

INTERNAL AUDIT REPORT

KERALA UNIVERSITY OF HEALTH SCIENCES (KUHS)

PERIOD: 1ST April 2023 TO 31ST MARCH 2024

Date of Draft Audit Report : 17/08/2024

Date of Final Audit Report : 29/08/2024

This report and the work connected therewith are subject to the Terms and Conditions of the Engagement Letter No.10436/C3/2023/Fin-Gen/KUHS dated 21.10.2023 between KUHS and Rangamani Associates Chartered Accountants, Kottayam. The Report is produced solely for the use of KUHS. Its Contents should not be quoted or referred to in whole or in part without our prior written consent except as required by law. Rangamani Associates, Chartered Accountants, Kottayam will accept no responsibility to any third party, as the report has been prepared and is not intended for any other purpose.

INTERNAL AUDIT OPINION

The Management

Kerala University of Health Sciences

We have completed our Internal Audit for the period 1st April 2023 to 31st March 2024.

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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.



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 for the period 1st April 2023 to 31st March 2024.

We value the opportunity to work with you and sincerely appreciate the cooperation and assistance provided to us during 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.

For Rangamani Associates
Chartered Accountants
F.R.No. 005538S

CA Vishnu V Pillai
B.Com, FCA
M.No: 542128
UDIN: 24542128BKFRVO9621

Date: 17/08/2024
Place: Ernakulam

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EXECUTIVE SUMMARY

This report details the Internal Audit of the procedures and controls in place over financial transactions that have been undertaken in accordance with the 2023/2024 Internal Audit Plan.

BACKGROUND AND SCOPE

Background:

Kerala University of Health Sciences (KUHS) was set up in 2010 by the Kerala government. The university has **365** colleges affiliated to it as of 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	19	Pharmacy Colleges	60
Dental Colleges	26	Paramedical (Allied Science)	62
Homeopathic Colleges	6	SIDDHA College	1
Medical Colleges	34	Unani College	1
Nursing Colleges	156	TOTAL	365

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. Renewal of Bank Guarantees
6. Legal Compliances
7. Advances
8. Verification of Constituent Institution Expenses and Constituent Institution Income
9. Verification of Earmarked Funds
10. 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	✓	✓	✓	✓
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	✓	✓	✓	✓

Kerala University of Health_Sciences

AUDIT OBSERVATIONS SUMMARY

2. Affiliation Fee and Other Fees

- a. The university collects various fee and has been verified randomly.
- b. Vouchers have been examined clearly in order to ensure that details entered in DCBs are same as that of vouchers.
- c. List of colleges has been reconciled with affiliation fees recognised during the period.
- d. Vouchers have been examined clearly in order to ensure that details entered in DCBs are same as that of vouchers.
- e. 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.
- f. 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.

- g. It is ensured that the various fees collected are as per the notifications and circular issued by the University.
- h. Enquiries were undertaken to know the steps which were taken to collect the dues of previous quarter which was reported by the internal auditors.

Audit Suggestion

1. We highly recommend KUHS to decide on the periodicity of Update/Revision of Affiliation fees policy. The current policy is approved in 2019. We recommend that the affiliation policy to be updated in commensuration with the revisions in salary etc
2. We recommend that KUHS must formulate Accounting Standard Operating Procedure (SOP) and Accounting policies.
3. Until now, GST was not collected from the colleges for amount paid to KUHS for affiliation, registration of students, examination fees etc. Since the matter is under dispute. KUHS has asked colleges to submit an affidavit on stamp paper stating that the taxes if any will be paid as and when Government/GST demands it. However we couldn't track that such affidavits have been collected. We suggest that KUHS collect the affidavit at the earliest to safeguard itself.
4. Ageing report option for affiliation fees must be implemented. We understand that

currently there is no report format available in our accounting software to get the age wise outstanding of affiliation fees.

3. Physical Verification: Cash and Fixed Assets

A. Cash

Physical verification of cash has been conducted on 13/06/2024 at the Finance department and on 14/06/2024 at Works department, Exams department and Purchase department.

Summary of Physical Verification of Cash at Finance Department as on 13/06/2024

SI.NO	DENOMINATION	NO. OF NOTES	AMOUNT
1	500	0	₹ 0
2	200	0	₹ 0
3	100	25	₹ 2,500
4	50	0	₹ 0
5	20	0	₹ 0
6	10	1	₹ 10
TOTAL			₹ 2,510
COIN			
1	20	0	₹ 0
2	10	0	₹ 0
3	5	0	₹ 0
4	2	1	₹ 2

