

**AGARWAL A KUMAR & ASSOCIATES**  
CHARTERED ACCOUNTANTS

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Director  
Technical Education,  
Vocational and Industrial Training,  
Himachal Pradesh, ( STRIVE Project)  
Sundernagar- 175018

Dear Sir,

Re : Internal Audit Report of Skill Strengthening for Industrial Value  
Enhancement ( STRIVE) for the Financial Year 2022-23


We enclose Internal Audit Report of Skill Strengthening for Industrial Value Enhancement  
( STRIVE) for the Financial Year 2022-23.

We have already discussed the Internal Audit Report of institutions with concerned head of  
respective institution during our audit.

We would be pleased to discuss the report with you and other officer of the organisation at any  
time convenient to you.

Thanking you and assuring you of the best attention and cooperation at all times.

Yours truly,

  
For Agarwal A. Kumar & Associates,  
Chartered Accountants.

**SKILLS STRENGTHENING FOR INDUSTRIAL VALUE ENHANCEMENT (STRIVE)**

**(WORLD BANK FUNDED PROJECT)**

**GOVT. INDUSTRIAL TRAINING INSTITUTE – BANGANA**

**INTERNAL AUDIT REPORT FOR THE PERIOD FROM 01.04.2022 TO 31.03.2023**

**PART – A**

**BRIEF DETAIL OF THE AUDITEE AND AUDIT**

- |   |  |
|---|--|
| a. Name and address of the Auditee      | : Govt. Industrial Training Institute<br>Bangana |
| b. Name of Auditors                     | : Agarwal A Kumar & Associates                   |
| c. Days of Audit                        | : 2  |
| d. Period covered in the previous audit | : April 01, 2021 to March 31, 2022               |
| e. Period covered in the current audit  | : April 01, 2022 to March 31, 2023               |

**PART – B**

**EXECUTIVE SUMMARY**

**(a) Objective of Audit**

We have conducted the Internal Audit of Govt. Industrial Training Institute Bangana for the period from April 01, 2022 to March 31, 2023. We have carried out the audit in accordance with the standards on auditing promulgated by the Institute of Chartered Accountants of India and in accordance with the TOR as issued by the funding Agency International Development Association. It is the responsibility of the management to maintain the PFMS / PMIS as prescribe by the funding agency in cash system of accounting, fair and proper documentation, generation books and records, and the various Interim financial reports and annual statements, and to implement a proper internal control system commensurate with the size of the 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.



**(b) Methodology of Audit**

The Audit was conducted on the basis of the finalized Audit Program. After distribution of the audit work and responsibilities, the concerned staff performed their job and directly reported to Team Manager on daily basis. Internal Audit program was mainly focused on following areas:

- 1 An assessment of whether the Project Financial Statements have been prepared in accordance with consistently applied Accounting Standards of the Institute of Chartered Accountants of India and gives a true and fair view of the operations of the Project during the year and the financial position of the Project at the close of the financial year.
- 2 An assessment of the adequacy of the Project financial management systems including internal controls. The financial management system should include methods and records established to identify, assemble, analyze, classify, record and report on transactions and to maintain accountability for the related assets and liabilities.
- 3 That all project funds have been used in accordance with the conditions of the relevant financing agreement, with due attention to transparency, economy and efficiency and only for the purposes for which the financing was provided.
- 4 All necessary supporting documents, records and books/ statements of accounts have been maintained and all necessary supporting documents such as records, vouchers, bids etc. and books of accounts have been kept in respect of all project expenditures.
- 5 Identify the expenditure which are covered in accordance with the allocation described in "Operational Manual" under section 4 "Fiduciary Systems" para 4.1 " Financial Management" under sub para 4.2.3 "Eligible and Ineligible Procurement Expenditure" as eligible and segregate these from non-eligible items.
- 6 Clear linkages exist between the books of accounts maintained for the expenditures and reports presented for the expenditure incurred.
- 7 That test check and verification of the activities were conducted for the project as planned and that they were in line with the agreed loan agreement.
- 8 Verify the eligibility of expenditures for SoE disbursement and separately report upon ineligible expenditure claimed if any.

**(c) Status of implementation of the Public Financial Management System**

During audit we noted that "Public Financial Management System" has been implemented during period from April 01, 2022 to March 31, 2023.

**(d) Status of Compliance of previous audit report**

During audit we noted that the compliance of the observations of previous internal audit report have not been done.

**(e) Key areas of weakness**

During audit we noted that there were some key areas of weakness regarding procedural Lapse for the period from April 01, 2022 to March 31, 2023, Details are given in part D.

**PART – C**

**COMPLIANCE OF PREVIOUS AUDIT REPORT**

During audit we noted that the compliance of the observations of previous internal audit report have not been done.

**1. DIFFERENCE BETWEEN EXPENDITURE BOOKED IN PFMS SOFTWARE AND ACTUAL EXPENDITURE INCURRED AS PER CASH BOOK**

During audit we noticed that there was difference between expenditure booked in PFMS Software and actual expenditure incurred as per cash book. The detail of PFMS Reconciliation are mentioned below:

**PFMS reconciliation statement as on 31.03.2022 - FY – 2021-22)**

Sr. No.	Statement of Expenditure	Amount (Rs.)
1	Expenditure booked as per PFMS Statement From (01.04.2021 to 31.03.2022)	1853687.00
2	Actual Expenditure incurred as per cash book from (01.04.2021 to 31.03.2022)	1626670.00
	Difference	227017.00

**PART – D**

**SERIOUS OBSERVATIONS**

During audit we found that there were some serious observations such as laps in internal control, system weakness etc. Details are as under :

**1. TDS NOT DEDUCTED**

On checking of TDS records we noted that institute has paid amount of Rs.52,800/- & 88200/- to GNA consultancy and Central Tool Room Ludhiana but TDS was not deducted under section 194J of Income tax at the time of payment by Institute. Details are mentioned below:

Date of Deducted	Particulars	Amount	TDS Should be deducted @ 10%	Observation
02.07.2022	Amount Paid to GNA consultancy services for professional fees of conducting training & practical on 16 <sup>th</sup> to 18 <sup>th</sup> June 2022.	52,800/-	5,280/-	TDS was not deducted by Institute at the time of payment.
14.07.2022	Amount Paid to Central Tool Room Ludhiana for fees of AUTOCAD from 20.06.2022 to 07.07.2022.	88200/-	8820/-	TDS was not deducted by Institute at the time of payment.

## **2. TDS AMOUNT DEDUCTED TWICE FROM PFMS PORTAL**

During the checking of TDS records we found that while Institute has generating the PPA for making the payment to vendor than TDS amount was deducted twice from PFMS Portal but actually TDS amount was deposited once in the bank through IMC only and balance amount was lying in the SNA account but Now there is a difference between the funds reflected on PFMS Portal and in the SNA account The details are mentioned as under:

Name of ITI	Account no.	Date	Amount of TDS deducted Twice from PFMS Portal
Govt. ITI Bangana	79262010000254	18.04.2022	6112.00
Govt. ITI Bangana	79262010000254	18.04.2022	3630.00
Govt. ITI Bangana	79262010000254	07.05.2022	6000.00

## **3. DIFFERENCE BETWEEN EXPENDITURE BOOKED IN PFMS SOFTWARE AND ACTUAL EXPENDITURE INCURRED AS PER CASH BOOK**

During audit we noticed that there was difference between expenditure booked in PFMS Software and actual expenditure incurred as per cash book. The detail of PFMS reconciliation are mentioned below:

**PFMS reconciliation statement as on 31.03.2023 - FY – 2022-23)**

Sr. No.	Statement of Expenditure	Amount (Rs.)
1	Expenditure booked as per PFMS Statement From (01.04.2022 to 31.03.2023)	3621494.00
2	Actual Expenditure incurred as per cash book from (01.04.2022 to 31.03.2023)	3473612.00
	Difference	147882.00

**4. EXPENDITURE EXCEEDED AGAINST SANCTION BUDGET**

While checking of Books of accounts we observed that Institute has incurred the expenditure more than the sanctioned budget amount, details are mentioned below:

Date of Payment	Particulars	Budget Amount	Award Amount	Observation
18.04.2022 & 27.06.2022	Amount Paid to Upmanyu Electronics & Ellora Computers for purchases of Interactive Touch Panels	500000.00	594440.00	Expenditure exceeded against sanctioned budget Amount
28.10.2022	Amount Paid to Zero Tek Technology Pvt Ltd. For purchases of Metal Locker.	20000.00	34000.00	Expenditure exceed with sanction budget Amount

**5. INSTITUTE OPENED HOLDING ACCOUNT BUT NOT OPERATED FOR STATUTORY PAYMENTS**

During the audit we found that Institute has opened holding account as per NPIU instruction/ guideline but not operated for statutory payments till date.

As per instruction / guideline of NPIU Letter no. F.No.1/(13)/PFMS/FCD/2020 date on 23<sup>rd</sup> March 2021, A Separate bank account (To be called Holding Account) shall be opened by the Institute for holding the tax/ statutory deductions. This holding account would be permitted to make payments outside of PFMS, through cheques or internet banking to effect the statutory

payments with the challan details being captured simultaneously. The holding account will serve the purpose of holding tax/ duties/levies/fees/ municipal charges etc. of State Government, municipalities etc. which the Agencies need to process. The Holding account shall be opened preferably in the same bank as in the SNA/ ZBA account and maximum time for which money can be held in this account shall be fourteen days, after which the money shall be credited back to the agency account.

**PART – E**

**OTHER OBSERVATIONS**

**1. STATUS OF UTILISATION OF FUND**

During audit we found that fund received and utilized during audit period as below:

Opening Balance as on 01.04.2022	0.00
Fund received during the period from (01.04.2022 to 31.03.2023)	3473612.00
Expenditure incurred during the period (01.04.2022 to 31.03.2023)	3473612.00
Balance as per bank as on 31.03.2023	<u>0.00</u>

**2. CHECKING OF OTHER PROCUREMENT SECTION**

Sr. No.	Particulars	Compliance from auditors Yes/ No	Comment of auditor
1	Goods and services financed have been procured in accordance with the relevant financing agreement and procurement norms as laid out in the operations manual.	Yes	No comments
2	Procurement processes being followed at the it is and State Societies are as per procurement Guidelines under STRIVE project as per Para 4.2 of the OM	Yes	No comments
3	Any Procurement related complaints received and time taken in disposal of each such complaints and verifying that no contracts excluded from the program have been awarded.	No	There was no procurement related complaints are reflected on website
4	Publication of Annual/ Quarterly procurement plan on Institute / SPIU website.	Yes	Institute procurement plan is uploaded on the web site <a href="http://www.govtitibangana.edu.in">www.govtitibangana.edu.in</a> for the financial year 2022-23.

5	Selected Contractor/ Supplier/Service provider/ Consultant on World Banks list of temporarily suspended and debarred firms	No	No contract has been awarded to any firm by Institute, which is debarred by the World Bank.
6	Contract Award Notice (CAN) as per applicable format ( Competitive selection, Request for Quotations Direct selection are uploaded on website/ Public domain against of each of the completed procurement (applicable in case of LOA/contract issued)	Yes	No comments
7	Any other section/ weakness reviewed on procurement	Yes	During audit period some weakness found in procurement section that is already given in audit report Part -D.

## **PART - F**

### **EXECUTIVE SUMMARY AND SUGGESTIONS/RECOMMENDATIONS**

#### **1. TDS NOT DEDUCTED**

On checking of TDS records we noted that institute has paid amount of Rs.52,800/- & 88200/- to GNA consultancy and Central Tool Room Ludhiana but TDS was not deducted under section 194J of Income tax at the time of payment by Institute. Details are mentioned below:

<b>Date of Deducted</b>	<b>Particulars</b>	<b>Amount</b>	<b>TDS Should be deducted @ 10%</b>	<b>Observation</b>
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## **2. TDS AMOUNT DEDUCTED TWICE FROM PFMS PORTAL**

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## **3. DIFFERENCE BETWEEN EXPENDITURE BOOKED IN PFMS SOFTWARE AND ACTUAL EXPENDITURE INCURRED AS PER CASH BOOK**

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2	Actual Expenditure incurred as per cash book from (01.04.2022 to 31.03.2023)	3473612.00
	Difference	147882.00

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While checking of Books of accounts we observed that Institute has incurred the expenditure exceed with sanction budget amount, details are mentioned below:

<b>Date of Payment</b>	<b>Particulars</b>	<b>Budget Amount</b>	<b>Award Amount</b>	<b>Observation</b>
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#### **5. INSTITUTE OPENED HOLDING ACCOUNT BUT NOT OPERATED FOR STATUTORY PAYMENTS**

During the audit we found that Institute has opened holding account as per NPIU instruction/ guideline but not operated for statutory payments till date.

As per instruction / guideline of NPIU Letter no. F.No.1/(13)/PFMS/FCD/2020 date on 23<sup>rd</sup> March 2021, A Separate bank account (To be called Holding Account) shall be opened by the Institute for holding the tax/ statutory deductions. This holding account would be permitted to make payments outside of PFMS, through cheques or internet banking to effect the statutory payments with the challan details being captured simultaneously. The holding account will serve the purpose of holding tax/ duties/levies/fees/ municipal charges etc. of State Government, municipalities etc. which the Agencies need to process. The Holding account shall be opened preferably in the same bank as in the SNA/ ZBA account and maximum time for which money can be held in this account shall be fourteen days, after which the money shall be credited back to the agency account.



**SKILLS STRENGTHENING FOR INDUSTRIAL VALUE ENHANCEMENT (STRIVE)**

**(WORLD BANK FUNDED PROJECT)**

**GOVT. INDUSTRIAL TRAINING INSTITUTE – BILASPUR**

**INTERNAL AUDIT REPORT FOR THE PERIOD FROM 01.04.2022 TO 31.03.2023**

**PART – A**

**BRIEF DETAIL OF THE AUDITEE AND AUDIT**

- |   |   |
|---|---|
| a. Name and address of the Auditee      | : Govt. Industrial Training Institute<br>Bilaspur |
| b. Name of Auditors                     | : Agarwal A Kumar & Associates                    |
| c. Days of Audit                        | : 2   |
| d. Period covered in the previous audit | : April 01, 2021 to March 31, 2022                |
| e. Period covered in the current audit  | : April 01, 2022 to March 31, 2023                |

**PART – B**

**EXECUTIVE SUMMARY**

**(a) Objective of Audit**

We have conducted the Internal Audit of Govt. Industrial Training Institute Bilaspur for the period from April 01, 2022 to March 31, 2023. We have carried out the audit in accordance with the standards on auditing promulgated by the Institute of Chartered Accountants of India and in accordance with the TOR as issued by the funding Agency International Development Association. It is the responsibility of the management to maintain the PFMS / PMIS as prescribe by the funding agency in cash system of accounting, fair and proper documentation, generation books and records, and the various Interim financial reports and annual statements, and to implement a proper internal control system commensurate with the size of the 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.



