



INTERNAL AUDIT REPORT

KERALA UNIVERSITY OF HEALTH AND ALLIED SCIENCES

PERIOD: April 1, 2018 To March 31, 2019



*The Management,
Kerala University of Health and Allied Sciences*

We have completed our Internal Audit for the period April 1, 2018 to March 31, 2019.

*Our procedures were performed in accordance with the scope agreed upon. Enlisted are the findings resulting from procedures performed for the audit of **Kerala University of Health Sciences**. The information provided may help you in enhancing the effectiveness and efficiency of your business process.*



Audit Opinion

Our audit was conducted in accordance with generally accepted auditing standards and accordingly, include tests of accounting records and such other auditing procedures as we considered necessary in the circumstances. The audit was performed for the financial year 2018-19.

In our opinion, we found the processes and the operational procedures adequate for the period under audit. However, we have identified opportunities to improve the efficiency and effectiveness of certain operating procedures as discussed in this audit report.

As such, the conclusions are based on an examination of the situation identified in light of the criteria established and apply to the program audited only. The evidence gathered meets professional audit practice standards and is adequate to satisfy senior management that the conclusions of the internal audit are well founded.



We value the opportunity to work with you and sincerely appreciate the cooperation and assistance provided to us during the course of the audit. We would be pleased to further discuss any aspect of our procedures or this report with you or other members of the management at your convenience. If you have any questions, please do make sure to get in touch with us. This report is intended solely for the information and use of the Governing Council and management of the University.

For R. Rajan Associates,

*Praveen Krishnan,
Partner
M No. 213925*

- 1 Background and Scope
- 2 Affiliation Fees and Student Income
- 3 Physical verification of Fixed Assets.
- 4 Bank Transactions Verification
- 5 Examination Accounts
- 6 Bank Guarantee
- 7 Legal Compliance
- 8 Advances
- 9 Improvements in EDP Environment
- 10 Observations in the previous quarters not yet resolved





Background

Kerala University of Health Sciences (KUHS) was set up on 2010 by the Kerala government. The university has 296 colleges affiliated to the same as of 2019. The university is substantially funded by the Kerala government and is governed by its rules and bye laws.

Scope

The scope of our review was to assess the effectiveness of internal controls pertaining to the following processes:

1. Affiliation Fees and Student Income
2. Physical Verification – Cash and Fixed Assets
3. Bank Transactions
4. Examination Accounts
5. Budget Analysis
6. Renewal of Bank Guarantees
7. Legal Compliances
8. Advances
9. Improvements in EDP system



Scope (continued)

The audit has been conducted under the Generally Accepted Auditing Standards and accordingly included tests of accounting records and such other auditing procedures as we considered necessary in the circumstances. The **Observation, Recommendation and Management Response** columns of the following pages are intended to improve existing controls and efficiency of current operating procedures.

The following table depicts the quarter wise split of scope of audit **covered** and **to be covered**.

Scope of Audit	Q1	Q2	Q3	Q4
Affiliation Fees and Student Income- Checking of Fees Received	✓	✓	✓	✓
Affiliation Fees and Student Income-Due List Preparation	X	✓	X	✓
Physical Verification-Cash	✓	✓	✓	✓
Physical Verification-Fixed Assets	X	X	✓	X
Bank Transactions	✓	✓	✓	✓
Examination Accounts	✓	✓	✓	✓
Budget Analysis	X	X	X	X
Renewal of Bank Guarantees	✓	✓	✓	✓
Legal Compliances	✓	✓	✓	✓
Advances	✓	✓	✓	✓
Improvements in EDP system	X	X	X	✓



Significance- Legend

+ Observation grading	
High	High Risk, requires immediate action
Medium	Medium Risk, requires corrective action
Low	Low risk, need for corrective action needs to be evaluated

*Root cause legend	
Design deficiency	D
Operating ineffectiveness	O
System deficiency	S

Kerala University of Health Sciences

SUMMARY OF AUDIT OBSERVATIONS



Scope

- Analytical Verification of Affiliation fees and various fees received and receivable.
- Checking and Reconciliation of DCBs maintained and preparation of dues list.
- Checking sufficiency and authenticity of various fees.