5	1	4	₹ 4
TOTAL			₹ 6
CASH BALANCE TOTAL			₹ 2,516
CASH BALANCE AS PER THE REGISTER			₹ 2516

Summary of Physical Verification of Cash at Works Department as on 14/06/2024

SI.NO	DENOMINATION	NO. OF NOTES	AMOUNT
1	500	0	₹ 0
2	200	0	₹ 0
3	100	0	₹ 0
4	50	2	₹ 100
5	20	1	₹ 20
6	10	1	₹ 10
TOTAL			₹ 130
COIN			
1	20	0	₹ 0
2	10	0	₹ 0
3	5	1	₹ 5
4	2	1	₹ 2
5	1	1	₹ 1
TOTAL			₹ 8
CASH BALANCE TOTAL			₹ 138
CASH BALANCE AS PER THE REGISTER			₹ 138

Summary of Physical Verification of Cash at Exams Department as on 14/06/2024

SI.NO	DENOMINATION	NO. OF NOTES	AMOUNT
1	500	5	₹ 2,500
2	200	0	₹ 0
3	100	0	₹ 0
4	50	1	₹ 50
5	20	2	₹ 40
6	10	4	₹ 40
TOTAL			₹ 2,670
COIN			
1	20	0	₹ 0
2	10	0	₹ 0
3	5	1	₹ 5
4	2	1	₹ 2
5	1	1	₹ 1
TOTAL			₹ 8
CASH BALANCE TOTAL			₹ 2,638
CASH BALANCE AS PER THE REGISTER			₹ 2,638

Summary of Physical Verification of Cash at Purchase Department as on 14/06/2024

The Cash Balance at the Purchase Department as on 14/06/2024 was Rs. 9,250/-

Management Response

All department keep separate cash register with proper maintenance.

B. Fixed Assets

1. Physical verification of fixed assets has been conducted on the Works, Stores and IT department. Asset registers are maintained by all the departments.
2. All Assets are recorded and are given a unique Identification Number for ease of identification.
3. As per our observation we have found the the repairs and maintenance register was maintained only in the IT department.
4. Comparison made between physical Balance and FA Register balances.
5. Some of the fixed assets are yet to be capitalized in books of accounts.
6. Work in progress since 2019 has yet to be capitalized. Some of these buildings have been utilized by the University and even generate rental income; however, depreciation for these buildings remains not capitalized and thus no depreciation charged.

Management Response

The university did not capitalise the building as they had not received the building number from the municipality.

Audit Suggestions:

1. We observed that the fixed assets are not assigned any unique asset id and updated in fixed assets register. Fixed assets are merely given count in fixed assets register. We highly recommend KUHS to assign unique asset id to all assets and also update the person responsible for the maintenance and general ownership and update the fixed assets register.

4. . Bank Transactions Verification

1. We have verified all the Bank transactions from the period April 2023 to March 2024 and no major discrepancies were found.
2. BRS for all Bank accounts are maintained and accounted properly.
3. We have cross checked all bank balance with finance suit for the period October 23 to December 23 and found that the bank balance in bank statements and bank balance in finance suite are same.
4. Stale cheques were not cleared.
5. FDs has been verified and also reconcile with interest recognised.

5. General Finance and Examination Accounts

1. Random checking of transactions with its supporting vouchers, bills, orders etc.
2. Random checking of examination settlement bills
3. Transactions have been verified with respect to the supporting vouchers, bills, orders etc.
4. No discrepancies were found during the verification process
5. All expenses are incurred with proper authorization.
6. Stale cheques since 2011 were not cleared and hence included in the BRS.
7. Transaction vouchers are organized into bundles based on daily activities.
8. Register have been maintained for transaction vouchers.

- Payment voucher verification (Random verification of physical Payment vouchers with finance suite)

voucher number	voucher date	Account Name	Debit	Credit	Status	
P865	03-10-2023	SB with State Bank of India/ SB -KUHS Br General Fund - Ac.No1 Net Salary Payable	- 7,80,050.00	7,80,050.00 -	Approved by (Finance Officer) Approved by (Finance Officer)	Vouchers Verified with physical Vouchers, vouchers has been signed and approved by officials. vouchers are organized into bundles based on daily activities. Register have been maintained.
P932	06-Oct-23	Advance to Dean Student affair SB with State Bank of India/ SB -KUHS Br General Fund - Ac.No1	4,20,000.00 -	- 4,20,000.00	Approved by (Finance Officer) Approved by (Finance Officer)	"
P1040	16-Oct-23	SB with State Bank of India/ SB -KUHS Br General Fund - Ac.No1 Salary to staff on contract	- 22,000.00	22,000.00 -	Approved by (Finance Officer) Approved by (Finance Officer)	"
P1089	31-Oct-23	SB with State Bank of India/ SB -KUHS Br General Fund - Ac.No1 Net payable to Contractors	- 13,27,961.00	13,27,961.00 -	Approved by (Finance Officer) Approved by (Finance Officer)	"
JV526	31-10-2023	By 205010203060 - Term deposit Control account Dr To 205010203010 - Term Deposit with Treasury To 306010000000 - Interest earned on Term Deposits (Renewal of FD No.FD1271_214551)	1,06,41,753.00	1,00,00,000.00 6,41,753.00	Approved by (Finance Officer) Approved by (Finance Officer) Approved by (Finance Officer)	"
C298	04-Nov-23	SB with State Bank of India/ SB -KUHS Br General Fund - Ac.No1 SB with State Bank of India/ SB -KUHS Br Examination Fee - Ac.No 3	3,25,00,000.00	3,25,00,000.00	Approved by (Finance Officer) Approved by (Finance Officer)	"