**(b) Methodology of Audit**

The Audit was conducted on the basis of the finalized Audit Program. After distribution of the audit work and responsibilities, the concerned staff performed their job and directly reported to Team Manager on daily basis. Internal Audit program was mainly focused on following areas:

- 1 An assessment of whether the Project Financial Statements have been prepared in accordance with consistently applied Accounting Standards of the Institute of Chartered Accountants of India and gives a true and fair view of the operations of the Project during the year and the financial position of the Project at the close of the financial year.
- 2 An assessment of the adequacy of the Project financial management systems including internal controls. The financial management system should include methods and records established to identify, assemble, analyze, classify, record and report on transactions and to maintain accountability for the related assets and liabilities.
- 3 That all project funds have been used in accordance with the conditions of the relevant financing agreement, with due attention to transparency, economy and efficiency and only for the purposes for which the financing was provided.
- 4 All necessary supporting documents, records and books/ statements of accounts have been maintained and all necessary supporting documents such as records, vouchers, bids etc. and books of accounts have been kept in respect of all project expenditures.
- 5 Identify the expenditure which are covered in accordance with the allocation described in "Operational Manual" under section 4 "Fiduciary Systems" para 4.1 " Financial Management" under sub para 4.2.3 "Eligible and Ineligible Procurement Expenditure" as eligible and segregate these from non-eligible items.
- 6 Clear linkages exist between the books of accounts maintained for the expenditures and reports presented for the expenditure incurred.
- 7 That test check and verification of the activities were conducted for the project as planned and that they were in line with the agreed loan agreement.
- 8 Verify the eligibility of expenditures for SoE disbursement and separately report upon ineligible expenditure claimed if any.

**(c) Status of implementation of the Public Financial Management System**

During audit we noted that "Public Financial Management System" has been implemented during period from April 01, 2022 to March 31, 2023.

**(d) Status of Compliance of previous audit report**

During audit we noted that the compliance of the observations of previous internal audit report have not been done.

**(e) Key areas of weakness**

During audit we noted that there were some key areas of weakness regarding procedural Lapse for the period from April 01, 2022 to March 31, 2023, Details are given in part D.

**PART – C**

**COMPLIANCE OF PREVIOUS AUDIT REPORT**

During audit we noted that the compliance of the observations of previous internal audit report have not been done.

**1. DIFFERENCE BETWEEN EXPENDITURE BOOKED IN PFMS SOFTWARE AND ACTUAL EXPENDITURE INCURRED AS PER CASH BOOK**

During audit we noticed that there was difference between expenditure booked in PFMS Software and actual expenditure incurred as per cash book. The detail of PFMS Reconciliation are mentioned below:

**PFMS reconciliation statement as on 31.03.2022 - FY – 2021-22)**

<b>Sr. No.</b>	<b>Statement of Expenditure</b>	<b>Amount (Rs.)</b>
1	Expenditure booked as per PFMS Statement From (01.04.2021 to 31.03.2022)	4018855.00
2	Actual Expenditure incurred as per cash book from (01.04.2021 to 31.03.2022)	2811503.00
	Difference	1207352.00

**PART – D**

**SERIOUS OBSERVATIONS**

During audit we found that there were some serious observations such as laps in internal control, system weakness etc. in following manner:

**1. TDS NOT DEDUCTED**

On checking of TDS records we noted that institute has paid amount of Rs.1,00,000/- to CIPET Baddi but TDS was not deducted under section 194J of Income tax at the time of payment by Institute. Detail is mentioned below:

Date of Deducted	Particulars	Amount	TDS Should be deducted @ 10%	Observation
26.09.2022	Amount Paid to CIPET Baddi for fees of training Skill up gradation program on basic concepts and Machinery on CNC Lathe	1,00,000/-	10,000/-	TDS was not deducted by Institute at the time of payment.

## **2. LABOUR CESS NOT DEDUCTED IN PAYMENT OF CONTRACTOR**

While checking of civil work payment we observed that in one case Institute has made Payment to contractor without deducted labour cess in contractor bill. The detail of this case is mentioned below:

Date	Name of Contractor	Amount	Labour cess should be deducted @ 1%	Observation
20.04.2022	M/s Vashnavi Sales Corporation	5,06,441/-	5,064/-	Payment made to M/s Vashnavi Sales Corporation Contractor for construction of Security Guard room & Vehicle Parking Shed but Labour cess was not deducted in the payment of contractor bill by Institute.

### **Auditor's Comment**

Receipt of Rs. 5064/- was not attached by the Institute in compliance / reply.

## **3. DIFFERENCE BETWEEN EXPENDITURE BOOKED IN PFMS SOFTWARE AND ACTUAL EXPENDITURE INCURRED AS PER CASH BOOK**

During audit we noticed that there was difference between expenditure booked in PFMS Software and actual expenditure incurred as per cash book. The detail of PFMS reconciliation are mentioned below:

**PFMS reconciliation statement as on 31.03.2023 - FY – 2022-23)**

<b>Sr. No.</b>	<b>Statement of Expenditure</b>	<b>Amount (Rs.)</b>
1	Expenditure booked as per PFMS Statement From (01.04.2022 to 31.03.2023)	4377787.00
2	Actual Expenditure incurred as per cash book from (01.04.2022 to 31.03.2023)	4355897.00
	Difference	21890.00

**4. INSTITUTE OPENED HOLDING ACCOUNT BUT NOT OPERATED FOR STATUTORY PAYMENTS**

During the audit we found that Institute has opened holding account as per NPIU instruction/ guideline but not operated for statutory payments till date.

As per instruction / guideline of NPIU Letter no. F.No.1/(13)/PFMS/FCD/2020 date on 23<sup>rd</sup> March 2021, A Separate bank account (To be called Holding Account) shall be opened by the Institute for holding the tax/ statutory deductions. This holding account would be permitted to make payments outside of PFMS, through cheques or internet banking to effect the statutory payments with the challan details being captured simultaneously. The holding account will serve the purpose of holding tax/ duties/levies/fees/ municipal charges etc. of State

Government, municipalities etc. which the Agencies need to process. The Holding account shall be opened preferably in the same bank as in the SNA/ ZBA account and maximum time for which money can be held in this account shall be fourteen days, after which the money shall be credited back to the agency account.

**PART – E**

**OTHER OBSERVATIONS**

**1. STATUS OF UTILISATION OF FUND**

During audit we found that fund received and utilized during audit period as below:

Opening Balance as on 01.04.2022	0.00
Fund received during the period from (01.04.2022 to 31.03.2023)	4938142.00
<u>Total Fund</u>	<u>4938142.00</u>
Expenditure incurred during the period (01.04.2022 to 31.03.2023)	4355897.00
Unspent balance transferred to H.O. Sunder Nagar	582245.00
Balance as per bank as on 31.03.2023	<u>0.00</u>

## 2. CHECKING OF OTHER PROCUREMENT SECTION

Sr. No.	Particulars	Compliance from auditors Yes/ No	Comment of auditor
1	Goods and services financed have been procured in accordance with the relevant financing agreement and procurement norms as laid out in the operations manual.	Yes	No comments
2	Procurement processes being followed at the it is and State Societies are as per procurement Guidelines under STRIVE project as per Para 4.2 of the OM	Yes	No comments
3	Any Procurement related complaints received and time taken in disposal of each such complaints and verifying that no contracts excluded from the program have been awarded.	No	There was no procurement related complaints are reflected on website
4	Publication of Annual/ Quarterly procurement plan on Institute / SPIU website.	Yes	Institute procurement plan is uploaded on the web site <a href="http://www.itibilaspur.edu.in">www.itibilaspur.edu.in</a> for the financial year 2022-23.
5	Selected Contractor/ Supplier/Service provider/ Consultant on World Banks list of temporarily suspended and debarred firms	No	No contract has been awarded to any firm by Institute, which is debarred by the World Bank.
6	Contract Award Notice (CAN) as per applicable format ( Competitive selection, Request for Quotations Direct selection are uploaded on website/ Public domain against of each of the completed procurement (applicable in case of LOA/contract issued)	Yes	No comments
7	Any other section/ weakness reviewed on procurement	Yes	During audit period some weakness found in procurement section that is already given in audit report Part -D.



**PART - F**

**EXECUTIVE SUMMARY AND SUGGESTIONS/RECOMMENDATIONS**

**1. TDS NOT DEDUCTED**

On checking of TDS records we noted that institute has paid amount of Rs.1,00,000/- to CIPET Baddi but TDS was not deducted under section 194J of Income tax at the time of payment by Institute. detail is mentioned below:

<b>Date of Deducted</b>	<b>Particulars</b>	<b>Amount</b>	<b>TDS Should be deducted @ 10%</b>	<b>Observation</b>
26.09.2022	Amount Paid to CIPET Baddi for fees of training Skill up gradation program on basic concepts and Machinery on CNC Lathe	1,00,000/-	10,000/-	TDS was not deducted by Institute at the time of payment.

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<b>Date</b>	<b>Name of Contractor</b>	<b>Amount</b>	<b>Labour cess should be deducted @ 1%</b>	<b>Observation</b>
20.04.2022	M/s Vashnavi Sales Corporation	5,06,441/-	5,064/-	Payment made to M/s Vashnavi Sales Corporation Contractor for construction of Security Guard room & Vehicle Parking Shed but Labour cess was not deducted in the payment of contractor bill by Institute.

**Auditor's Comment**

Receipt of Rs. 5064/- was not attached by the Institute in compliance / reply.

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**4. INSTITUTE OPENED HOLDING ACCOUNT BUT NOT OPERATED FOR STATUTORY PAYMENTS**

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**SKILLS STRENGTHENING FOR INDUSTRIAL VALUE ENHANCEMENT (STRIVE)**

**(WORLD BANK FUNDED PROJECT)**

**GOVT. INDUSTRIAL TRAINING INSTITUTE – JAWALI**

**INTERNAL AUDIT REPORT FOR THE PERIOD FROM 01.04.2022 TO 31.03.2023**

**PART – A**

**BRIEF DETAIL OF THE AUDITEE AND AUDIT**

- |   |   |
|---|---|
| a. Name and address of the Auditee      | : Govt. Industrial Training Institute<br>Jawali |
| b. Name of Auditors                     | : Agarwal A Kumar & Associates                  |
| c. Days of Audit                        | : 2   |
| d. Period covered in the previous audit | : April 01, 2021 to March 31, 2022              |
| e. Period covered in the current audit  | : April 01, 2022 to March 31, 2023              |

**PART – B**

**EXECUTIVE SUMMARY**

**(a) Objective of Audit**

We have conducted the Internal Audit of Govt. Industrial Training Institute Jawali for the period from April 01, 2022 to March 31, 2023. We have carried out the audit in accordance with the standards on auditing promulgated by the Institute of Chartered Accountants of India and in accordance with the TOR as issued by the funding Agency International Development Association. It is the responsibility of the management to maintain the PFMS / PMIS as prescribe by the funding agency in cash system of accounting, fair and proper documentation, generation books and records, and the various Interim financial reports and annual statements, and to implement a proper internal control system commensurate with the size of the 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.



**(b) Methodology of Audit**

The Audit was conducted on the basis of the finalized Audit Program. After distribution of the audit work and responsibilities, the concerned staff performed their job and directly reported to Team Manager on daily basis. Internal Audit program was mainly focused on following areas:

- 1 An assessment of whether the Project Financial Statements have been prepared in accordance with consistently applied Accounting Standards of the Institute of Chartered Accountants of India and gives a true and fair view of the operations of the Project during the year and the financial position of the Project at the close of the financial year.
- 2 An assessment of the adequacy of the Project financial management systems including internal controls. The financial management system should include methods and records established to identify, assemble, analyze, classify, record and report on transactions and to maintain accountability for the related assets and liabilities.
- 3 That all project funds have been used in accordance with the conditions of the relevant financing agreement, with due attention to transparency, economy and efficiency and only for the purposes for which the financing was provided.
- 4 All necessary supporting documents, records and books/ statements of accounts have been maintained and all necessary supporting documents such as records, vouchers, bids etc. and books of accounts have been kept in respect of all project expenditures.
- 5 Identify the expenditure which are covered in accordance with the allocation described in "Operational Manual" under section 4 "Fiduciary Systems" para 4.1 " Financial Management" under sub para 4.2.3 "Eligible and Ineligible Procurement Expenditure" as eligible and segregate these from non-eligible items.
- 6 Clear linkages exist between the books of accounts maintained for the expenditures and reports presented for the expenditure incurred.
- 7 That test check and verification of the activities were conducted for the project as planned and that they were in line with the agreed loan agreement.
- 8 Verify the eligibility of expenditures for SoE disbursement and separately report upon ineligible expenditure claimed if any.

**(c) Status of implementation of the Public Financial Management System**

During audit we noted that "Public Financial Management System" has been implemented during period from April 01, 2022 to March 31, 2023.

**(d) Status of Compliance of previous audit report**

During audit we noted that the compliance of the observations of previous internal audit report have been done.

**(e) Key areas of weakness**

During audit we noted that there were some key areas of weakness regarding procedural Lapse for the period from April 01, 2022 to March 31, 2023, Details are given in part D.

**PART – C**

**COMPLIANCE OF PREVIOUS AUDIT REPORT**

During audit we noted that the compliance of the observations of previous internal audit report have been done.

**PART – D**

**SERIOUS OBSERVATIONS**

During audit we found that there were some serious observations such as laps in internal control, system weakness etc. in following manner:

**1. TDS AMOUNT DEDUCTED TWICE FROM PFMS PORTAL**

During the checking of TDS records we found that while Institute has generating the PPA for making the payment to vendor than TDS amount was deducted twice from PFMS Portal but actually TDS amount was deposited once in the bank through IMC only and same amount was lying in the SNA account but Now there is a difference between the funds reflected on PFMS Portal & Lying in the SNA account, The details are mentioned as under:

Name of ITI	Account no.	Date	Amount of TDS deducted Twice from PFMS Portal
Govt. ITI Jawali	792710210000003	20.04.2022	4998.00
Govt. ITI Jawali	792710210000003	04.05.2022	9521.00
Govt. ITI Jawali	792710210000003	17.05.2022	8954.00

**2. TDS NOT DEDUCTED**

On checking of TDS records we noted that institute has paid amount of Rs.1,12,000/- to CIPET VTC Baddi but TDS was not deducted under

section 194J of Income tax at the time of payment by Institute. Detail is mentioned below:

Date of Deducted	Particulars	Amount	TDS Should be deducted @ 10%	Observation
03.06.2022	Amount Paid to CIPET VTC Baddi for fees of training of Skill up gradation training program basic concepts of CNC Lathe (18.04.2022 to 30.04.2022)	1,12,000/-	11,200/-	TDS was not deducted by Institute at the time of payment.