Objective

- To analyze the various fees received by the university and to report to the organization if any discrepancies occur in revenue generation and collection.
- To submit and report to the management regarding the dues list of affiliation fees and to suggest measures to recover the same.

Audit Procedure

The following audit procedures were carried out for the samples selected:

- Vouchers have been examined clearly in order to ensure that details entered in DCBs are same as that of vouchers.
- DCBs and University Suite (ERP system) have been cross checked to ensure that various fees are accounted in the correct head, also the details entered are same.
- The same fees amount entered in Suite have been traced to the bank statement in which the amount is credited so as to ensure transparency.
- Ensured that the fees collected is as per the notifications and circular issued by the University.
- Enquiries were undertaken to know what all steps were taken to collect the dues of previous year which was reported by the internal auditors.
- Due list after considering the recoveries have been prepared by reconciling manual DCB and excel workings. Confirmation for the same has been obtained from Academic section.



Observation

- ❖ We have informed the concerned staff of Academics Section to immediately update the DCBs for the Financial Year 2018-19 for the 5 streams namely; Homeopathy, Medical, Nursing, Dental and Paramedical so that the same can be checked in the subsequent financial year.
- ❖ We recommend prompt updating of DCBs since it is an appropriate way for the management to track the fees dues at the earliest.
- ❖ We noticed that there are huge arrears to the tune of 15 Crores outstanding to be received from colleges. The details of the same have been attached in **Annexure 1**.
- ❖ Enquiries were made regarding the steps taken to recover the huge arrears to the tune of ₹15Crores receivable from various colleges.

Management Response

- ❖ Further progress in the matter will be intimated

Significance



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M



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Root Cause



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Observation

- ❖ Regarding the dues of Government colleges, letter has been sent to Medical Education Director (DME). Arrears amounting to ₹29,34,000.00 have been collected from various government colleges and the split has been tabulated in **Annexure-2**.
- ❖ Dues amounting to ₹44,16,600 pertaining to the academic year 2010-11 is receivable from various Universities in Kerala. Immediate measures must be taken by the concerned authority to collect the same. Breakup of the same has been annexed in **Annexure-3**.
- ❖ Dues from Self Financing colleges from the year 2013 have not been collected as there is stay order from Kerala High Court.

Management Response

- ❖ Noted

Significance	 L	 M	 H
Root Cause	 D	 O	 S



STREAM	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	TOTAL
MEDICAL	13,48,500.00	48,35,000.00	57,37,500.00	3,41,05,000.00	43,35,000.00	59,50,000.00	60,00,000.00	60,55,000.00	6,83,66,000.00
DENTAL	33,000.00	-	-	4,35,40,000.00	2,26,00,000.00	3,00,000.00	-	-	6,64,73,000.00
AYURVEDA	-	-	-	13,75,000.00	-	-	-	5,70,000.00	19,45,000.00
HOMEO	36,000.00	40,000.00	-	-	-	-	-	-	76,000.00
PARAMEDICAL	69,000.00	2,04,000.00	3,21,200.00	3,40,000.00	8,20,000.00	3,30,000.00	3,60,000.00	3,60,000.00	28,04,200.00
PHARMACY	2,40,000.00	1,25,000.00	-	60,000.00	87,500.00	-	-	46,250.00	5,58,750.00
NURSING	64,75,000.00	10,46,300.00	6,87,150.00	10,25,000.00	1,500.00	-	-	3,25,000.00	95,59,950.00
TOTAL	82,01,500.00	62,50,300.00	67,45,850.00	8,04,45,000.00	2,78,44,000.00	65,80,000.00	63,60,000.00	73,56,250.00	14,97,82,900.00