P1151	04-Nov-23	SB with State Bank of India/ SB -KUHS Br General Fund - Ac.No1 Net expense payable	0 2,55,926.00	2,55,926.00 0	Approved by (Finance Officer) Approved by (Finance Officer)	"
P1165	07-Nov-23	SB with State Bank of India/ SBI E-Payment A/c Other Recoveries/ TDS-Staff	0 9,21,900.00	9,21,900.00 0	Approved by (Finance Officer) Approved by (Finance Officer)	"
P1230	21-Nov-23	Advance to Dean Student affair SB with State Bank of India/ SB -KUHS Br General Fund - Ac.No1	25,000.00 0	0 25,000.00	Passed by (Assistant Registrar (General Finance)) Passed by (Assistant Registrar (General Finance))	"
JV615	20-11-2023	By 402030401000 - Vehicle hire expenses Dr To 107010303000 - Net payable to Contractors To 107010503020 - TDS from Contractors (Payment for providing hired transport to the Staff from Mundur to KUHS-October 2023)	39,380.00	38,986.00 394.00	Approved by (Finance Officer) Approved by (Finance Officer) Approved by (Finance Officer)	"
P1297	01-Dec-23	SB with State Bank of India/ SB -KUHS Br General Fund - Ac.No1 Terminal leave surrender	0 57,436.00	57,436.00 0	Approved by (Finance Officer) Approved by (Finance Officer)	"
P1349	11-Dec-23	Centre for Studies in Medical Simulation - Training expenses SB with State Bank of India/ SB -KUHS Br General Fund - Ac.No1	5,333.00 0	0 5,333.00	Passed by (Assistant Registrar (General Finance)) Passed by (Assistant Registrar (General Finance))	"
JV0744	08-12-2023	By 402030201000 - Printing Dr To 107010503020 - TDS from Contractors To 107010303000 - Net payable to Contractors (Payment to M/s Corporate Business Solutions for supply of Toner Cartridges ,Drum Units and for per copy rate contract for the Canon iR-ADV 4545 Photocopier at Academic Branch	53,672.00	910.00 52,762.00	Approved by (Finance Officer) Approved by (Finance Officer) Approved by (Finance Officer)	"
C388	29-Dec-23	SB with State Bank of India/ SBI E-Payment A/c SB with State Bank of India/ SBI E-Payment A/c SB with State Bank of India/ SBI E-Payment A/c SB with State Bank of India/ SBI E-Payment A/c SB with State Bank of India/ SB -KUHS Br General Fund - Ac.No1	1,035.00 18,624.00	19,659.00	Approved by (Finance Officer) Approved by (Finance Officer) Approved by (Finance Officer)	"

- Receipt voucher verification (Random verification of physical Receipt vouchers with finance suite)

voucher number	voucher date	Account Name	Debit	Credit	Status	
P865	03-10-2023	SB with State Bank of India/ SB -KUHS Br General Fund - Ac.No1 Net Salary Payable	- 7,80,050.00	7,80,050.00 -	Approved by (Finance Officer) Approved by (Finance Officer)	Vouchers Verified with physical Vouchers, vouchers has been signed and approved by officials. vouchers are organized into bundles based on daily activities. Register have been maintained.
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C298	04-Nov-23	SB with State Bank of India/ SB -KUHS Br General Fund - Ac.No1 SB with State Bank of India/ SB -KUHS Br Examination Fee - Ac.No 3	3,25,00,000.00	3,25,00,000.00	Approved by (Finance Officer) Approved by (Finance Officer)	"
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P1297	01-Dec-23	SB with State Bank of India/ SB -KUHS Br General Fund - Ac.No1 Terminal leave surrender	0 57,436.00	57,436.00 0	Approved by (Finance Officer) Approved by (Finance Officer)	"
P1349	11-Dec-23	Centre for Studies in Medical Simulation - Training expenses SB with State Bank of India/ SB -KUHS Br General Fund - Ac.No1	5,333.00 0	0 5,333.00	Passed by (Assistant Registrar (General Finance)) Passed by (Assistant Registrar (General Finance))	"
JV0744	08-12-2023	By 402030201000 - Printing Dr To 107010503020 - TDS from Contractors To 107010303000 - Net payable to Contractors (Payment to M/s Corporate Business Solutions for supply of Toner Cartridges ,Drum Units and for per copy rate contract for the Canon iR-ADV 4545 Photocopier at Academic Branch	53,672.00	910.00 52,762.00	Approved by (Finance Officer) Approved by (Finance Officer) Approved by (Finance Officer)	"
C388	29-Dec-23	SB with State Bank of India/ SBI E-Payment A/c SB with State Bank of India/ SBI E-Payment A/c SB with State Bank of India/ SBI E-Payment A/c SB with State Bank of India/ SBI E-Payment A/c SB with State Bank of India/ SB -KUHS Br General Fund - Ac.No1	1,035.00 18,624.00	 19,659.00	Approved by (Finance Officer) Approved by (Finance Officer) Approved by (Finance Officer)	"