### 3. NON LEVY OF LIQUIDATED DAMAGES

On checking of procurement we found that expenditure incurred for purchase of Machinery & Equipments but supply was late provided by vendor or suppliers and No L.D. was deducted from the payment of Vender / Supplier by Institute.

As per Term & condition of contract liquidate damage should be charged for any delay in supply of goods and material. Liquidated Damages are charged at 0.5% of contract price per week after the stipulated date of delivery, subject to a maximum limit of 10% of contract price. Details are mentioned below:

Contract No.	P.O. Date	Particulars	Date of Delivery as per Contract	Amount	Actual Date of Delivery	Delay
GEMC-51168771 7770753	03.06.2022	Amount Paid to Edge Fx Technologies Pvt Ltd for purchases of Solar Insulation meter etc.	07.05.2022	4,47,690	17.05.2022	10 Days

#### **4. GST TDS DEDUCTED BY THE INSTITUTE ON GROSS AMOUNT OF BILL**

During audit we found that in some of the cases GST TDS was deducted by the Institute on gross amount of bill instead of taxable value. Details of cases are given below:

Date	Particulars	Net Amount	GST TDS Deducted	GST TDS Should be deducted	Excess amount deducted
07.05.2022	Horizon Computers	403436.00	9521.00	8069.00	1452.00
03.06.2022	Edge Fx Technologies Pvt Ltd	379400.00	8954.00	7580.00	1374.00
04.08.2022	Edge Fx Technologies Pvt Ltd	777600.00	18350.00	15552.00	2798.00

#### **5. INSTITUTE OPENED HOLDING ACCOUNT BUT NOT OPERATED FOR STATUTORY PAYMENTS**

During the audit we found that Institute has opened holding account as per NPIU instruction/ guideline but not operated for statutory payments till date.

As per instruction / guideline of NPIU Letter no. F.No.1/(13)/PFMS/FCD/2020 date on 23<sup>rd</sup> March 2021, A Separate bank account (To be called Holding Account) shall be opened by the Institute for holding the tax/ statutory deductions. This holding account would be permitted to make payments outside of PFMS, through cheques or internet banking to effect the statutory payments with the challan details being captured simultaneously. The holding account will serve the purpose of holding tax/ duties/levies/fees/ municipal charges etc. of State Government, municipalities etc. which the Agencies need to process. The Holding account shall be opened preferably in the same bank as in the SNA/ ZBA account and maximum time for which money can be held in this account shall be fourteen days, after which the money shall be credited back to the agency account.

#### **PART – E**

#### **OTHER OBSERVATIONS**

#### **1. STATUS OF UTILISATION OF FUND**

During audit we found that fund received and utilized during audit period as below:

Opening Balance as on 01.04.2022	0.00
Fund received during the period from (01.04.2022 to 31.03.2023)	2291902.00

Expenditure incurred during the period (01.04.2022 to 31.03.2023)

2291902.00

Balance as per bank as on 31.03.2023

0.00

## **2. CHECKING OF OTHER PROCUREMENT SECTION**

<b>Sr. No.</b>	<b>Particulars</b>	<b>Compliance from auditors Yes/ No</b>	<b>Comment of auditor</b>
1	Goods and services financed have been procured in accordance with the relevant financing agreement and procurement norms as laid out in the operations manual.	Yes	No comments
2	Procurement processes being followed at the it is and State Societies are as per procurement Guidelines under STRIVE project as per Para 4.2 of the OM	Yes	No comments
3	Any Procurement related complaints received and time taken in disposal of each such complaints and verifying that no contracts excluded from the program have been awarded.	No	There was no procurement related complaints are reflected on website
4	Publication of Annual/ Quarterly procurement plan on Institute / SPIU website.	Yes	Institute procurement plan is uploaded on the web site <a href="http://www.sssgovtiti Jawali.org">www.sssgovtiti Jawali.org</a> for the financial year 2022-23.
5	Selected Contractor/ Supplier/Service provider/ Consultant on World Banks list of temporarily suspended and debarred firms	No	No contract has been awarded to any firm by Institute, which is debarred by the World Bank.
6	Contract Award Notice (CAN) as per applicable format ( Competitive selection, Request for Quotations Direct selection are uploaded on website/ Public domain against of each of the completed procurement (applicable in case of LOA/contract issued)	Yes	No comments



7	Any other section/ weakness reviewed on procurement	Yes	During audit period some weakness found in procurement section that is already given in audit report Part -D.
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## PART - F

### EXECUTIVE SUMMARY AND SUGGESTIONS/RECOMMENDATIONS

#### 1. TDS AMOUNT DEDUCTED TWICE FROM PFMS PORTAL

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Govt. ITI Jawali	792710210000003	17.05.2022	8954.00

#### 2. TDS NOT DEDUCTED

On checking of TDS records we noted that institute has paid amount of Rs.1,12,000/- to CIPET VTC Baddi but deducted TDS was not deducted under section 194J of Income tax at the time of payment by Institute. detail is mentioned below:

Date of Deducted	Particulars	Amount	TDS Should be deducted @ 10%	Observation
03.06.2022	Amount Paid to CIPET VTC Baddi for fees of training of Skill up gradation training program basic concepts of CNC Lathe (18.04.2022 to 30.04.2022)	1,12,000/-	11,200/-	TDS was not deducted by Institute at the time of payment.

### 3. NON LEVY OF LIQUIDATED DAMAGES

On checking of procurement we found that expenditure incurred for purchase of Machinery & Equipments but supply was late provided by vendor or suppliers and No L.D. was deducted on payment of Vender & Supplier by Institute but As per Term & condition of contract liquidate damage should be charged for any delay in supply of goods and material. Liquidated Damages are charged at 0.5% of contract price per week after the stipulated date of delivery, subject to a maximum limit of 10% of contract price. Details are mentioned below:

Contract No.	P.O. Date	Particulars	Date of Delivery as per Contract	Amount	Actual Date of Delivery	Delay
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### 4. GST TDS DEDUCTED BY THE INSTITUTE ON GROSS AMOUNT OF BILL

During audit we found that in some of the cases GST TDS was deducted by the Institute on gross amount of bill instead of taxable value. Details of cases are given below:

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03.06.2022	Edge Fx Technologies Pvt Ltd.	379400.00	8954.00	7580.00	1374.00
04.08.2022	Edge Fx Technologies Pvt Ltd	777600.00	18350.00	15552.00	2798.00

**5. INSTITUTE OPENED HOLDING ACCOUNT BUT NOT OPERATED FOR STATUTORY PAYMENTS**

During the audit we found that Institute has opened holding account as per NPIU instruction/ guideline but not operated for statutory payments till date.

As per instruction / guideline of NPIU Letter no. F.No.1/(13)/PFMS/FCD/2020 date on 23<sup>rd</sup> March 2021, A Separate bank account (To be called Holding Account) shall be opened by the Institute for holding the tax/ statutory deductions. This holding account would be permitted to make payments outside of PFMS, through cheques or internet banking to effect the statutory payments with the challan details being captured simultaneously. The holding account will serve the purpose of holding tax/ duties/levies/fees/ municipal charges etc. of State Government, municipalities etc. which the Agencies need to process. The Holding account shall be opened preferably in the same bank as in the SNA/ ZBA account and maximum time for which money can be held in this account shall be fourteen days, after which the money shall be credited back to the agency account.



**SKILLS STRENGTHENING FOR INDUSTRIAL VALUE ENHANCEMENT (STRIVE)**

**(WORLD BANK FUNDED PROJECT)**

**GOVT. INDUSTRIAL TRAINING INSTITUTE – JUBBAL**

**INTERNAL AUDIT REPORT FOR THE PERIOD FROM 01.04.2022 TO 31.03.2023**

**PART – A BRIEF DETAIL OF THE AUDITEE AND AUDIT**

- |   |   |
|---|---|
| a. Name and address of the Auditee      | : Govt. Industrial Training Institute<br>Jubbal |
| b. Name of Auditors                     | : Agarwal A Kumar & Associates                  |
| c. Days of Audit                        | : 2   |
| d. Period covered in the previous audit | : April 01, 2021 to March 31, 2022              |
| e. Period covered in the current audit  | : April 01, 2022 to March 31, 2023              |

**PART – B**

**EXECUTIVE SUMMARY**

**(a) Objective of Audit**

We have conducted the Internal Audit of Govt. Industrial Training Institute Jubbal for the period from April 01, 2022 to March 31, 2023. We have carried out the audit in accordance with the standards on auditing promulgated by the Institute of Chartered Accountants of India and in accordance with the TOR as issued by the funding Agency International Development Association. It is the responsibility of the management to maintain the PFMS / PMIS as prescribe by the funding agency in cash system of accounting, fair and proper documentation, generation books and records, and the various Interim financial reports and annual statements, and to implement a proper internal control system commensurate with the size of the 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.



**(b) Methodology of Audit**

The Audit was conducted on the basis of the finalized Audit Program. After distribution of the audit work and responsibilities, the concerned staff performed their job and directly reported to Team Manager on daily basis. Internal Audit program was mainly focused on following areas:

- 1 An assessment of whether the Project Financial Statements have been prepared in accordance with consistently applied Accounting Standards of the Institute of Chartered Accountants of India and gives a true and fair view of the operations of the Project during the year and the financial position of the Project at the close of the financial year.
- 2 An assessment of the adequacy of the Project financial management systems including internal controls. The financial management system should include methods and records established to identify, assemble, analyze, classify, record and report on transactions and to maintain accountability for the related assets and liabilities.
- 3 That all project funds have been used in accordance with the conditions of the relevant financing agreement, with due attention to transparency, economy and efficiency and only for the purposes for which the financing was provided.
- 4 All necessary supporting documents, records and books/ statements of accounts have been maintained and all necessary supporting documents such as records, vouchers, bids etc. and books of accounts have been kept in respect of all project expenditures.
- 5 Identify the expenditure which are covered in accordance with the allocation described in "Operational Manual" under section 4 "Fiduciary Systems" para 4.1 " Financial Management" under sub para 4.2.3 "Eligible and Ineligible Procurement Expenditure" as eligible and segregate these from non-eligible items.
- 6 Clear linkages exist between the books of accounts maintained for the expenditures and reports presented for the expenditure incurred.
- 7 That test check and verification of the activities were conducted for the project as planned and that they were in line with the agreed loan agreement.
- 8 Verify the eligibility of expenditures for SoE disbursement and separately report upon ineligible expenditure claimed if any.

**(c) Status of implementation of the Public Financial Management System**

During audit we noted that "Public Financial Management System" has been implemented during period from April 01, 2022 to March 31, 2023.

**(d) Status of Compliance of previous audit report**

During audit we noted that the compliance of the observations of previous internal audit report have not been done.

**(e) Key areas of weakness**

During audit we noted that there were some key areas of weakness regarding procedural Lapse for the period from April 01, 2022 to March 31, 2023, Details are given in part D.

**PART – C**

**COMPLIANCE OF PREVIOUS AUDIT REPORT**

During audit we noted that the compliance of the observations of previous internal audit report has not been done.

**1. TDS NOT DEDUCTED**

On checking of TDS records we noted that institute has paid amount of Rs.45,000/- to Naketa taxi service but TDS was not deducted under Income Tax Act 1961 at the time of payment by Institute. detail is mentioned below:

<b>Date of Deducted</b>	<b>Particulars</b>	<b>Amount</b>	<b>TDS Should be deducted @ 1%</b>	<b>Observation</b>
11.02.2021	Amount Paid to Naketa taxi service for hiring taxi charges.	45,000/-	450/-	TDS was not deducted by Institute at the time of payment.

**2. DIFFERENCE BETWEEN EXPENDITURE BOOKED IN PFMS SOFTWARE AND ACTUAL EXPENDITURE INCURRED AS PER CASH BOOK**

During audit we noticed that there was difference between expenditure booked in PFMS Software and actual expenditure incurred as per cash book. The detail of PFMS reconciliation are mentioned below:

**PFMS reconciliation statement as on 31.03.2022 - FY – 2021-22)**

<b>Sr. No.</b>	<b>Statement of Expenditure</b>	<b>Amount (Rs.)</b>
1	Expenditure booked as per PFMS Statement From (01.04.2021 to 31.03.2022)	1312061.00
2	Actual Expenditure incurred as per cash book from (01.04.2021 to 31.03.2022)	1169178.00
	Difference	142883.00

## PART – D

### SERIOUS OBSERVATIONS

During audit we found that there were some serious observations such as laps in internal control, system weakness etc. in following manner:

#### 1. INSTITUTE OPENED HOLDING ACCOUNT BUT NOT OPERATED FOR STATUTORY PAYMENTS

During the audit we found that Institute has opened holding account as per NPIU instruction/ guideline but not operated for statutory payments till date.

As per instruction / guideline of NPIU Letter no. F.No.1/(13)/PFMS/FCD/2020 date on 23<sup>rd</sup> March 2021, A Separate bank account (To be called Holding Account) shall be opened by the Institute for holding the tax/ statutory deductions. This holding account would be permitted to make payments outside of PFMS, through cheques or internet banking to effect the statutory payments with the challan details being captured simultaneously. The holding account will serve the purpose of holding tax/ duties/levies/fees/ municipal charges etc. of State Government, municipalities etc. which the Agencies need to process. The Holding account shall be opened preferably in the same bank as in the SNA/ ZBA account and maximum time for which money can be held in this account shall be fourteen days, after which the money shall be credited back to the agency account.

