



INTERNAL AUDIT REPORT

KERALA UNIVERSITY OF HEALTH SCIENCES (KUHS)

PERIOD: 1st April 2021 to 31st March 2022

Date of Audit: 31.08.2022

Date of Draft Report: 19.09.2022

Date of Final Report:

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INTERNAL AUDIT OPINION

The Management,

Kerala University of Health Sciences

We have completed our Internal Audit for the period April 1, 2021 to March 31, 2022.

*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 overall management efficiency of the University.*

Audit Opinion

Our audit was conducted in accordance with generally accepted auditing standards and accordingly, includes tests of accounting records and such other auditing procedures commensurate with the size of the Organization. The audit was performed in one phase for the period April 1, 2021 to March 31, 2022



*In our opinion, we found the processes and the operational procedures are 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 programs 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*AGASTI & ASSOCIATES
CHARTERED ACCOUNTANTS
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Executive Summary

This report details the Internal Audit of the procedures and controls in place over financial transactions that has been undertaken in accordance with the 2021/2022 Internal Audit Plan. Our audit approach and a summary of the work undertaken are provided in the audit framework in Appendix A

Background and Scope

Background

Kerala University of Health Sciences (KUHS) was set up in 2010 by the Kerala government. The university has **317** colleges affiliated to it as on date. The university is substantially funded by the Kerala government and is governed by its rules and bye laws.

Total Number of Colleges affiliated in different streams is bifurcated below:

Affiliated Courses	No. Of colleges	Affiliated Courses	No. Of colleges
Ayurveda Colleges	17	Pharmacy Colleges	58
Dental Colleges	25	Paramedical (Allied Science)	55
Homoeopathic Colleges	6	SIDDHA College	1
Medical Colleges	31	Unani College	1
Nursing Colleges	123	TOTAL	317



Scope of Audit

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. General Finance and Examination Accounts
5. Budget Analysis
6. Renewal of Bank Guarantees
7. Legal Compliances
8. Advances
9. Improvements in EDP system

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 scope of **audit covered** and **to be covered**.

Scope of Audit	Status (Q1)	Status. (Q2)	Status. (Q3)	Status. (Q4)
Affiliation Fees and Student Income- Checking of Fees Received	✓	✓	✓	✓
Affiliation Fees and Student Income – Preparation of Due list	X	X	✓	✓
Physical Verification-Cash	✓	✓	✓	✓
Physical Verification-Fixed Assets	✓	✓	✓	✓
Bank Transactions- BRS	✓	✓	✓	✓
Examination Accounts	✓	✓	✓	✓
Budget Analysis – Comparison with actual	✓	✓	✓	✓
Renewal of Bank Guarantee	✓	✓	✓	✓
Legal Compliances -TDS (Income tax and GST), filing of return etc..	✓	✓	✓	✓
Advances – To various Colleges, Dean and other staffs	✓	✓	✓	✓
Improvements in EDP system	✓	✓	✓	✓



Significance- Legend

# Observation grading	
High (H)	H - Requires immediate action
Medium (M)	M- Requires corrective action
Low (L)	L- 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

Affiliation Fees and Other Fee

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 heads; also, the details entered are same.
- The same fees amount entered in Suite have been traced to the bank statement, (showing as Bulk posting) through E-pay list subject to the condition of unique merchant ID, in which the amount is credited so as to ensure transparency.
- It is ensured that the various fees collected are as per the notifications and circular issued by the University.
- Enquiries were undertaken to know the steps which were taken to collect the dues of previous quarter which was reported by the internal auditors.

Observation

- Verified the DCB Registers.
- The DCB register prepared by the Academics section is silent about the demand and receipts of some heads of income. We recommend that the following heads of income shall be there in the DCB register.
 - Application Fee for Admission
 - Application, Registration, and Inspection for new colleges
 - Application, Registration, and Inspection for new courses
 - Application, Registration, and Inspection for enhancement of seats
 - Affiliation Fee for New Colleges
 - Affiliation Fee for New Courses
 - Affiliation Fee for Enhancement of Seats
 - Continuation of Provisional Affiliation Fee
 - Annual Administration Fees
 - Certificate Verification Fee
 - Students Identity Card Fee
 - Students University Union Fee
 - Students Sports Fee

Observation	M
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Root Cause	S
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- Upon verification it is observed that the balances of the DCB register of Academics Section is not agreeing with the books of accounts maintained by the university.

Observation **H**

Root Cause **O**

- We recommend prompt updating of DCBs since it is the only appropriate way for the management to track the Fees that are remaining receivable.