College	Stream	Nature of Fees	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
GMC, TVM	Paramedical	Continuation Affiliation Fee	69,000	1,79,000	2,40,000	2,40,000	2,40,000	2,40,000	2,40,000	2,10,000
GMC, Kottayam	Medical	Continuation Affiliation Fee	-	-	-	-	-	-	-	1,90,500
Govt. College of Nursing, Thrissur	Nursing	Application Fee	5,03,000	-	-	-	-	-	-	-
Govt. College of Nursing, Alappuzha	Nursing	Application Fee	4,20,000	-	-	-	-	-	-	-
GMC, Kannur	Medical	Continuation Affiliation Fee-Fine	-	-	1,62,500	-	-	-	-	-
Total			9,92,000	1,79,000	4,02,500	2,40,000	2,40,000	2,40,000	2,40,000	4,00,500



Stream	University Name	Nature of Fee	Amount	Total
Ayurveda	Calicut University	Application Fee	3,30,000.00	3,30,000.00
Medical	Calicut University	Annual administration fee	5,00,000.00	5,00,000.00
Nursing	Calicut University	Application Fee	32,000.00	30,99,600.00
		Annual Administration Fee	9,17,300.00	
		Continuation Affiliation Fee	31,500.00	
	Kerala University	Application Fee	6,96,500.00	
		Annual Administration Fee	11,55,000.00	
	Kannur University	Application Fee	1,00,000.00	
		Annual Administration Fee	1,57,300.00	
	M.G. University	Application Fee	10,000.00	
Paramedical	Calicut University	Application Fee	1,60,000.00	2,60,000.00
	Kannur University	Application Fee	1,00,000.00	

Annexure -3 (Continuation)



R. Rajan Associates

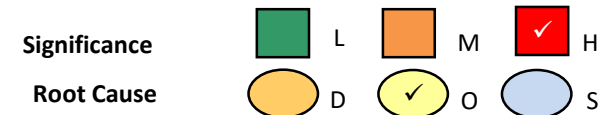
Stream	University Name	Nature of Fee	Amount	Total
Pharmacy	Calicut University	Application Fee	49,000.00	2,27,000.00
	Kerala University	Application Fee	1,03,000.00	
		Provisional Affiliation Fee	25,000.00	
	Kannur University	Application Fee	50,000.00	
Total				44,16,600.00

Observation

- ❖ It has been decided henceforth to divide the fixed asset register into three sections. These registers will be separately maintained by the Purchase, Works and IT section.
- ❖ Although the works department has updated their fixed assets register, they have followed the Kerala PWD Manual in doing so. It would be better if they could also incorporate details of date of purchase and cost of the respective asset.
- ❖ The IT section has not updated its Fixed Assets Register. We request immediate updation of the same.
- ❖ The existing register of the Purchase section includes the assets of IT as well as works. So we recommend that they create and maintain a new register exclusively for those assets which comes under their purview.
- ❖ The concerned authority is recommended to take immediate measures for the updation of the register, so that the verification can be completed in the subsequent financial years.

Management Response

- ❖ Fixed Asset Register (Part I) to be maintained by the Purchase Section has been updated and is ready for verification. Instructions have been given to the IT as well as the Works sections to prepare and update separate registers for the assets which comes under their purview.
- ❖ The asset register in IT section regarding purchases up to March 2017 has already been prepared and submitted for verification. All entries regarding purchases from April 2017 to July 2019 has been prepared and is now ready for verification.





Observation

- ❖ Differences with Bank Book and Bank Statements were not identified on verification of BRS.
- ❖ Cheque Return charges which were charged by the bank (₹15,558.00) are accounted in suite as Bank charges receivable and letter has been sent to the bank to credit the same.
- ❖ As reported in the previous reports, stale cheques since 2011 were not cleared and hence included in the BRS.
- ❖ The stale cheques pertaining to this quarter amounts to a total of ₹7,60,995.00 has been annexed below in **Annexure – 4**.