#### 2. DIFFERENCE BETWEEN EXPENDITURE BOOKED IN PFMS SOFTWARE AND ACTUAL EXPENDITURE INCURRED AS PER CASH BOOK

During audit we noticed that there was difference between expenditure booked in PFMS Software and actual expenditure incurred as per cash book. The detail of PFMS reconciliation are mentioned below:

##### PFMS reconciliation statement as on 31.03.2023 - FY – 2022-23)

Sr. No.	Statement of Expenditure	Amount (Rs.)
1	Expenditure booked as per PFMS Statement From (01.04.2022 to 31.03.2023)	2387966.00
2	Actual Expenditure incurred as per cash book from (01.04.2022 to 31.03.2023)	1890574.00
	Difference	497392.00

**PART - E**

**OTHER OBSERVATIONS**

**1. STATUS OF UTILISATION OF FUND**

During audit we found that fund received and utilized during audit period as below:

Opening Balance as on 01.04.2022	0.00
Fund received during the period from (01.04.2022 to 31.03.2023)	1890574.00
Expenditure incurred during the period (01.04.2022 to 31.03.2023)	1890574.00
Balance as per bank as on 31.03.2023	<u>0.00</u>

**2. CHECKING OF PROCUREMENT PROCEDURE**

During audit we noted that Institute has followed the proper procurement procedure for purchase. Detail of this procurement is given below:

Date	Bill /Invoice No.	Name of the Supplier	Name of the Item	Qty	Total	Method
21.05.2022	Invoice No.303	M/S Fancy Furniture Udyog	Computer Table	34 Nos.	350000	Limited Tenders
21.05.2022	Invoice No.1090	M/S Tirupati Engineers	Double Ended Pedestal Grindder, Radis Gauge, Lapping Plate.	01 No.	99600	Quotations
13.09.2022	Invoice No.317	M/S Promark Techsolutions Pvt. Ltd.	Indicative Panel Display board	01 No.	219971	Gem
13.09.2022	Invoice No.-722	M/S Promark Techsolutions Pvt. Ltd.	Dual Desk	22 Nos.	168729	Gem
07.01.2023	Bill No.-111	M/S Anand Computer Centre	Toner Cartridge	03 Nos.	4500	Directed Purchase
06.03.2023	Invoice No. G/0238	M/s Panchvati Engineering Works	Drill Machine	01 No.	72334	Gem



06.03.2023	Invoice No. VOPL/222 3/2051	M/s Vakrat Overseas Pvt. Ltd.	Indicative Panel Display board	01 No.	249759	Gem
10.03.2023	Invoice No. EMC/2022 -23/615	M/s Excel Marketing Corporation	Computer System	04 Nos.	338166	Gem
22.03.2023	---	Sh. Babu Lal Nainta, Govt. Contractor	Minor Work in Fitter & Electrician Workshop	1 Nos	374911	Limited Tenders

### 3. CHECKING OF OTHER PROCUREMENT SECTION

Sr. No.	Particulars	Compliance from auditors Yes/ No	Comment of auditor
1	Goods and services financed have been procured in accordance with the relevant financing agreement and procurement norms as laid out in the operations manual.	Yes	No comments
2	Procurement processes being followed at the it is and State Societies are as per procurement Guidelines under STRIVE project as per Para 4.2 of the OM	Yes	No comments
3	Any Procurement related complaints received and time taken in disposal of each such complaints and verifying that no contracts excluded from the program have been awarded.	No	There was no procurement related complaints are reflected on website
4	Publication of Annual/ Quarterly procurement plan on Institute / SPIU website.	Yes	Institute procurement plan is uploaded on the web site <a href="http://itijubbalhp.org">http://itijubbalhp.org</a> for the financial year 2022-23.
5	Selected Contractor/ Supplier/Service provider/ Consultant on World Banks list of temporarily suspended and debarred firms	No	No contract has been awarded to any firm by Institute, which is debarred by the World Bank.
6	Contract Award Notice (CAN) as per applicable format ( Competitive selection, Request for Quotations Direct selection are uploaded on website/ Public domain against of each of the completed procurement (applicable in case of LOA/contract issued)	Yes	No comments

7	Any other section/ weakness reviewed on procurement	Yes	During audit period some weakness found in procurement section that is already given in audit report Part -D.
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**PART - F**

**EXECUTIVE SUMMARY AND SUGGESTIONS/RECOMMENDATIONS**

**1. INSTITUTE OPENED HOLDING ACCOUNT BUT NOT OPERATED FOR STATUTORY PAYMENTS**

During the audit we found that Institute has opened holding account as per NPIU instruction/ guideline but not operated for statutory payments till date.

As per instruction / guideline of NPIU Letter no. F.No.1/(13)/PFMS/FCD/2020 date on 23<sup>rd</sup> March 2021, A Separate bank account (To be called Holding Account) shall be opened by the Institute for holding the tax/ statutory deductions. This holding account would be permitted to make payments outside of PFMS, through cheques or internet banking to effect the statutory payments with the challan details being captured simultaneously. The holding account will serve the purpose of holding tax/ duties/levies/fees/ municipal charges etc. of State Government, municipalities etc. which the Agencies need to process. The Holding account shall be opened preferably in the same bank as in the SNA/ ZBA account and maximum time for which money can be held in this account shall be fourteen days, after which the money shall be credited back to the agency account.

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**PFMS reconciliation statement as on 31.03.2023 - FY – 2022-23)**

Sr. No.	Statement of Expenditure	Amount (Rs.)
1	Expenditure booked as per PFMS Statement From (01.04.2022 to 31.03.2023)	2387966.00
2	Actual Expenditure incurred as per cash book from (01.04.2022 to 31.03.2023)	1890574.00
	Difference	497392.00



**SKILLS STRENGTHENING FOR INDUSTRIAL VALUE ENHANCEMENT (STRIVE)**

**(WORLD BANK FUNDED PROJECT)**

**GOVT. INDUSTRIAL TRAINING INSTITUTE – KULLU**

**INTERNAL AUDIT REPORT FOR THE PERIOD FROM 01.04.2022 TO 31.03.2023**

**PART – A BRIEF DETAIL OF THE AUDITEE AND AUDIT**

- |   |  |
|---|--|
| a. Name and address of the Auditee      | : Govt. Industrial Training Institute<br>Kullu |
| b. Name of Auditors                     | : Agarwal A Kumar & Associates                 |
| c. Days of Audit                        | : 2  |
| d. Period covered in the previous audit | : April 01, 2021 to March 31, 2022             |
| e. Period covered in the current audit  | : April 01, 2022 to March 31, 2023             |

**PART – B**

**EXECUTIVE SUMMARY**

**(a) Objective of Audit**

We have conducted the Internal Audit of Govt. Industrial Training Institute Kullu for the period from April 01, 2022 to March 31, 2023. We have carried out the audit in accordance with the standards on auditing promulgated by the Institute of Chartered Accountants of India and in accordance with the TOR as issued by the funding Agency International Development Association. It is the responsibility of the management to maintain the PFMS / PMIS as prescribe by the funding agency in cash system of accounting, fair and proper documentation, generation books and records, and the various Interim financial reports and annual statements, and to implement a proper internal control system commensurate with the size of the 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.



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- 6 Clear linkages exist between the books of accounts maintained for the expenditures and reports presented for the expenditure incurred.
- 7 That test check and verification of the activities were conducted for the project as planned and that they were in line with the agreed loan agreement.
- 8 Verify the eligibility of expenditures for SoE disbursement and separately report upon ineligible expenditure claimed if any.

**(c) Status of implementation of the Public Financial Management System**

During audit we noted that "Public Financial Management System" has been implemented during period from April 01, 2022 to March 31, 2023.

**(d) Status of Compliance of previous audit report**

During audit we noted that the compliance of the observations of previous internal audit report have not been done.

**(e) Key areas of weakness**

During audit we noted that there were some key areas of weakness regarding procedural Lapse for the period from April 01, 2022 to March 31, 2023, Details are given in part D.

**PART – C**

**COMPLIANCE OF PREVIOUS AUDIT REPORT**

During audit we noted that the compliance of the observations of previous internal audit report have not been done.

**1. DIFFERENCE BETWEEN EXPENDITURE BOOKED IN PFMS SOFTWARE AND ACTUAL EXPENDITURE INCURRED AS PER CASH BOOK**

During audit we noticed that there was difference between expenditure booked in PFMS Software and actual expenditure incurred as per cash book. The detail of PFMS reconciliation are mentioned below:

**PFMS reconciliation statement as on 31.03.2021 - FY – 2020-21)**

Sr. No.	Statement of Expenditure	Amount (Rs.)
1	Expenditure booked as per PFMS Statement From (01.04.2020 to 31.03.2021)	3975668.00
2	Actual Expenditure incurred as per cash book from (01.04.2020 to 31.03.2021)	3794770.00
	Difference	180898.00

**2. TDS NOT DEDUCTED**

On checking of TDS records we noted that institute has paid amount of Rs.2,11,903/- to RR Enterprises but TDS was not deducted at the time of payment by Institute. Detail is mentioned below:

Date of Deducted	Particulars	Amount	TDS Should be deducted @ 2%	Observation
25.03.2022	Amount Paid to RR Enterprises for civil work.	2,11,903/-	4,238/-	TDS was not deducted by Institute at the time of payment.

**PART – D**

**SERIOUS OBSERVATIONS**

During audit we found that there were some serious observations such as laps in internal control, system weakness etc. Details are as under :

**1. PROCUREMENT WITHOUT APPROVAL OF COMPETENT AUTHORITY**

During the audit we found that institute has made procurement but this item was not approved in procurement plan FY 2022-23 from Chairman of IMC and Institute Management Committee. Detail of this procurement is given below:

Date of Payment	Invoice no.	Name of Supplier	Name of Item	Amount
03.06.2022	742	Virendra Enterprises	Amplifier Speaker Sets & MIC Stand	23000.00

**2. EXPENDITURE EXCEEDED AGAINST SANCTIONED BUDGET**

While checking of Books of accounts we observed that Institute has incurred the expenditure exceed with sanction budget amount, details are mentioned below:

Date of Payment	Particulars	Budget Amount	Award Amount	Excess Expenditure against sanction budget	Observation
16.03.2023	Amount Paid to Office Solution & Suppliers and M/s Odissi System for purchases of 2 Laptops.	200000.00	225804.00	25804.00	Expenditure exceeded against sanctioned budget Amount

**3. DIFFERENCE BETWEEN EXPENDITURE BOOKED IN PFMS SOFTWARE AND ACTUAL EXPENDITURE INCURRED AS PER CASH BOOK**

During audit we noticed that there was difference between expenditure booked in PFMS Software and actual expenditure incurred as per cash book. The detail of PFMS reconciliation are mentioned below:

**PFMS reconciliation statement as on 31.03.2023 - FY – 2022-23)**

Sr. No.	Statement of Expenditure	Amount (Rs.)
1	Expenditure booked as per PFMS Statement From (01.04.2022 to 31.03.2023)	3613913.00
2	Actual Expenditure incurred as per cash book from (01.04.2022 to 31.03.2023)	3302000.00
	Difference	311913.00

**Auditor's Comments**

Reply given by institute to be checked by audit team on next visit.

**4. INSTITUTE OPENED HOLDING ACCOUNT BUT NOT OPERATED FOR STATUTORY PAYMENTS**

During the audit we found that Institute has opened holding account as per NPIU instruction/ guideline but not operated for statutory payments till date.

As per instruction / guideline of NPIU Letter no. F.No.1/(13)/PFMS/FCD/2020 date on 23<sup>rd</sup> March 2021, A Separate bank account (To be called Holding Account) shall be opened by the Institute for holding the tax/ statutory deductions. This holding account would be permitted to make payments outside of PFMS, through cheques or internet banking to effect the statutory payments with the challan details being captured simultaneously. The holding account will serve the purpose of holding tax/ duties/levies/fees/ municipal charges etc. of State Government, municipalities etc. which the Agencies need to process. The Holding account Shall be opened preferably in the same bank as in the SNA/ ZBA account and maximum time For which money can be held in this account shall be fourteen days, after which the money shall be credited back to the agency account.

**PART – E**

**OTHER OBSERVATIONS**

**1. STATUS OF UTILISATION OF FUND**

During audit we found that fund received and utilized during audit period as below:

Opening Balance as on 01.04.2022	0.00
Fund received during the period from (01.04.2022 to 31.03.2023)	3302000.00
Expenditure incurred during the period (01.04.2022 to 31.03.2023)	3302000.00
Balance as per bank as on 31.03.2023	<u>0.00</u>



## 2. CHECKING OF OTHER PROCUREMENT SECTION

Sr. No.	Particulars	Compliance from auditors Yes/ No	Comment of auditor
1	Goods and services financed have been procured in accordance with the relevant financing agreement and procurement norms as laid out in the operations manual.	Yes	No comments
2	Procurement processes being followed at the it is and State Societies are as per procurement Guidelines under STRIVE project as per Para 4.2 of the OM	Yes	No comments
3	Any Procurement related complaints received and time taken in disposal of each such complaints and verifying that no contracts excluded from the program have been awarded.	No	There was no procurement related complaints are reflected on website
4	Publication of Annual/ Quarterly procurement plan on Institute / SPIU website.	Yes	Institute procurement plan is uploaded on the web site <a href="http://www.itikullu.in">www.itikullu.in</a> for the financial year 2022-23.
5	Selected Contractor/ Supplier/Service provider/ Consultant on World Banks list of temporarily suspended and debarred firms	No	No contract has been awarded to any firm by Institute, which is debarred by the World Bank.
6	Contract Award Notice (CAN) as per applicable format ( Competitive selection, Request for Quotations Direct selection are uploaded on website/ Public domain against of each of the completed procurement (applicable in case of LOA/contract issued)	Yes	No comments
7	Any other section/ weakness reviewed on procurement	Yes	During audit period some weakness found in procurement section that is already given in audit report Part -D.

**PART - F**

**EXECUTIVE SUMMARY AND SUGGESTIONS/RECOMMENDATIONS**

**1. PROCUREMENT MADE WITHOUT APPROVAL OF COMPETENT AUTHORITY**

During the audit we found that institute has made procurement but this item was not approved in procurement plan FY 2022-23 from Chairman of IMC and Institute Management Committee. Detail of this procurement is given below:

<b>Date of Payment</b>	<b>Invoice no.</b>	<b>Name of Supplier</b>	<b>Name of Item</b>	<b>Amount</b>
03.06.2022	742	Virendra Enterprises	Amplifier Speaker Sets & MIC Stand	23000.00

**2. EXPENDITURE EXCEEDED AGAINST SANCTIONED BUDGET**

While checking of Books of accounts we observed that Institute has incurred the expenditure exceed with sanction budget amount, details are mentioned below:

<b>Date of Payment</b>	<b>Particulars</b>	<b>Budget Amount</b>	<b>Award Amount</b>	<b>Excess Expenditure against sanction budget</b>	<b>Observation</b>
16.03.2023	Amount Paid to Office Solution & Suppliers and M/s Odissi System for purchases of 2 Laptops.	200000.00	225804.00	25804.00	Expenditure exceeded against sanctioned budget Amount

**3. DIFFERENCE BETWEEN EXPENDITURE BOOKED IN PFMS SOFTWARE AND ACTUAL EXPENDITURE INCURRED AS PER CASH BOOK**

During audit we noticed that there was difference between expenditure booked in PFMS Software and actual expenditure incurred as per cash book. The detail of PFMS reconciliation are mentioned below:

**PFMS reconciliation statement as on 31.03.2023 - FY – 2022-23)**

Sr. No.	Statement of Expenditure	Amount (Rs.)
1	Expenditure booked as per PFMS Statement From (01.04.2022 to 31.03.2023)	3613913.00
2	Actual Expenditure incurred as per cash book from (01.04.2022 to 31.03.2023)	3302000.00
	Difference	311913.00

**Auditor's Comments**

Reply given by institute to be checked by audit team on next visit.

