project Financial Management System including internal control. The financial management system should include methods and records established to identify, assemble, analyze, classify, record and report on transaction and to maintain accountability for the related assets and liabilities.
2. That all the project fund have been used in accordance with the condition of the relevant financing agreement, with due attention to transparency, economy and efficiency and only for the purpose for which the financing was provided.
3. All necessary supporting documents, records and books/ statements of accounts have been maintained and all necessary supporting document such as records, vouchers, bids etc. and books of accounts have been kept in respect of all project expenditure.

c) Status of implementation of the financial management system:

: During audit we noted that Financial Management System has been implemented for the period ended on 31.03.2018.

d) Status of compliance of previous audit reports, including major audit observations pending compliance

: The current audit period is first audit period and hence this para is not applicable,

e) Key areas of weaknesses that need improvement, classified into the following areas:

- i. Disallowance of expenditure as per the World Bank rules
- i. Procedural Lapse: Delay in TDS deposit,
- ii. Accounting Lapse : Non reconciliation of expenditure with PFMS
- iii. Accounting books & records not maintained : Non-maintenance of accounting in tally

f) Recommendations for improvements

Executive Summary to include the following format:-



Para No.	Observations	Implications with risks involved	Recommendations for improvement	Auditee's Comments/ Agreed Action	Agreed Timeline for compliance
1.	TDS Compliances	Interest/ penalty on delay payment	TDS should be deposited in time		
2.	PFMS Transaction reconciliation	Excess/ double payment	PFMS should be reconciled and details of failed transaction should be obtained from PFMS system to re-check failed transaction to avoid double payments.		
4.	Non-maintenance of accounting in tally	Risk of no proper accounting and misreporting of figures	Tally software should be fully and properly utilized.		

Part C: Compliance to previous Audit Reports

: The current audit period is first audit period and hence this para is not applicable,

Part D: Serious Observations:

: We have not come across serious observations:

Part E: Other Observations:

1. TDS Compliance:

- a) TDS was not deducted on payment of vehicle hire chares during the period ended 31.03.2018.



- b) TDS being a statutory liability which should be paid within due dates as prescribed in the Income Tax Act, 1961. Delay in deposit of TDS entail interest/ penalty liability, which we recommend should be avoided.
- c) Copy of Return of TDS (26Q) for quarter March 2018 was not provided to us for our verification.

2. PFMS Transactions:

- a) PFMS Reconciliation Statement:

Particulars	Amount
Expenditure as per PFMS Statement	67,94,212
Expenditure as per books of Accounts	67,31,617
Differences due to Debit Failures.	62,595

We observed there is difference in Expenditure as per PFMS Statement and Expenditure as per records maintained. We have been explained the reason for differences that certain transactions failed in PFMS and payments were made gain.

In such cases of transaction failure in PFMS, expenditure should not be reflected in PFMS system also to the extent of failure of transactions. We recommend that difference should be reconciled and details of failed transaction should be obtained from PFMS system to re-check failed transaction to avoid double payments.

3. Salary payments:

- a) Carry forward of Leave:-

There is one Undertaking being taken from teachers, from which we observed the conditions for leave payment which states that:

It is further clarified that any unutilized number of days so permitted to be availed as leave of absence for professional development may be carried forward for use limited to the close of immediately succeeding quarter to the quarter of entitlement beyond which such leave of absence for professional development shall expire.

To comply the above leave payment conditions, it is required that proper record of quarter-wise leave is maintained, reflecting only eligible carry forward of leave in next quarter. Presently such record is not maintained, we recommend the proper register is maintained ofr this purpose.



4. Accounting

We observed that accounting software tally has been procured and installed in one computer for the purpose of accounting, but the uses of software not started fully. Currently there is no modification rights restricted which makes it vulnerable to change the entry subsequently. In this respect we suggest the following:

- i) Tally should be configured according to Chart of Accounts as required in Financial Management Manual. And any modification should not be allowed in heads of accounts unless Financial Management Manual requires it to make changes.
- ii) After making entry in the tally, modification in entry should not allowed and any back dated entry should also be restricted. The changes in entry if required should only be entered through rectification entry.


5. Details of Expenditure (Component Wise):

Component	Particulars	Amount (Rs.)
1.1.1	Procurement of Goods	Nil
1.1.2	Academic Process	10,41,353/-
1.1.3	Operating Costs	7,31,092/-
1.1.4	Faculty Reforms	49,59,172/-
	Total	67,31,617/-

Part F: Executive Summary and Suggestions/ Recommendations:

: Executive Summary as already given in Part-B above.

For TODI TULSYAN & Co.
Chartered Accountants
FRN: 002180C


(Sushil Kumar Tulsyan)
Partner
M. No. 075899



Place: Patna
Date: 17.12.2018