Management Response

- ❖ Noted

Significance



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Root Cause



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Account Name	Date	DD Number	Amount
Exam fee	04-01-2019	738840	1,050.00
Exam fee	12-02-2019	479861	6,81,945.00
Exam fee	07-03-2019	187410	3,000.00
General Fund	29-03-2019		75,000.00
Total			7,60,995.00



Examination Accounts

Scope

- ❖ Checking of all transactions related to exams.
- ❖ Checking of Advances, Fees collected.
- ❖ Random checking of Examination Settlement Bills.

Objective

- ❖ Ensure fees are properly collected
- ❖ Ensure advances and receivables are properly adjusted or recovered
- ❖ Ensure proper recording and classification Of Expenses.
- ❖ Ensure Compliance with Accounting Principles and KUHAS rules.
- ❖ Ensure all expenses are incurred with proper authorization.

Audit Procedure

The following audit procedures were carried out for the samples selected:

- Vouchers have been examined clearly in order to ensure that details entered in DCBs are same as that of vouchers.
- Note files for the expenses are verified to ensure proper authorization is in place for expenses incurred.
- The amounts incurred are compared with notification for the same for ensuring compliance with KUHS rules.
- The payments made for the expenses were traced to the bank statements for checking dummy entries.
- External documents like TA bill , Halt bill and Attendance sheet of Examiners from various colleges are verified.
- Exam section tapal register has been verified to find the date of issue of DDs to the respective streams, the same has been compared against date of journal entry to determine the delay in submission of DDs to the finance section.



Bank Guarantee

Observation

- ❖ Generally reminder letters are issued from the concerned departments closer to the expiry date of the guarantee. Process needs to be devised to intimate the colleges in advance for each quarter.
- ❖ Except one college all the bank guarantees which were subjected to expiry are renewed in this year.
Annexure-5

Management Response

- ❖ Noted

Significance



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Root Cause



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Bank Guarantee No.	College	Amount	Expiry date	Management Response
21437	JDT Islam College of Physiotherapy	10,00,000.00	14-07-2018	Renewal process is in progress
Total		10,00,000.00		



Legal Compliance

Scope.

- To check whether regulations of various statutory authorities have been complied with.

Objective

- Ensure that regulations of various statutory authorities have been complied with.

Management Response

Please See Annexure 6

Audit Procedures

The following areas were checked during the quarter:

- It was enquired that any legal cases are pending against university that has financial obligation. The concerned section has given an explanation that no such cases are pending.
- We have enquired whether insurance policies have been taken for the university buliding, University software and for other high value fixed assets.
- We have verified the insurance policies documents for those assets which are covered under insurance policies.
- Account wise entries in suite were verified against GSTR 3B ,GSTR 7,GSTR1 returns and manual register maintained by the concerned staff to find out the mismatches.
- AMC of DG set, Air-conditioners (Evaluation Centre), Elevators (Evaluation Centre and Admin Building), HVAC, 90 KVA UPS, Water Purifier(6 No.s) were verified.
- The observations and suggestions for these above areas have been annexed below **Annexure-6** .

Observations	Suggestions	Management Response
<p>Annual Maintenance Contract(AMC) is not yet taken for computers and software.AMC and third party insurance have been taken only for LIFTS(4 Nos)</p>	<p>AMC is very essential for electronic equipments like computers and software.</p>	<p>The process of obtaining AMC is in progress</p>
<p>The following Assets are not insured yet.</p> <ul style="list-style-type: none"> • University Software • Computers • Transformers 	<p>Necessary steps should be taken immediately to cover these assets under insurance since these are of high value and also forms integral part of the Fixed Assets of the University. Any damage or loss caused to these assets cannot be indemnified with the funds available for operations.</p>	<ul style="list-style-type: none"> • It has been decided not to insure University Software and Computers which have comparatively lesser life span and will require a lot of premium amount for insuring them. • As regards Insurance of transformers, the same will be intimated in due course after deliberation with the concerned authorities.
<p>When a check was conducted of the GSTR-9 figures for the FY 2017-18, it was found that the there was an erroneous statement of total tax payable amount in the Total Taxable value column. This has led to a huge difference between the Total taxable values in GSTR-1 and GSTR-3B. Difference: ₹13,05,280.79</p>	<ul style="list-style-type: none"> • It must be made sure that correct amount is entered into Total Taxable value column. • Please note this huge difference for future reference. • Always make certain that there is a perfect match between GSTR-1 and GSTR-3B details 	<p>The taxable value was erroneously stated due to calculation mistake. The possibility of revising the returns is being explored</p>