**4. INSTITUTE OPENED HOLDING ACCOUNT BUT NOT OPERATED FOR STATUTORY PAYMENTS**

During the audit we found that Institute has opened holding account as per NPIU instruction/ guideline but not operated for statutory payments till date.

As per instruction / guideline of NPIU Letter no. F.No.1/(13)/PFMS/FCD/2020 date on 23<sup>rd</sup> March 2021, A Separate bank account (To be called Holding Account) shall be opened by the Institute for holding the tax/ statutory deductions. This holding account would be permitted to make payments outside of PFMS, through cheques or internet banking to effect the statutory payments with the challan details being captured simultaneously. The holding account will serve the purpose of holding tax/ duties/levies/fees/ municipal charges etc. of State Government, municipalities etc. which the Agencies need to process. The Holding account Shall be opened preferably in the same bank as in the SNA/ ZBA account and maximum time For which money can be held in this account shall be fourteen days, after which the money shall be credited back to the agency account.



**SKILLS STRENGTHENING FOR INDUSTRIAL VALUE ENHANCEMENT (STRIVE)**

**(WORLD BANK FUNDED PROJECT)**

**BADDI TECHNICAL TRAINING INSTITUTE PVT. ITI - BBNIA**

**INTERNAL AUDIT REPORT FOR THE PERIOD FROM 01.04.2022 TO 31.03.2023**

**PART – A BRIEF DETAIL OF THE AUDITEE AND AUDIT**

- |   |  |
|---|--|
| a. Name and address of the Auditee      | : Baddi Technical Training Institute Pvt.<br>ITI - BBNIA |
| b. Name of Auditors                     | : Agarwal A Kumar & Associates                           |
| c. Days of Audit                        | : 2  |
| d. Period covered in the previous audit | : April 01, 2021 to March 31, 2022                       |
| e. Period covered in the current audit  | : April 01, 2022 to March 31, 2023                       |

**PART – B**

**EXECUTIVE SUMMARY**

**(a) Objective of Audit**

We have conducted the Internal Audit of Baddi Technical Training Institute Pvt. ITI - BBNIA for the period from April 01, 2022 to March 31, 2023. We have carried out the audit in accordance with the standards on auditing promulgated by the Institute of Chartered Accountants of India and in accordance with the TOR as issued by the funding Agency International Development Association. It is the responsibility of the management to maintain the PFMS / PMIS as prescribe by the funding agency in cash system of accounting, fair and proper documentation, generation books and records, and the various Interim financial reports and annual statements, and to implement a proper internal control system commensurate with the size of the 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.



**(b) Methodology of Audit**

The Audit was conducted on the basis of the finalized Audit Program. After distribution of the audit work and responsibilities, the concerned staff performed their job and directly reported to Team Manager on daily basis. Internal Audit program was mainly focused on following areas:

1. An assessment of whether the Project Financial Statements have been prepared in accordance with consistently applied Accounting Standards of the Institute of Chartered Accountants of India and gives a true and fair view of the operations of the Project during the year and the financial position of the Project at the close of the fiscal year.
2. An assessment of the adequacy of the Project financial management systems including internal controls. The financial management system should include methods and records established to identify, assemble, analyze, classify, record and report on transactions and to maintain accountability for the related assets and liabilities.
3. That all project funds have been used in accordance with the conditions of the relevant financing agreement, with due attention to transparency, economy and efficiency and only for the purposes for which the financing was provided.
4. All necessary supporting documents, records and books/ statements of accounts have been maintained and all necessary supporting documents such as records, vouchers, bids etc. and books of accounts have been kept in respect of all project expenditures.
5. Identify the expenditure which are covered in accordance with the allocation described in "Operational Manual" under section 4 "Fiduciary Systems" para 4.1 " Financial Management" under sub para 4.2.3 "Eligible and Ineligible Procurement Expenditure " as eligible and segregate these from non-eligible items.
6. Clear linkages exist between the books of accounts maintained for the expenditures and reports presented for the expenditure incurred.
7. That test check and verification of the activities were conducted for the project as planned and that they were in line with the agreed loan agreement.
8. Verify the eligibility of expenditures for SoE disbursement and separately report upon ineligible expenditure claimed if any.

**(c) Status of implementation of the Public Financial Management System**

During audit we noted that "Public Financial Management System" has been implemented during period from April 01, 2022 to March 31, 2023.

**(d) Status of Compliance of previous audit report**

During audit we noted that the compliance of the observations of previous internal audit report have not been done.

**(e) Key areas of weakness**

During audit we noted that there were some key areas of weakness regarding procedural lapse for the period from April 01, 2022 to March 31, 2023, Details are given in part D.

**PART – C**

**COMPLIANCE OF PREVIOUS AUDIT REPORT**

During audit we noted that the compliance of the observations of previous internal audit report have not been done.

**1. DIFFERENCE BETWEEN EXPENDITURE BOOKED IN PFMS SOFTWARE AND ACTUAL EXPENDITURE INCURRED AS PER CASH BOOK**

During audit we noticed that there was difference between expenditure booked in PFMS Software and actual expenditure incurred as per cash book. The detail of PFMS reconciliation are mentioned below:

**PFMS reconciliation statement as on 31.03.2022 - FY – 2021-22)**

<b>Sr. No.</b>	<b>Statement of Expenditure</b>	<b>Amount (Rs.)</b>
1	Expenditure booked as per PFMS Statement From (01.04.2021 to 31.03.2022)	4214263.00
2	Actual Expenditure incurred as per cash book from (01.04.2021 to 31.03.2022)	2258837.00
	Difference	1955426.00

**PART – D**

**SERIOUS OBSERVATIONS**

During audit we found that there were some serious observations such as laps in internal control, system weakness etc. Details are as under:

**1. DIFFERENCE BETWEEN EXPENDITURE BOOKED IN PFMS SOFTWARE AND ACTUAL EXPENDITURE INCURRED AS PER CASH BOOK**

During audit we noticed that there was difference between expenditure booked in PFMS Software and actual expenditure incurred as per cash book. The detail of PFMS reconciliation are mentioned below:

**PFMS reconciliation statement as on 31.03.2023 - FY – 2022-23)**

Sr. No.	Statement of Expenditure	Amount (Rs.)
1	Expenditure booked as per PFMS Statement From (01.04.2022 to 31.03.2023)	3041977.00
2	Actual Expenditure incurred as per cash book from (01.04.2022 to 31.03.2023)	2835292.00
	Difference	206685.00

**2. CHECKING OF PROCUREMENT PLAN**

During the checking of procurement plan we noted that Institute has not uploaded the Procurement plan of FY 2022-23 on website.

**PART – E**

**OTHER OBSERVATIONS**

**1. CHECKING OF PROCUREMENT SECTION**

Sr. No.	Particulars	Compliance from auditors Yes/ No	Comment of auditor
1	Goods and services financed have been procured in accordance with the relevant financing agreement and procurement norms as laid out in the operations manual.	Yes	No comments
2	Procurement processes being followed at the it is and State Societies are as per procurement Guidelines under STRIVE project as per Para 4.2 of the OM	Yes	No comments

3	Any Procurement related complaints received and time taken in disposal of each such complaints and verifying that no contracts excluded from the program have been awarded.	No	There was no procurement related complaints are reflected on website
4	Publication of Annual/ Quarterly procurement plan on Institute / SPIU website.	No	Institute has not uploaded the Procurement plan of FY 2022-23 on website.
5	Selected Contractor/ Supplier/Service provider/ Consultant on World Banks list of temporarily suspended and debarred firms	No	No contract has been awarded to any firm by Institute, which is debarred by the World Bank.
6	Contract Award Notice (CAN) as per applicable format ( Competitive selection, Request for Quotations Direct selection are uploaded on website/ Public domain against of each of the completed procurement (applicable in case of LOA/contract issued)	Yes	No comments
7	Any other section/ weakness reviewed on procurement	Yes	During audit period some weakness found in procurement section that is already given in audit report Part -D.

## PART - F

### EXECUTIVE SUMMARY AND SUGGESTIONS/RECOMMENDATIONS

#### 1. DIFFERENCE BETWEEN EXPENDITURE BOOKED IN PFMS SOFTWARE AND ACTUAL EXPENDITURE INCURRED AS PER CASH BOOK

During audit we noticed that there was difference between expenditure booked in PFMS Software and actual expenditure incurred as per cash book. The detail of PFMS reconciliation are mentioned below:

#### PFMS reconciliation statement as on 31.03.2023 - FY – 2022-23)

Sr. No.	Statement of Expenditure	Amount (Rs.)
1	Expenditure booked as per PFMS Statement From (01.04.2022 to 31.03.2023)	3041977.00



2	Actual Expenditure incurred as per cash book from (01.04.2022 to 31.03.2023)	2835292.00
	Difference	206685.00

## **2. CHECKING OF PROCUREMENT PLAN**

During the checking of procurement plan we noted that Institute has not been uploaded the Procurement plan of FY 2022-23 on website.



**SKILLS STRENGTHENING FOR INDUSTRIAL VALUE ENHANCEMENT (STRIVE)**

**(WORLD BANK FUNDED PROJECT)**

**GOVT. INDUSTRIAL TRAINING INSTITUTE – MANDI**

**INTERNAL AUDIT REPORT FOR THE PERIOD FROM 01.04.2022 TO 31.03.2023**

**PART – A**                      **BRIEF DETAIL OF THE AUDITEE AND AUDIT**

- |   |  |
|---|--|
| a. Name and address of the Auditee      | : Govt. Industrial Training Institute<br>Mandi |
| b. Name of Auditors                     | : Agarwal A Kumar & Associates                 |
| c. Days of Audit                        | : 2  |
| d. Period covered in the previous audit | : April 01, 2021 to March 31, 2022             |
| e. Period covered in the current audit  | : April 01, 2022 to March 31, 2023             |

**PART – B**

**EXECUTIVE SUMMARY**

**(a) Objective of Audit**

We have conducted the Internal Audit of Govt. Industrial Training Institute Mandi for the period from April 01, 2022 to March 31, 2023. We have carried out the audit in accordance with the standards on auditing promulgated by the Institute of Chartered Accountants of India and in accordance with the TOR as issued by the funding Agency International Development Association. It is the responsibility of the management to maintain the PFMS / PMIS as prescribe by the funding agency in cash system of accounting, fair and proper documentation, generation books and records, and the various Interim financial reports and annual statements, and to implement a proper internal control system commensurate with the size of the 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.



**(b) Methodology of Audit**

The Audit was conducted on the basis of the finalized Audit Program. After distribution of the audit work and responsibilities, the concerned staff performed their job and directly reported to Team Manager on daily basis. Internal Audit program was mainly focused on following areas:

- 1 An assessment of whether the Project Financial Statements have been prepared in accordance with consistently applied Accounting Standards of the Institute of Chartered Accountants of India and gives a true and fair view of the operations of the Project during the year and the financial position of the Project at the close of the financial year.
- 2 An assessment of the adequacy of the Project financial management systems including internal controls. The financial management system should include methods and records established to identify, assemble, analyze, classify, record and report on transactions and to maintain accountability for the related assets and liabilities.
- 3 That all project funds have been used in accordance with the conditions of the relevant financing agreement, with due attention to transparency, economy and efficiency and only for the purposes for which the financing was provided.
- 4 All necessary supporting documents, records and books/ statements of accounts have been maintained and all necessary supporting documents such as records, vouchers, bids etc. and books of accounts have been kept in respect of all project expenditures.
- 5 Identify the expenditure which are covered in accordance with the allocation described in "Operational Manual" under section 4 "Fiduciary Systems" para 4.1 " Financial Management" under sub para 4.2.3 "Eligible and Ineligible Procurement Expenditure" as eligible and segregate these from non-eligible items.
- 6 Clear linkages exist between the books of accounts maintained for the expenditures and reports presented for the expenditure incurred.
- 7 That test check and verification of the activities were conducted for the project as planned and that they were in line with the agreed loan agreement.
- 8 Verify the eligibility of expenditures for SoE disbursement and separately report upon ineligible expenditure claimed if any.

**(c) Status of implementation of the Public Financial Management System**

During audit we noted that "Public Financial Management System" has been implemented during period from April 01, 2022 to March 31, 2023.

**(d) Status of Compliance of previous audit report**

During audit we noted that the compliance of the observations of previous internal audit report have not been done.

**(c) Key areas of weakness**

During audit we noted that there were some key areas of weakness regarding procedural Lapse for the period from April 01, 2022 to March 31, 2023, Details are given in part D.

**PART – C**

**COMPLIANCE OF PREVIOUS AUDIT REPORT**

During audit we noted that the compliance of the observations of previous internal audit report have not been done.