Management Response

- **Noted**
- **The Heads of Account maintained by Academic Section in the DCB Register are broader in nature. Since DCB Register is in the process of being maintained online, the request will be taken up with IT Wing to provide detailed Heads of Account as per the request.**

Fixed Assets- Physical Verification

Scope

- Cross examination of physical count of assets in respect to the item of asset recorded in the Fixed Asset Register

Audit procedure

- Compare physical balances with assets register balances
- Verify whether assets are properly numbered and identifiable in the Asset Register.

Observation

- Asset Registers are maintained by Purchase, Works, and IT Section.
- All asset additions during the audit period were physically verified by us. However, in the absence of Unique Identification number, we cannot confirm the same.
- We came to know that the purchase and works departments are in the process of updating of Fixed Assets Registers. We request immediate updation of the same. so that the verification can be completed in the subsequent quarters.

- We recommend that a Unique Asset Identification number shall be affixed on each fixed asset for the ease of identification and control over the fixed assets.

Observation	M
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Root Cause	D
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Management Response

- **IT Section – Affixing of Unique Asset Identification Number on Fixed Assets is under process.**
- **Works Section- Steps are being taken to update the same.**
- **Purchases Section – Asset Register of the furniture items is maintained by the Purchase Section and before allotting the furniture items to the sections, numbering in the prescribed format has been done on the furniture items. However, if any items are found without numbering, the same will be updated accordingly.**
- **Purchases Section – The process of updating of the Fixed asset register maintained by the Purchase section is progressing and the same will be finished before 30th September,2022.**



Physical Verification of Cash

Observation

- Mainly cash payments (Imprest) are centered around Three areas:
 - 1) Works Section
 - 2) Purchase Section
 - 3) Stores Section
- Summary of physical verification of Cash balances at Works Section and Purchase Section is as follows.
 - Physical Verification of cash: Works section
Date of Verification: 08.04.2022
Maximum Limit : ₹ 10,000

Denomination	No.s	Amount Rs.
500	10	5000
200	1	200
100	1	100
50	1	50
20	1	20
10	1	10
Total		5,380/-
As per books of Accounts		5,380/-
Difference if Any		NIL



- Physical Verification of cash: Purchase section
Date of Verification: 08.04.2022
Maximum Limit: ₹ 10,000

Denomination	No.s	Amount Rs.
2000	4	8000
500	17	8500
Total		16500/-
As per books of Accounts		16,500/-
Difference if Any		NIL

(Limit Exceeded)

Management Response

- There was an error in data entry which will be corrected in the financial year 2022-23. There is no material effect in ledger balance as the balance is not affected and also the limit of payment was not exceeded as the limit of Imprest for Fuel is ₹ 20,000/-.

Bank Transactions - Verification

Observation

- We have verified all Bank Reconciliation Statement with necessary bank statements, No discrepancies were found during the verification
- As reported in the previous reports, stale cheques since 2011 were not cleared and hence included in the BRS.

Management Response

- **The matter regarding the uncleared cheques/dds has been taken up with the bank**



General Finance - Accounts

Scope

- Checking of all transaction with respect to its Supporting vouchers, bills and Approval/orders
- Verify as to whether proper heads of account are used for recording of each transaction
- Examine whether timely recording of transaction as and when it became due with respect to its accounting policy

Observations

- As per AS 12, Govt. Grants utilized for the purchase of depreciable fixed assets shall be treated as deferred income and the same is to be recognized in the income and expenditure account on a systematic basis over the useful life of the asset.

Management Response

- **Noted**



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 KUHS rules.
- Ensure all expenses are incurred with proper authorization.

Audit Procedure

- The following audit procedures were carried out for ensuring the correctness.
- 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.

Observation

- It is observed that Examination Settlement bills are still pending to be settled, for a period more than 3 months. The details of which are attached as Annexure 1.

Significance:

H

Root Cause:

S



Management Response

- **The details regarding the advance pertaining to Exam Finance Section is attached as Annexure 1**

Budget analysis

Scope

- Examine budgeted figures for various expenditures
- Check whether actual expenditures are exceeding the budgeted estimates
- Confirm whether proper authorization has been obtained if actual expenditures exceeds budgeted.

Audit procedure

- Comparison of actual with budgeted estimates
- Examined any exceptional nature of items than budgeted

Observation

- Based on comparison we have summarized following item of expenditures with respect to budgeted estimates as on 31st March 2022, the same has been tabulated below.
- Some of the items have exceeded the budget.