Scope.

- Checking the authorization for sanctioning Advances.
- Checking of timely settlement of advances.

Objective

- Check the adequacy of amounts advanced to staffs for meeting the various expenses.
- Checking timely settlement of advances.

Management Response

- Please see Annexure 7

Observation

- Advance Register has been checked for the period with the advance sanctioning form.
- Advances are received by colleges from the University for meeting various expenses related to exams. These advance amounts has been cross checked with the examination settlement bills.
- The refund of advances has been traced to cash book.
- Checked whether the advances are settled within a reasonable time(3 months).
- We noticed that there are 12 outstanding advances pertaining to this year which are pending to be settled within the reasonable time period of 3 months.

Annexure 7 (See Below).

- We suggest that the staffs in charge of receiving advances, should intimate the reason for the delay in settling advances to the finance section if it goes beyond the reasonable time period.

Date of Advance	Person charge	Purpose	Amount	Remarks
05-12-2018	Dr. Manoj Kumar (Dean S.A.)	Advance for south zone 2 days camp on Life Style Modifications for Women by KUHS students Union	74,000.00	Settlement is in progress
13-12-2018	Dr. Manoj Kumar (Dean S.A.)	Advance for conduct of Central zone Arts Fest by students Union.	3,50,000.00	Settlement is in progress
13-12-2018	Dr. Manoj Kumar (Dean S.A.)	Advance for conduct of North Zone Arts Fest by students Union	3,50,000.00	Settlement is in progress
18-12-2018	Dr. Manoj Kumar (Dean S.A.)	South Zone Arts Fest by Students Union	3,50,000.00	Settlement is in progress
16-11-2018	Sudhikumar	Advance for conducting of two meetings of Panchakarma and Salyatantra	10,000.00	Settlement is in progress
02-02-2019	Sudhikumar	Advance for Two meetings of sambitasidhanta and Prasoothithantram	10,000.00	Settlement is in progress

Annexure-7 (Continuation)



Date of Advance	Person charge	Purpose	Amount	Remarks
11-03-2019	Dr. Manoj Kumar (Dean S.A.)	Advance for conducting public awareness program -International Women's Day	28,000.00	Settlement is in progress
14-03-2019	Dr. Manoj Kumar (Dean S.A.)	Advance for conducting magazine editor camp by Students Union 2018-19	85,000.00	Settlement is in progress
21-03-2019	Dr. Manoj Kumar (Dean S.A.)	Advance for closing ceremony of KUHS Students Union	2,00,000.00	Settlement is in progress
22-03-2019	Dr. Manoj Kumar (Dean S.A.)	Advance for distribution of awards for Best Magazine, BestCollege, Short film by Students Union	2,02,000.00	Settlement is in progress
22-03-2019	Dr. Manoj Kumar (Dean S.A.)	Advance for printing and publishing of magazine by KUHS students Union 2018-19	1,70,000.00	Settlement is in progress
05-01-2019	Sudhikumar	Advance for two meetings of Ranasareera and Kriyasareera	10,000.00	Settlement is in progress
Total			18,40,000.00	

Scope

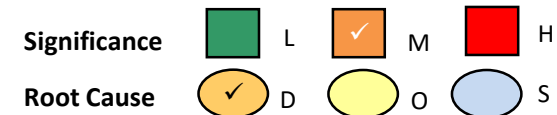
- To check and advice on the overall EDP and system environment for improvisation and to suggest rectification if needed.
- To ensure whether the programmed controls have minimum manual intervention thereby reduction in mistakes to a great extent.