**1. DIFFERENCE BETWEEN EXPENDITURE BOOKED IN PFMS SOFTWARE AND ACTUAL EXPENDITURE INCURRED AS PER CASH BOOK**

During audit we noticed that there was difference between expenditure booked in PFMS Software and actual expenditure incurred as per cash book. The detail of PFMS reconciliation are mentioned below:

**PFMS reconciliation statement as on 31.03.2021 - FY – 2020-21)**

Sr. No.	Statement of Expenditure	Amount (Rs.)
1	Expenditure booked as per PFMS Statement From (01.04.2020 to 31.03.2021)	7616444.00
2	Actual Expenditure incurred as per cash book from (01.04.2020 to 31.03.2021)	7428393.48
	Difference	188050.52

**2. NON LEVY OF LIQUIDATED DAMAGES**

On checking of procurement we found that expenditure incurred for purchase of Machinery & Equipments and supply of goods but supply was late provided by vendors or suppliers and No L.D. was deducted on payment of Venders & Suppliers by Institute but As per Term & condition of contract liquidate damage should be charged for any delay in supply of goods and material. Liquidated Damages are charged at 0.5% of contract price per week after the stipulated date of delivery, subject to a maximum limit of 10% of contract price. Details are mentioned below:

Contract No.	P.O. Date	Particulars	Date of Delivery as per Contract	Amount	Actual Date of Delivery	Delay
GEMC-51168771 1834731	25.09.2020	Amount Paid to Innotech Concepts Pvt Ltd. For purchase of Lenovo Think book.	30.09.2020	1,86,830/-	09.10.2020	9 Days
GEMC-51168776 7022465	04.11.2020	Amount Paid to Rama Electric and Machinery store For purchase of Acer Intel Core Window 10.	19.11.2020	4,9,800/-	13.12.2020	24 Days
GEMC-51168773 5638336	03.12.2020	Amount Paid to Ahsa Enterprises For purchase of Power Saw Machine	18.12.2020	1,64,467/-	26.12.2020	8 Days
GEMC-51168778 1523213	07.12.2020	Amount Paid to Rama Electric & Machine store For purchase of Split AC.	22.12.2020	1,05,000/-	29.12.2020	7 Days
GEMC-51168776 2795527	07.12.2020	Amount Paid to Voltec System India Pvt Ltd. For purchase of Unbranded 3.0 KVA UPS.	22.12.2020	1,65,000/-	06.01.2021	15 Days
GEMC-51168779 6026102	19.12.2020	Amount Paid to B.E. Office Automation For purchase of UPS with Battery.	03.01.2021	4,80,100/-	16.01.2021	13 Days

GEMC-51168770 428764	23.12.2020	Amount Paid to M/s Paramount IT Solutions For purchase of BPE IKVA Ups.	07.01.2021	1,00,758/-	03.02.2021	27 Days
GEMC-51168774 5310338	05.12.2020	Amount Paid to Voltec System India For purchase of Hydraulic Traner Kit	20.12.2020	9,83,500/-	10.02.2021	52 Days

**Auditor's Comment**

Evidence for deposit of Liquidated Damages not attached by Institute in its reply / compliance. Audit team will check on next visit to the Institute.

**PART - D**

**SERIOUS OBSERVATIONS**

During audit we found that there were some serious observations such as laps in internal control, system weakness etc. Details are given as under :

**1. TDS AMOUNT DEDUCTED TWICE FROM PFMS PORTAL**

During the checking of TDS records we found that while Institute has generating the PPA for making the payment to vendor than TDS amount was deducted twice from PFMS Portal but actually TDS amount was deposited once in the bank through IMC only and balance amount was lying in the SNA account but Now there is a difference between the funds reflected on PFMS Portal & Lying in the SNA account The detail is mentioned as under:

Name of ITI	Account no.	Date	Amount of TDS deducted Twice from PFMS Portal
Govt. ITI Mandi	792020110000326	23.04.2022	5218.00

**2. DIFFERENCE BETWEEN EXPENDITURE BOOKED IN PFMS SOFTWARE AND ACTUAL EXPENDITURE INCURRED AS PER CASH BOOK**

During audit we noticed that there was difference between expenditure booked in PFMS Software and actual expenditure incurred as per cash book. The detail of PFMS reconciliation are mentioned below:

**PFMS reconciliation statement as on 31.03.2023 - FY – 2022-23)**

Sr. No.	Statement of Expenditure	Amount (Rs.)
1	Expenditure booked as per PFMS Statement From (01.04.2022 to 31.03.2023)	2069912.00
2	Actual Expenditure incurred as per cash book from (01.04.2022 to 31.03.2023)	1809339.00
	Difference	260573.00

**3. EXPENDITURE EXCEEDED AGAINST SANCTIONED BUDGET**

While checking of Books of accounts we observed that Institute has incurred the expenditure exceed with sanction budget amount, details are mentioned below:

Date of Payment	Particulars	Budget Amount	Award Amount	Excess Expenditure against sanction Budget	Observation
21.02.2023	Amount Paid to B.E. Office Automation for purchases of HP Desktop.	45000.00	64486.00	19486.00	Expenditure exceeded against sanctioned budget Amount

**4. INSTITUTE OPENED HOLDING ACCOUNT BUT NOT OPERATED FOR STATUTORY PAYMENTS**

During the audit we found that Institute has opened holding account as per NPIU instruction/ guideline but not operated for statutory payments till date.

As per instruction / guideline of NPIU Letter no. F.No.1/(13)/PFMS/FCD/2020 date on 23<sup>rd</sup> March 2021, A Separate bank account (To be called Holding Account) shall be opened by the Institute for holding the tax/ statutory deductions. This holding account would be permitted to

make payments outside of PFMS, through cheques or internet banking to effect the statutory payments with the challan details being captured simultaneously. The holding account will serve the purpose of holding tax/ duties/levies/fees/ municipal charges etc. of State Government, municipalities etc. which the Agencies need to process. The Holding account shall be opened preferably in the same bank as in the SNA/ ZBA account and maximum time for which money can be held in this account shall be fourteen days, after which the money shall be credited back to the agency account.

**PART – E**

**OTHER OBSERVATIONS**

**1. STATUS OF UTILISATION OF FUND**

During audit we found that fund received and utilized during audit period as below:

Opening Balance as on 01.04.2022	0.00
Fund received during the period from (01.04.2022 to 31.03.2023)	1809339.00
Expenditure incurred during the period (01.04.2022 to 31.03.2023)	1809339.00
Balance as per bank as on 31.03.2023	<u>0.00</u>

**2. CHECKING OF OTHER PROCUREMENT SECTION**

Sr. No.	Particulars	Compliance from auditors Yes/ No	Comment of auditor
1	Goods and services financed have been procured in accordance with the relevant financing agreement and procurement norms as laid out in the operations manual.	Yes	No comments
2	Procurement processes being followed at the it is and State Societies are as per procurement Guidelines under STRIVE project as per Para 4.2 of the OM	Yes	No comments



3	Any Procurement related complaints received and time taken in disposal of each such complaints and verifying that no contracts excluded from the program have been awarded.	No	There was no procurement related complaints are reflected on website
4	Publication of Annual/ Quarterly procurement plan on Institute / SPIU website.	No	Institute has not been uploaded the Procurement plan of FY 2022-23 on website.
5	Selected Contractor/ Supplier/Service provider/ Consultant on World Banks list of temporarily suspended and debarred firms	No	No contract has been awarded to any firm by Institute, which is debarred by the World Bank.
6	Contract Award Notice (CAN) as per applicable format ( Competitive selection, Request for Quotations Direct selection are uploaded on website/ Public domain against of each of the completed procurement (applicable in case of LOA/contract issued)	Yes	No comments
7	Any other section/ weakness reviewed on procurement	Yes	During audit period some weakness found in procurement section that is already given in audit report Part -D.

## PART - F

### EXECUTIVE SUMMARY AND SUGGESTIONS/RECOMMENDATIONS

#### 1. PROCUREMENT MADE WITHOUT APPROVAL OF COMPETENT

##### AUTHORITY

During the audit we found that institute has procurement made but this item was not approved in procurement plan FY 2022-23 from Chairman of IMC and Institute Management Committee. Detail of this procurement is given below:

Date of Payment	Invoice no.	Name of Supplier	Name of Item	Amount
30.04.2022	GEMC-19921150	Leela Document Company.	Epson Single function wideformat Printer Plotter printing.	167384.00

## **2. TDS AMOUNT DEDUCTED TWICE FROM PFMS PORTAL**

During the checking of TDS records we found that while Institute has generating the PPA for making the payment to vendor than TDS amount was deducted twice from PFMS Portal but actually TDS amount was deposited once in the bank through IMC only and balance amount was lying in the SNA account but Now there is a difference between the funds reflected on PFMS Portal & Lying in the SNA account The detail is mentioned as under:

Name of ITI	Account no.	Date	Amount of TDS deducted Twice from PFMS Portal
Govt. ITI Mandi	792020110000326	23.04.2022	5218.00

## **3. DIFFERENCE BETWEEN EXPENDITURE BOOKED IN PFMS SOFTWARE AND ACTUAL EXPENDITURE INCURRED AS PER CASH BOOK**

During audit we noticed that there was difference between expenditure booked in PFMS Software and actual expenditure incurred as per cash book. The detail of PFMS reconciliation are mentioned below:

### **PFMS reconciliation statement as on 31.03.2023 - FY – 2022-23)**

Sr. No.	Statement of Expenditure	Amount (Rs.)
1	Expenditure booked as per PFMS Statement From (01.04.2022 to 31.03.2023)	2069912.00
2	Actual Expenditure incurred as per cash book from (01.04.2022 to 31.03.2023)	1809339.00
	Difference	260573.00

#### **4. EXPENDITURE EXCEEDED AGAINST SANCTIONED BUDGET**

While checking of Books of accounts we observed that Institute has incurred the expenditure exceed with sanction budget amount, details are mentioned below:

<b>Date of Payment</b>	<b>Particulars</b>	<b>Budget Amount</b>	<b>Award Amount</b>	<b>Excess Expenditure against sanction Budget</b>	<b>Observation</b>
21.02.2023	Amount Paid to B.E. Office Automation for purchases of HP Desktop.	45000.00	64486.00	19486.00	Expenditure exceeded against sanctioned budget Amount

#### **5. INSTITUTE OPENED HOLDING ACCOUNT BUT NOT OPERATED FOR STATUTORY PAYMENTS**

During the audit we found that Institute has opened holding account as per NPIU instruction/ guideline but not operated for statutory payments till date.

As per instruction / guideline of NPIU Letter no. F.No.1/(13)/PFMS/FCD/2020 date on 23<sup>rd</sup> March 2021, A Separate bank account (To be called Holding Account) shall be opened by the Institute for holding the tax/ statutory deductions. This holding account would be permitted to make payments outside of PFMS, through cheques or internet banking to effect the statutory payments with the challan details being captured simultaneously. The holding account will serve the purpose of holding tax/ duties/levies/fees/ municipal charges etc. of State Government, municipalities etc. which the Agencies need to process. The Holding account shall be opened preferably in the same bank as in the SNA/ ZBA account and maximum time for which money can be held in this account shall be fourteen days, after which the money shall be credited back to the agency account.



**SKILLS STRENGTHENING FOR INDUSTRIAL VALUE ENHANCEMENT (STRIVE)**  
**(WORLD BANK FUNDED PROJECT)**

**GOVT. INDUSTRIAL TRAINING INSTITUTE – NADAUN (AT RAIL)**

**INTERNAL AUDIT REPORT FOR THE PERIOD FROM 01.04.2022 TO 31.03.2023**

**PART – A BRIEF DETAIL OF THE AUDITEE AND AUDIT**

- |   |  |
|---|--|
| a. Name and address of the Auditee      | : Govt. Industrial Training Institute<br>Nadaun ( at Rail) |
| b. Name of Auditors                     | : Agarwal A Kumar & Associates                             |
| c. Days of Audit                        | : 2  |
| d. Period covered in the previous audit | : April 01, 2021 to March 31, 2022                         |
| e. Period covered in the current audit  | : April 01, 2022 to March 31, 2023                         |

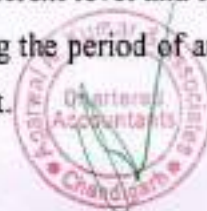
**PART – B**

**EXECUTIVE SUMMARY**

**(a) Objective of Audit**

We have conducted the Internal Audit of Govt. Industrial Training Institute Nadaun (at Rail) for the period from April 01, 2022 to March 31, 2023. We have carried out the audit in accordance with the standards on auditing promulgated by the Institute of Chartered Accountants of India and in accordance with the TOR as issued by the funding Agency International Development Association. It is the responsibility of the management to maintain the PFMS / PMIS as prescribe by the funding agency in cash system of accounting, fair and proper documentation, generation books and records, and the various Interim financial reports and annual statements, and to implement a proper internal control system commensurate with the size of the 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.



**(b) Methodology of Audit**

The Audit was conducted on the basis of the finalized Audit Program. After distribution of the audit work and responsibilities, the concerned staff performed their job and directly reported to Team Manager on daily basis. Internal Audit program was mainly focused on following areas:

- 1 An assessment of whether the Project Financial Statements have been prepared in accordance with consistently applied Accounting Standards of the Institute of Chartered Accountants of India and gives a true and fair view of the operations of the Project during the year and the financial position of the Project at the close of the fiscal year.
- 2 An assessment of the adequacy of the Project financial management systems including internal controls. The financial management system should include methods and records established to identify, assemble, analyze, classify, record and report on transactions and to maintain accountability for the related assets and liabilities.
- 3 That all project funds have been used in accordance with the conditions of the relevant financing agreement, with due attention to transparency, economy and efficiency and only for the purposes for which the financing was provided.
- 4 All necessary supporting documents, records and books/ statements of accounts have been maintained and all necessary supporting documents such as records, vouchers, bids etc. and books of accounts have been kept in respect of all project expenditures.
- 5 Identify the expenditure which are covered in accordance with the allocation described in "Operational Manual" under section 4 "Fiduciary Systems" para 4.1 " Financial Management" under sub para 4.2.3 "Eligible and Ineligible Procurement Expenditure" as eligible and segregate these from non-eligible items.
- 6 Clear linkages exist between the books of accounts maintained for the expenditures and reports presented for the expenditure incurred.
- 7 That test check and verification of the activities were conducted for the project as planned and that they were in line with the agreed loan agreement.
- 8 Verify the eligibility of expenditures for SoE disbursement and separately report upon ineligible expenditure claimed if any.

**(c) Status of implementation of the Public Financial Management System**

During audit we noted that "Public Financial Management System" has been implemented during period from April 01, 2022 to March 31, 2023.

**(d) Status of Compliance of previous audit report**

During audit we noted that the compliance of the observations of previous internal audit report have not been done.

**(e) Key areas of weakness**

During audit we noted that there were some key areas of weakness regarding procedural lapse for the period from April 01, 2022 to March 31, 2023, Details are given in part D.

**PART – C**

**COMPLIANCE OF PREVIOUS AUDIT REPORT**

During audit we noted that the compliance of the observations of previous internal audit report have not been done.