BUDGET vs. ACTUAL

Expenditures verified with budgeted Figures - Comparison as on March 2022

Particulars		2021-22				
	Non Plan - Establishment expenses	Budgeted	Amount as per Revised Budget	Actual Expenditure	% to the total	Remarks
1	Salary and allowances to Statutory Officers	1,40,00,000	1,49,50,000	1,14,98,779	76.91%	-
2	Salary and allowances to Permanent staff	7,39,30,000	8,30,00,000	8,60,61,958	103.69%	Exceeds
3	Salary and allowances to staff on deputation	6,10,00,000	7,55,50,000	6,63,62,948	87.84%	-
4	Leave surrender salary-Staff on Deputation	50,00,000	50,00,000	1,20,681	2.41%	-
5	Salary to staff on contract	2,12,62,000	2,25,00,000	1,72,14,810	76.51%	-
6	Salary and allowances on Re-employed Staff	17,62,000	31,50,000	36,47,976	115.81%	Exceeds
7	Wages to Daily rated Staff	1,58,02,000	1,38,73,000	1,44,30,910	104.02%	Exceeds
8	Festival allowance-Statutory officers	20,000	11,000	11,000	100.00%	-
9	Festival allowance-Permanent Staff	4,00,000	3,36,000	3,32,750	99.03%	-
10	Festival allowance-Staff on Deputation	1,80,000	1,60,000	1,56,750	97.97%	-
11	Festival allowance- Staff on contract/Re-employed Staff	1,64,000	1,32,000	1,31,250	99.43%	-
12	Festival allowance-Daily rated staff	98,000	86,000	85,910	99.90%	-
13	Bonus – Permanent Staff	46,000	16,000	16,000	100.00%	-
14	Bonus – Staff on deputation	50,000	24,000	24,000	100.00%	-
15	Contribution to Pension fund (NPS)	75,50,000	90,00,000	88,03,675	97.82%	-
16	Pension and Leave salary Contribution for Deputation staff and statutory officers	34,50,000	35,50,000	54,52,879	153.60%	Exceeds



17	Terminal Leave surrender	1,000	1,00,000	88,911	88.91%	-
18	Honoraria to Officers and Staff	25,000	25,000	10,000	40.00%	-
19	Employer's contribution to PF for Deputation staff	30,000	30,000	24,880	82.93%	-
20	Travelling & conveyance expenses - staff	8,00,000	2,00,000	96,255	48.13%	-
21	Medical Reimbursement	15,00,000	10,00,000	3,632	0.36%	-
22	Service charges, NSDL (NPS)	32,000	32,000	19,441	60.75%	-

Non Plan - Gen administration

1	Postage	5,44,000	5,44,000	3,00,310	55.20%	-
2	Telephone charges	2,25,000	2,25,000	1,55,305	69.02%	-
3	Internet Charges	2,00,000	1,00,000	5,41,764	541.76%	Exceeds
4	Printing & Stationery	32,50,000	28,00,000	23,79,518	84.98%	-
5	ID Card Printing Expenses-Staff	15,000	25,000	1,91,371	765.48%	Exceeds
6	Advertisement charges	10,00,000	10,00,000	3,14,566	31.46%	-
7	Vehicle hire charges	7,25,000	6,01,000	6,69,057	111.32%	Exceeds
8	Fuel expenses	10,50,000	10,07,000	8,46,161	84.03%	-
9	Electricity charges	60,00,000	35,00,000	32,03,531	91.53%	-
10	Legal charges to Standing Counsel & Supreme Court Advocate	22,00,000	40,00,000	10,95,000	27.38%	-
11	Legal charges – others	5,00,000	2,26,000	25,803	11.42%	-
12	Internal Audit fee	2,60,000	3,00,000	2,34,230	78.08%	-
13	Statutory Audit fee	1,00,00,000	1,00,00,000	96,11,952	96.12%	-
14	Other rates & taxes	5,000	-	71,402	0.00%	-
15	Road tax	45,000	45,000	33,480	74.40%	-



16	Housekeeping expenses/Facility Management Expenses	84,00,000	84,00,000	24,11,432	28.71%	-
17	Travelling & conveyance expenses -others	1,00,000	25,000	96,255	385.02%	Exceeds
18	Travelling & conveyance expenses – Standing Counsel	5,00,000	3,50,000	2,55,060	72.87%	-
19	Miscellaneous Office expenses	6,25,000	6,25,000	4,62,366	73.98%	-
20	University Foundation Day expenses	20,000	75,000	54,725	72.97%	-
21	Evaluation center miscellaneous expenses	2,50,000	2,00,000	75,040	37.52%	-
22	Reimbursement/Payment of House rent	4,62,000	5,50,000	7,37,200	134.04%	Exceeds
23	Meeting Expenses-others	5,00,000	2,00,000	14,106	7.05%	-
24	Convocation expenses	12,50,000	12,50,000	1,89,778	15.18%	-
25	Students ID card printing	3,50,000	3,50,000	8,90,265	254.36%	Exceeds
26	Hospitality Expenses	2,50,000	2,50,000	64,681	25.87%	-
27	Subscription to AIU and others	50,000	59,000	59,000	100.00%	-