Objective

- To check on the overall EDP and system environment.
- To suggest rectification and improvisation of the adopted controls.
- To introduce new mechanised controls for better practices and control.
- To ensure whether programmed controls have less manual intervention.

Audit Procedures

- The University software (Suite) has been accessed by us throughout the quarter for the purpose of our audit.
- Those departments who are accessing the Suite for data entry and for reports generation are analyzed.
- The sequence of data input and data flows in the software have been analyzed.
- Enquiries were done with the concerned staffs of those departments regarding the difficulties faced by them while using the software for data entry.
- Observations and suggestions in this area have been tabulated in **Annexure 8**.



OBSERVATIONS	SUGGESTIONS	MANAGEMENT RESPONSE
<p>➤ Fixed Asset Register</p> <p>The Fixed Assets of the University are not updated in the ERP system. Records are maintained separately in three sections, which have led to multiple sets of records.</p>	<p>The ERP system must be designed to include the fixed asset register. This will ensure more compliance with respect to maintenance of Fixed Assets Register. This will lead to a Centralized System of record-keeping which ultimately ensures uniformity.</p>	<p>Steps will be taken for updating the details of the Fixed Asset Register in the ERP system. Records are maintained separately in three sections based on the observations of the previous Internal Audit Report</p>
<p>➤ Advance register</p> <p>Advances made from Finance section for conducting various programs are not electronically updated. Most of the advances which are of high value are not settled within stipulated time. There is no automated mechanism to ensure that the settlement of advances is made in accordance with the Kerala Finance Code.</p>	<p>It is advised to introduce a facility to allow inclusion of Advances Data into the ERP system. Also, using this data, the IT section could design a program which sends alerts to the finance section regarding the maturity of advances as per the Kerala Finance Code.</p>	<p><u>Noted</u></p>

OBSERVATIONS	SUGGESTIONS	MANAGEMENT RESPONSE
<p>➤ Due list</p> <p>Due list is being prepared by the concerned staff manually. This is strenuous and time-consuming process with respect to identifying the dues of each college on a day-to-day basis. Since there are huge arrears to look into (Rs. 14.97 Crores), it becomes difficult for timely and correct updation of the above.</p>	<p>It is highly recommended to create a Due List Report in the ERP system of the University, which aids the exact identification of dues to the respective colleges. This utility should also facilitate provision of information regarding Due Collections and Due Balances to the concerned staff.</p>	<p><u>Noted</u></p>
<p>➤ Stores Ledger</p> <p>Stores ledger is maintained manually, which makes it difficult to get summarized balances as on a particular date. Also, it has been noticed that, no periodical inventory verification has been carried out at the store location.</p>	<p>ERP system must be devised to create a program for maintaining stores ledger electronically, which can show the book balances of inventory as on a given date. This data could be used to verify actual physical inventory, by the concerned staff. To make this effective, periodical inventory checks must be conducted by the respective Section Officer (SO).</p>	<p>Software for the Stores ledger has been implemented in the Central Store recently and it is in the Testing phase. Steps for conducting the periodical inventory verification will be initiated.</p>

Note- Discussion should be conducted with the IT section regarding the feasibility and viability of these alterations in the software.

Compliance of Accounting Policies and procedures



Account Head	Observation	Management Response
Fixed Assets	Fixed Assets are capitalized on the date of payment. It is recommended to capitalize the same based on the date of invoice or put to use date. Thus, depreciation can be accurately arrived at from the capitalization date.	Noted.
Work in Progress - Building	We recommend that in future the assets or projects be capitalized based on the completion or put to use date (which can be arrived at based on a completion certificate).	Noted.



THANK YOU