**1. DIFFERENCE BETWEEN EXPENDITURE BOOKED IN PFMS SOFTWARE AND ACTUAL EXPENDITURE INCURRED AS PER CASH BOOK**

During audit we noticed that there was difference between expenditure booked in PFMS Software and actual expenditure incurred as per cash book. The detail of PFMS

Reconciliation are mentioned below:

**PFMS reconciliation statement as on 31.03.2022 - FY – 2021-22)**

Sr. No.	Statement of Expenditure	Amount (Rs.)
1	Expenditure booked as per PFMS Statement From (01.04.2021 to 31.03.2022)	1771313.00
2	Actual Expenditure incurred as per cash book from (01.04.2020 to 31.03.2021)	1550174.00
	Difference	221139.00

**2. NON LEVY OF LIQUIDATED DAMAGES**

On checking of procurement we found that expenditure incurred for auto electric Test & Equipments but supply was late provided by vendor or suppliers and No L.D. was deducted on payment of Vender & Supplier by Institute but As per Term & condition of contract liquidate damage should be charged for any delay in supply of goods and material. Liquidated Damages are charged at 0.5% of contract price per week after the stipulated date of delivery, subject to a maximum limit of 10% of contract price. Details are mentioned below:

Contract No.	Date of Payments	Particular	Date of Delivery as per Contract	Amount	Actual Date of Delivery	Delay
GEMC-51168779 1980709	18.06.2021	M/s Mars Edpal Instruments	03.03.2021	69900.00	24.03.2021	21 Days
GEMC-51168774 783504	09.07.2021	M/s Guru Nanak Scientific Devices	26.06.2021	52090.00	29.06.2021	3 days
GEMC-51168774 3761856	09.07.2021	M/s Mars Edpal Instruments	24.06.2021	119900.00	29.06.2021	5 Days
GEMC-51168771 292692	09.07.2021	M/s Mars Edpal Instruments	24.06.2021	156000.00	29.06.2021	5 days
GEMC-51168775 1505148	09.07.2021	M/s Mars Edpal Instruments	24.06.2021	170000.00	29.06.2021	5 days
GEMC-51168770 4360889	09.07.2021	M/s Mars Edpal Instruments	24.06.2021	39000.00	29.06.2021	5 days
GEMC-51168778 5286630	12.07.2021	M/s Mars Edpal Instruments	25.06.2021	190000.00	10.07.2021	16 days

#### **PART - D**

#### **SERIOUS OBSERVATIONS**

During audit we found that there were some serious observations such as laps in internal control, system weakness etc. in following manner:

#### **1. INVOICE / BILL NOT FOUND**

During the audit we found that Institute has made payment to M/s NIESBUD Noida for fees of capacity building program on Entrepreneurship Development for Principle & Senior Faculty of ITI,s of Rs.47,200/- but Invoice / Bill not found with payment voucher, detail is mentioned below:

Date of Payment	Particulars	Amount	Observation
11.05.2022	Amount paid to M/s NIESBUD Noida for fees of Capacity building program on Entrepreneurship Development for Principle & Senior Faculty of ITI,s.	47,200/-	Invoice / Bill not found with payment voucher at the time of audit.

## 2. TDS NOT DEDUCTED

On checking of TDS records we noted that institute has paid amount of Rs.47,200/- to M/s NIESBUD Noida but TDS was not deducted under section 194J of Income tax at the time of payment by Institute. detail is mentioned below:

Date of Deducted	Particulars	Amount	TDS Should be deducted @ 10%	Observation
11.05.2022	Amount paid to M/s NIESBUD Noida for fees of Capacity building program on Entrepreneurship Development for Principle & Senior Faculty of ITI,s.	47,200/-	4,720/-	TDS was not deducted by Institute at the time of payment.

## 3. DIFFERENCE BETWEEN EXPENDITURE BOOKED IN PFMS SOFTWARE AND ACTUAL EXPENDITURE INCURRED AS PER CASH BOOK

During audit we noticed that there was difference between expenditure booked in PFMS Software and actual expenditure incurred as per cash book. The detail of PFMS reconciliation are mentioned below:



**PFMS reconciliation statement as on 31.03.2023 - FY – 2022-23)**

Sr. No.	Statement of Expenditure	Amount (Rs.)
1	Expenditure booked as per PFMS Statement From (01.04.2022 to 31.03.2023)	3717000.00
2	Actual Expenditure incurred as per cash book from (01.04.2022 to 31.03.2023)	3674389.00
	Difference	42611.00

**4. TDS AMOUNT DEDUCTED TWICE FROM PFMS PORTAL**

During the checking of TDS records we found that while Institute has generating the PPA for making the payment to vendor than TDS amount was deducted twice from PFMS Portal but actually TDS amount was deposited once in the bank through IMC only and balance amount was lying in the SNA account but Now there is a difference between the funds reflected on PFMS Portal & Lying in the SNA account The details are mentioned as under:

Name of ITI	Account no.	Date	Amount of TDS deducted Twice from PFMS Portal
Govt. ITI Nadaun ( Rail)	792220110000091	21.04.2022	14708.00
Govt. ITI Nadaun ( Rail)	792220110000091	27.04.2022	6842.00
Govt. ITI Nadaun ( Rail)	792220110000091	10.05.2022	7585.00
Govt. ITI Nadaun ( Rail)	792220110000091	21.06.2022	6176.00
Govt. ITI Nadaun ( Rail)	792220110000091	21.06.2022	7300.00

**5. NO IDENTIFICATION MARK ON THE FIXED ASSETS**

We checked the Fixed Assets Register and found that consumable and non consumable items were shown in same register. There is no segregation of some items. Further we have checked the Physically fixed assets and noted that there were no identification of marks shown on the fixed assets.

### Recommendation

We recommend that As per "Operational Manual" under section 4" para 4.1.3.4 "page no. 320 Each asset must be physically marked with a number, where in such number must be recorded along with the Asset Location in the Asset Register.

### 6. INSTITUTE OPENED HOLDING ACCOUNT BUT NOT OPERATED FOR STATUTORY PAYMENTS

During the audit we found that Institute has opened holding account as per NPIU instruction/ guideline but not operated for statutory payments till date.

As per instruction / guideline of NPIU Letter no. F.No.1/(13)/PFMS/FCD/2020 date on 23<sup>rd</sup> March 2021, A Separate bank account (To be called Holding Account) shall be opened by the Institute for holding the tax/ statutory deductions. This holding account would be permitted to make payments outside of PFMS, through cheques or internet banking to effect the statutory payments with the challan details being captured simultaneously. The holding account will serve the purpose of holding tax/ duties/levies/fees/ municipal charges etc. of State Government, municipalities etc. which the Agencies need to process. The Holding account shall be opened preferably in the same bank as in the SNA/ ZBA account and maximum time for which money can be held in this account shall be fourteen days, after which the money shall be credited back to the agency account.

### PART – E

### OTHER OBSERVATIONS

#### 1. STATUS OF UTILISATION OF FUND

During audit we found that fund received and utilized during audit period as below:

Opening Balance as on 01.04.2022	0.00
Fund received during the period from (01.04.2022 to 31.03.2023)	3674389.00
Expenditure incurred during the period (01.04.2022 to 31.03.2023)	3674389.00
Balance as per bank as on 31.03.2023	<u>0.00</u>

## 2. CHECKING OF OTHER PROCUREMENT SECTION

Sr. No.	Particulars	Compliance from auditors Yes/ No	Comment of auditor
1	Goods and services financed have been procured in accordance with the relevant financing agreement and procurement norms as laid out in the operations manual.	Yes	No comments
2	Procurement processes being followed at the it is and State Societies are as per procurement Guidelines under STRIVE project as per Para 4.2 of the OM	Yes	No comments
3	Any Procurement related complaints received and time taken in disposal of each such complaints and verifying that no contracts excluded from the program have been awarded.	No	There was no procurement related complaints are reflected on website
4	Publication of Annual/ Quarterly procurement plan on Institute / SPIU website.	Yes	Institute procurement plan is uploaded on the web site <a href="http://.itirail.edu.in">http://.itirail.edu.in</a> for the financial year 2022-23.
5	Selected Contractor/ Supplier/Service provider/ Consultant on World Banks list of temporarily suspended and debarred firms	No	No contract has been awarded to any firm by Institute, which is debarred by the World Bank.
6	Contract Award Notice (CAN) as per applicable format ( Competitive selection, Request for Quotations Direct selection are uploaded on website/ Public domain against of each of the completed procurement (applicable in case of LOA/contract issued)	Yes	No comments
7	Any other section/ weakness reviewed on procurement	Yes	During audit period some weakness found in procurement section that is already given in audit report Part -D.

**PART - F**

**EXECUTIVE SUMMARY AND SUGGESTIONS/RECOMMENDATIONS**

**1. INVOICE / BILL NOT FOUND**

During the audit we found that Institute has payment made to M/s NIESBUD Noida for fees of Capacity building program on Entrepreneurship Development for Principle & Senior Faculty of ITI,s of Rs.47,200/- but Invoice / Bill not found with payment voucher, detail is mentioned below:

<b>Date of Payment</b>	<b>Particulars</b>	<b>Amount</b>	<b>Observation</b>
11.05.2022	Amount paid to M/s NIESBUD Noida for fees of Capacity building program on Entrepreneurship Development for Principle & Senior Faculty of ITI,s.	47,200/-	Invoice / Bill not found with payment voucher at the time of audit.

**2. TDS NOT DEDUCTED**

On checking of TDS records we noted that institute has paid amount of Rs.47,200/- to M/s NIESBUD Noida but TDS was not deducted under section 194J of Income tax at the time of payment by Institute. detail is mentioned below:

<b>Date of Deducted</b>	<b>Particulars</b>	<b>Amount</b>	<b>TDS Should be deducted @ 10%</b>	<b>Observation</b>
11.05.2022	Amount paid to M/s NIESBUD Noida for fees of Capacity building program on Entrepreneurship Development for Principle & Senior Faculty of ITI,s.	47,200/-	4,720/-	TDS was not deducted by Institute at the time of payment.

**3. DIFFERENCE BETWEEN EXPENDITURE BOOKED IN PFMS SOFTWARE AND ACTUAL EXPENDITURE INCURRED AS PER CASH BOOK**

During audit we noticed that there was difference between expenditure booked in PFMS Software and actual expenditure incurred as per cash book. The detail of PFMS reconciliation are mentioned below:

**PFMS reconciliation statement as on 31.03.2023 - FY – 2022-23)**

Sr. No.	Statement of Expenditure	Amount (Rs.)
1	Expenditure booked as per PFMS Statement From (01.04.2022 to 31.03.2023)	3717000.00
2	Actual Expenditure incurred as per cash book from (01.04.2022 to 31.03.2023)	3674389.00
	Difference	42611.00

**4. TDS AMOUNT DEDUCTED TWICE FROM PFMS PORTAL**

During the checking of TDS records we found that while Institute has generating the PPA for making the payment to vendor than TDS amount was deducted twice from PFMS Portal but actually TDS amount was deposited once in the bank through IMC only and balance amount was lying in the SNA account but Now there is a difference between the funds reflected on PFMS Portal & Lying in the SNA account The details are mentioned as under:

Name of ITI	Account no.	Date	Amount of TDS deducted Twice from PFMS Portal
Govt. ITI Nadaun ( Rail)	792220110000091	21.04.2022	14708.00
Govt. ITI Nadaun ( Rail)	792220110000091	27.04.2022	6842.00
Govt. ITI Nadaun ( Rail)	792220110000091	10.05.2022	7585.00
Govt. ITI Nadaun ( Rail)	792220110000091	21.06.2022	6176.00
Govt. ITI Nadaun ( Rail)	792220110000091	21.06.2022	7300.00

**5. NO IDENTIFICATION MARK SHOWN ON THE FIXED ASSETS**

We checked the Fixed Assets Register and found that consumable and non-consumable items were shown in same register. There is no segregation of some items. Further we have checked the Physically fixed assets and noted that there were no identification of marks shown on the some fixed assets.

### **Recommendation**

We recommend that As per "Operational Manual" under section 4" para 4.1.3.4 "page no. 320 Each asset must be physically marked with a number, where in such number must be recorded along with the Asset Location in the Asset Register.

### **6. INSTITUTE OPENED HOLDING ACCOUNT BUT NOT OPERATED FOR STATUTORY PAYMENTS**

During the audit we found that Institute has opened holding account as per NPIU instruction/ guideline but not operated for statutory payments till date.

As per instruction / guideline of NPIU Letter no. F.No.1/(13)/PFMS/FCD/2020 date on 23<sup>rd</sup> March 2021, A Separate bank account (To be called Holding Account) shall be opened by the Institute for holding the tax/ statutory deductions. This holding account would be permitted to make payments outside of PFMS, through cheques or internet banking to effect the statutory payments with the challan details being captured simultaneously. The holding account will serve the purpose of holding tax/ duties/levies/fees/ municipal charges etc. of State Government, municipalities etc. which the Agencies need to process. The Holding account shall be opened preferably in the same bank as in the SNA/ ZBA account and maximum time for which money can be held in this account shall be fourteen days, after which the money shall be credited back to the agency account.



**SKILLS STRENGTHENING FOR INDUSTRIAL VALUE ENHANCEMENT (STRIVE)**

**(WORLD BANK FUNDED PROJECT)**

**GOVT. INDUSTRIAL TRAINING INSTITUTE – PAONTA SAHIB**

**INTERNAL AUDIT REPORT FOR THE PERIOD FROM 01.04.2022 TO 31.03.2023**

**PART – A      BRIEF DETAIL OF THE AUDITEE AND AUDIT**

- |   |   |
|---|---|
| a. Name and address of the Auditee      | : Govt. Industrial Training Institute<br>Paonta Sahib |
| b. Name of Auditors                     | : Agarwal A Kumar & Associates                        |
| c. Days of Audit                        | : 2   |
| d. Period covered in the previous audit | : April 01, 2021 to March 31, 2022                    |
| e. Period covered in the current audit  | : April 01, 2022 to March 31, 2023                    |

**PART – B**

**EXECUTIVE SUMMARY**

**(a) Objective of Audit**

We have conducted the Internal Audit of Govt. Industrial Training Institute Paonta Sahib for the period from April 01, 2022 to March 31, 2023. We have carried out the audit in accordance with the standards on auditing promulgated by the Institute of Chartered Accountants of India and in accordance with the TOR as issued by the funding Agency International Development Association. It is the responsibility of the management to maintain the PFMS / PMIS as prescribe by the funding agency in cash system of accounting, fair and proper documentation, generation books and records, and the various Interim financial reports and annual statements, and to implement a proper internal control system commensurate with the size of the 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.