Audit Suggestion:

1. Year end payable entries need to be streamlined with regard to getting department wise payable lists and required entries being passed in books of accounts.
2. We have been informed that Gratuity payable while applicable to KUHS is not being accounted. We suggest that KUHS gets actuarial valuation and also account the proper Gratuity payable in its books of accounts.

6. Financial Policy

The University currently follows the Accounting Standards and the Income Tax Act. Financial statements are prepared on historical cost convention and on accrual basis unless otherwise stated. Fixed assets are stated at cost of acquisition inclusive of all direct costs. Depreciation on Fixed assets is provided at the rate specified U/S 32 of the Income Tax Act,1961. The preparation of a proper financial policy for the university is under progress.

7. Bank Guarantee

All bank guarantees which were expired during the period were renewed without any fail.

8. Legal Compliances

<u>Compliances</u>	<u>Responses</u>
1. All the various returns to be filed were filed before the due dates.	<ul style="list-style-type: none"> The agreement regarding rent and GST of the SBI Branch operating in the University utility building has not been signed till date. At present, the rent is charged on the basis of the MoU between the University and SBI. The University and SBI could not enter into an agreement because of the delay in getting building number for the Utility building
2. 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	<ul style="list-style-type: none"> The University Finance Section has informed that since the utility building has received a building number, steps have been taken to sign the agreement with SBI and the same is at the final stage and once the agreement is signed, all outstanding GST will be settled

	in full. It was also informed that GST on rent would be paid along with the rent once the agreement is signed.
	<ul style="list-style-type: none">• The GST would be paid through the GST Portal once it has been received from SBI.

9. Advances

1. The college will request an advance from the University, which will provide 80% of the advance for government colleges and 70% for private colleges. Colleges must submit their bills within 3 months after the exam ends, and the University is required to settle these bills within 45 days. However, both the University and the colleges have not consistently followed these procedures, making it difficult to accurately track the aging of advances.
2. It was observed that the advance of ₹1,00,500 to the Dean of Research has remained unchanged from the previous financial year.

Management Response

When we inquired about the advance to the Dean of Research, we discovered it was a false entry made by previous auditors. Procedures to rectify this issue have already been initiated.

10. Verification of Constituent Institution Expenses and Constituent Institution Income

It was observed that the Constitution institution expenses are higher than constitution institution income in every year. Both the ledgers have been collected and verified but we suggest the management to properly track and take remedial measures.

11. Verification of Earmarked Funds

Certain earmarked funds remain unused because approval for their utilization is still pending.

12. Improvements in EDP System

1. To enhance Financials oversight, we recommend incorporating an aging report statement of advances and various other areas like affiliation fees into the existing financial reporting framework.

13. Compliance of Previous Quarter Audit Report

1. As reported in the previous report , stale cheques since 2011 were not cleared and hence included in the BRS.

Management Response

As reported in the previous year there are certain Advances pertaining to the previous year that are pending to be settled. See the table below :

Date Of Advance	Person in Charge	Purpose
06-03-2023	Dean Student affairs	Advance to conduct Interzone Tennis Championship 2022-23
22-12-2022	Dean Student affairs	Advance towards the conduct of South West Zone

		Interuniversity Athletic Championship 2022-23
08-12-2022	Dean Student affairs	Advance towards the conduct of Interzone Cricket Championship 2022 23
17-12-2022	Dean Student affairs	Advance towards the conduct of Interuniversity South Zone Chess Women Tournament 2022-23

Management Response

- The resolution and finalization of pending advances have been postponed owing to the delay arising from the side of the Dean of Student Affairs.
- The matter regarding the uncleared cheques / DDs has been taken up with the Bank.
- The matter regarding GST filing for Rental income from SBI would be file when the rent agreement has been fully completed.
- The rent agreement regarding to SBI was not fully completed since quarter 3