Non Plan - Academic expenses

1	Inspection fee	40,00,000	30,00,000	22,71,000	75.70%	-
2	Repairs & maintenance- Building	10,75,000	5,00,000	1,84,842	36.97%	-
3	Repairs & maintenance-Plant & Machinery	15,00,000	8,50,000	5,94,251	69.91%	-
4	Repairs & maintenance- Furniture & Fittings	75,000	1,00,000	71,455	71.46%	-
5	Repairs & maintenance- Generator	2,50,000	2,50,000	2,37,824	95.13%	-
6	Repairs & maintenance- Vehicle	9,75,000	10,50,000	5,29,145	50.39%	-
7	Repairs & maintenance- Elevator	10,00,000	10,00,000	10,07,493	100.75%	Exceeds
8	Repairs & maintenance- Others	4,50,000	5,50,000	4,28,968	77.99%	-
9	Vehicle Insurance	3,00,000	2,00,000	1,37,779	68.89%	-
10	Sports Expenses	42,00,000	35,00,000	10,00,012	28.57%	-



Bank Guarantee and Refundable deposit

Observation

- Generally, reminder letters for renewal of BG are issued from the concerned departments just before the expiry date of the BG. Process needs to be devised to intimate the colleges in advance for each quarter.
- All bank guarantees which were expired during the quarter were renewed without fail.

Management Response

- Noted



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.

Audit Procedures

The following areas were checked during the quarter:

- Enquire as to whether various returns (monthly or quarterly) with respect to GST, Income tax, TDS are properly filed on or before due date.
- We have enquired whether insurance policies have been taken for the Vehicles and Elevators

Observation

- It has been observed that rent has been received from utility building rented to SBI, but GST amount has not been collected and remitted to CBIC department. Details are tabulated below

Significance :

H

Root Cause :

S



Date	Amount Collected
17.07.2021	57,000.00
25.08.2021	57,000.00
25.08.2021	57,000.00
30.09.2021	57,000.00
22.10.2021	57,000.00
23.11.2021	57,000.00
21.12.2021	57,000.00
22.01.2022	57,000.00
31.01.2022	57,000.00
14.03.2022	57,000.00
27.03.2022	57,000.00
Total	6,27,000.00

Management Response

- Action has already been taken to collect GST for rent from utility building

Advances

Scope

- Checking the authorization for sanctioning Advances.
- Checking of timely settlement of advances (Not exceeding 3 months)

Objective

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

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 have been cross checked with the examination settlement bills.
- The refund of advances has been traced to cash book/Bank book.
- Checked whether the advances are settled within a reasonable time (3 months).
- We suggest that the staff members receiving advances, should intimate the reason for the delay in settling advances to the finance section, if the settlement is delayed beyond a reasonable time.



Management Response

- Noted

Improvements in system and ERP Environment

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 analysed.

- The sequence of data input and data flows in the software have been analysed.
- Enquiries were done with the concerned staffs of those departments regarding the difficulties faced by them while using the software for data entry.
- Whether sub schedules are automatically derived from general ledgers at the same time which are entering into Suite file.

Observation

- There is no tracking system for advances given which have expired the time limit of 3 months, even though the system is auto generating the alert messages/mails.

Significance:

M

Root Cause:

S

- Most of the schedules are manually prepared, like fixed assets, Payables, deposits etc.

Significance:

M

Root Cause:

O

Recommendations

- It is highly recommended to prepare schedules with respect to general ledgers in Suite files by way of back-end processing. This will be helpful to provide data to auditors as and when they require without any kind of delay.
- It is advisable to maintain a data base of advances exceeding 3 months in order to avoid manual tracking of the same.
- It is advisable to make appropriate changes in the Suite for enabling the ERP System to Push notifications in case of advances pending for settlement, receivables due etc.
- It is advisable to have an option for displaying comparative figures of the previous financial year in the ERP System, which will be helpful for preparation of budgets, revised estimates, auditing etc.

Management Response

- **Noted**