**(b) Methodology of Audit**

The Audit was conducted on the basis of the finalized Audit Program. After distribution of the audit work and responsibilities, the concerned staff performed their job and directly reported to Team Manager on daily basis. Internal Audit program was mainly focused on following areas:

- 1 An assessment of whether the Project Financial Statements have been prepared in accordance with consistently applied Accounting Standards of the Institute of Chartered Accountants of India and gives a true and fair view of the operations of the Project during the year and the financial position of the Project at the close of the financial year.
- 2 An assessment of the adequacy of the Project financial management systems including internal controls. The financial management system should include methods and records established to identify, assemble, analyze, classify, record and report on transactions and to maintain accountability for the related assets and liabilities.
- 3 That all project funds have been used in accordance with the conditions of the relevant financing agreement, with due attention to transparency, economy and efficiency and only for the purposes for which the financing was provided.
- 4 All necessary supporting documents, records and books/ statements of accounts have been maintained and all necessary supporting documents such as records, vouchers, bids etc. and books of accounts have been kept in respect of all project expenditures.
- 5 Identify the expenditure which are covered in accordance with the allocation described in "Operational Manual" under section 4 "Fiduciary Systems" para 4.1 "Financial Management" under sub para 4.2.3 "Eligible and Ineligible Procurement Expenditure" as eligible and segregate these from non-eligible items.
- 6 Clear linkages exist between the books of accounts maintained for the expenditures and reports presented for the expenditure incurred.
- 7 That test check and verification of the activities were conducted for the project as planned and that they were in line with the agreed loan agreement.
- 8 Verify the eligibility of expenditures for SoE disbursement and separately report upon ineligible expenditure claimed if any.

**(c) Status of implementation of the Public Financial Management System**

During audit we noted that "Public Financial Management System" has been implemented during period from April 01, 2022 to March 31, 2023.



**(d) Status of Compliance of previous audit report**

During audit we noted that the compliance of the observations of previous internal audit report have not been done.

**(e) Key areas of weakness**

During audit we noted that there were some key areas of weakness regarding procedural Lapse for the period from April 01, 2022 to March 31, 2023, Details are given in part D.

**PART – C**

**COMPLIANCE OF PREVIOUS AUDIT REPORT**

During audit we noted that the compliance of the observations of previous internal audit report have not been done.

**1. DIFFERENCE BETWEEN EXPENDITURE BOOKED IN PFMS SOFTWARE AND ACTUAL EXPENDITURE INCURRED AS PER CASH BOOK**

During audit we noticed that there was difference between expenditure booked in PFMS Software and actual expenditure incurred as per cash book. The detail of PFMS reconciliation are mentioned below:

**PFMS reconciliation statement as on 31.03.2021 - FY – 2020-21)**

Sr. No.	Statement of Expenditure	Amount (Rs.)
1	Expenditure booked as per PFMS Statement From (01.04.2020 to 31.03.2021)	3610885.00
2	Actual Expenditure incurred as per cash book from (01.04.2020 to 31.03.2021)	3598300.78
	Difference	12584.22

**2. DIFFERENCE BETWEEN EXPENDITURE BOOKED IN PFMS SOFTWARE ANDACTUAL EXPENDITURE INCURRED AS PER CASH BOOK**

During audit we noticed that there was difference between expenditure booked in PFMS Software and actual expenditure incurred as per cash book. The detail of PFMS Reconciliation are mentioned below:

**PFMS reconciliation statement as on 31.03.2022 - FY – 2021-22)**

Sr. No.	Statement of Expenditure	Amount (Rs.)
1	Expenditure booked as per PFMS Statement From (01.04.2021 to 31.03.2022)	3362115.00
2	Actual Expenditure incurred as per cash book from (01.04.2021 to 31.03.2022)	2943939.22
	Difference	418175.78

**3. NON LEVY OF LIQUIDATED DAMAGES**

On checking of procurement we found that expenditure incurred for purchase of Machinery & Equipments but supply was late provided by vendor or supplier and No L.D. was deducted on payment of Vender & Supplier by Institute but As per Term & condition of contract liquidate damage should be charged for any delay in supply of goods and material. Liquidated Damages are charged at 0.5% of contract price per week after the stipulated date of delivery, subject to a maximum limit of 10% of contract price. Details are mentioned below:

Date of Payment	Name of Supplier	Amount	Method of purchase	Date of Supply as per agreement	Actual Delivery	No. of delay
14.07.2021	HMT Machine Tool Ltd. For purchases of Lathe machine.	1435000	GEM	07.08.2021	13.09.2021	36days

**PART – D**

**SERIOUS OBSERVATIONS**

During audit we found that there were some serious observations such as laps in internal control, system weakness etc. in following manner:

**1. DIFFERENCE BETWEEN EXPENDITURE BOOKED IN PFMS SOFTWARE AND ACTUAL EXPENDITURE INCURRED AS PER CASH BOOK**

During audit we noticed that there was difference between expenditure booked in PFMS Software and actual expenditure incurred as per cash book. The detail of PFMS reconciliation

are mentioned below:

**PFMS reconciliation statement as on 31.03.2023 - FY – 2022-23)**

Sr. No.	Statement of Expenditure	Amount (Rs.)
1	Expenditure booked as per PFMS Statement From (01.04.2022 to 31.03.2023)	2132160.00
2	Actual Expenditure incurred as per cash book from (01.04.2022 to 31.03.2023)	839760.00
	Difference	1292400.00

**2. VARIATION BETWEEN COST ESTIMATE (BUDGETARY) AND AWARDED**

**PRICE**

While checking of procurement plan we found that in some of the cases there are variations exceeding 30% in budgetary cost estimates and final amount of awarded contracts. Details of these cases are as follows :

Date of Payment	Name of Supplier	Name of Item	Award Amount	Estimate cost	Variation %
27.06.2022	Puri Scientific works	Thyrister/IGT cantroller	24800	50000	100%
27.06.2022	Puri Scientific works	Starter resistance Type	13200	40000	200%
28.06.2022	Macin India	Battery Charger	9000	15000	65%

**PART – E**

**OTHER OBSERVATIONS**

**1. STATUS OF UTILISATION OF FUND**

During audit we found that fund received and utilized during audit period as below:

Opening Balance as on 01.04.2022	0.00
Fund received during the period from (01.04.2022 to 31.03.2023)	839760.00
Expenditure incurred during the period (01.04.2022 to 31.03.2023)	839760.00
Balance as per bank as on 31.03.2023	<u>0.00</u>

## 2. CHECKING OF OTHER PROCUREMENT SECTION

Sr. No.	Particulars	Compliance from auditors Yes/ No	Comment of auditor
1	Goods and services financed have been procured in accordance with the relevant financing agreement and procurement norms as laid out in the operations manual.	Yes	No comments
2	Procurement processes being followed at the it is and State Societies are as per procurement Guidelines under STRIVE project as per Para 4.2 of the OM	Yes	No comments
3	Any Procurement related complaints received and time taken in disposal of each such complaints and verifying that no contracts excluded from the program have been awarded.	No	There was no procurement related complaints are reflected on website
4	Publication of Annual/ Quarterly procurement plan on Institute / SPIU website.	Yes	Institute procurement plan is uploaded on the web site <a href="http://www.himachaliti.in/paontasahib">www.himachaliti.in/paontasahib</a> for the financial year 2022-23.
5	Selected Contractor/ Supplier/Service provider/ Consultant on World Banks list of temporarily suspended and debarred firms	No	No contract has been awarded to any firm by Institute, which is debarred by the World Bank.
6	Contract Award Notice (CAN) as per applicable format ( Competitive selection, Request for Quotations Direct selection are uploaded on website/ Public domain against of each of the completed procurement (applicable in case of LOA/contract issued)	Yes	No comments
7	Any other section/ weakness reviewed on procurement	Yes	During audit period some weakness found in procurement section that is already given in audit report Part -D.

**PART - F**

**EXECUTIVE SUMMARY AND SUGGESTIONS/RECOMMENDATIONS**

**1. DIFFERENCE BETWEEN EXPENDITURE BOOKED IN PFMS SOFTWARE AND ACTUAL EXPENDITURE INCURRED AS PER CASH BOOK**

During audit we noticed that there was difference between expenditure booked in PFMS Software and actual expenditure incurred as per cash book. The detail of PFMS reconciliation are mentioned below:

**PFMS reconciliation statement as on 31.03.2023 - FY - 2022-23)**

Sr. No.	Statement of Expenditure	Amount (Rs.)
1	Expenditure booked as per PFMS Statement From (01.04.2022 to 31.03.2023)	2132160.00
2	Actual Expenditure incurred as per cash book from (01.04.2022 to 31.03.2023)	839760.00
	Difference	1292400.00

**2. VARIATION BETWEEN COST ESTIMATE (BUDGETARY) AND AWARDED PRICE**

While checking of procurement plan we found that in some of the cases there are variations exceeding 30% in budgetary cost estimates and final amount of awarded contracts. Details of these cases are as follows :

Date of Payment	Name of Supplier	Name of Item	Award Amount	Estimate cost	Variation %
27.06.2022	Puri Scientific works	Thyrister/IGT cantroller	24800	50000	100%
27.06.2022	Puri Scientific works	Starter resistance Type	13200	40000	200%
28.06.2022	Macin India	Battery Charger	9000	15000	65%



**SKILLS STRENGTHENING FOR INDUSTRIAL VALUE ENHANCEMENT (STRIVE)**

**(WORLD BANK FUNDED PROJECT)**

**GOVT. INDUSTRIAL TRAINING INSTITUTE – RAJGARH**

**INTERNAL AUDIT REPORT FOR THE PERIOD FROM 01.04.2022 TO 31.03.2023**

**PART – A BRIEF DETAIL OF THE AUDITEE AND AUDIT**

- |   |  |
|---|--|
| a. Name and address of the Auditee      | : Govt. Industrial Training Institute<br>Rajgarh |
| b. Name of Auditors                     | : Agarwal A Kumar & Associates                   |
| c. Days of Audit                        | : 2  |
| d. Period covered in the previous audit | : April 01, 2021 to March 31, 2022               |
| e. Period covered in the current audit  | : April 01, 2022 to March 31, 2023               |

**PART – B**

**EXECUTIVE SUMMARY**

**(a) Objective of Audit**

We have conducted the Internal Audit of Govt. Industrial Training Institute Rajgarh for the period from April 01, 2022 to March 31, 2023. We have carried out the audit in accordance with the standards on auditing promulgated by the Institute of Chartered Accountants of India and in accordance with the TOR as issued by the funding Agency International Development Association. It is the responsibility of the management to maintain the PFMS / PMIS as prescribe by the funding agency in cash system of accounting, fair and proper documentation, generation books and records, and the various Interim financial reports and annual statements, and to implement a proper internal control system commensurate with the size of the 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.



**(b) Methodology of Audit**

The Audit was conducted on the basis of the finalized Audit Program. After distribution of the audit work and responsibilities, the concerned staff performed their job and directly reported to Team Manager on daily basis. Internal Audit program was mainly focused on following areas:

- 1 An assessment of whether the Project Financial Statements have been prepared in accordance with consistently applied Accounting Standards of the Institute of Chartered Accountants of India and gives a true and fair view of the operations of the Project during the year and the financial position of the Project at the close of the financial year.
- 2 An assessment of the adequacy of the Project financial management systems including internal controls. The financial management system should include methods and records established to identify, assemble, analyze, classify, record and report on transactions and to maintain accountability for the related assets and liabilities.
- 3 That all project funds have been used in accordance with the conditions of the relevant financing agreement, with due attention to transparency, economy and efficiency and only for the purposes for which the financing was provided.
- 4 All necessary supporting documents, records and books/ statements of accounts have been maintained and all necessary supporting documents such as records, vouchers, bids etc. and books of accounts have been kept in respect of all project expenditures.
- 5 Identify the expenditure which are covered in accordance with the allocation described in "Operational Manual" under section 4 "Fiduciary Systems" para 4.1 " Financial Management" under sub para 4.2.3 "Eligible and Ineligible Procurement Expenditure" as eligible and segregate these from non-eligible items.
- 6 Clear linkages exist between the books of accounts maintained for the expenditures and reports presented for the expenditure incurred.
- 7 That test check and verification of the activities were conducted for the project as planned and that they were in line with the agreed loan agreement.
- 8 Verify the eligibility of expenditures for SoE disbursement and separately report upon ineligible expenditure claimed if any.

**(c) Status of implementation of the Public Financial Management System**

During audit we noted that "Public Financial Management System" has been implemented during period from April 01, 2022 to March 31, 2023.

**(d) Status of Compliance of previous audit report**

During audit we noted that the compliance of the observations of previous internal audit report have not been done.

**(e) Key areas of weakness**

During audit we noted that there were some key areas of weakness regarding procedural Lapse for the period from April 01, 2022 to March 31, 2023, Details are given in part D.

**PART – C**

**COMPLIANCE OF PREVIOUS AUDIT REPORT**

During audit we noted that the compliance of the observations of previous internal audit report have not been done.

**1. DIFFERENCE BETWEEN EXPENDITURE BOOKED IN PFMS SOFTWARE AND ACTUAL EXPENDITURE INCURRED AS PER CASH BOOK**

During audit we noticed that there was difference between expenditure booked in PFMS Software and actual expenditure incurred as per cash book. The detail of PFMS reconciliation are mentioned below:

**PFMS reconciliation statement as on 31.03.2021 - FY – 2020-21)**

<b>Sr. No.</b>	<b>Statement of Expenditure</b>	<b>Amount (Rs.)</b>
1	Expenditure booked as per PFMS Statement From (01.04.2020 to 31.03.2021)	6316106.00
2	Actual Expenditure incurred as per cash book from (01.04.2020 to 31.03.2021)	6000000.00
	Difference	316106.00

**PART – D**

**SERIOUS OBSERVATIONS**

During audit we found that there were serious observations such as laps in internal control, system weakness etc.



**1. PROCUREMENT MADE WITHOUT APPROVAL OF COMPETENT AUTHORITY**

During the audit we found that institute has some item purchases but these items were not approved in procurement plan FY 2022-23 from Chairman of IMC and Institute Management Committee. Details of these procurement are given below:

Date of Payment	Invoice no.	Name of Supplier	Name of Item	Amount
08.06.2022	SDC-2022-23/0344	Satluj Document company	Intractive Panel	190760.00
16.06.2022	58	Global Scientific Corporation	Tool Display Board	52500.00
08.06.2022	SPL/2022-23/0021	SPL Info Pathway Pvt. Ltd.	LED, 10 KVA UPS System etc.	495373.00
07.01.2023	TM-2022-23/01077	M/s The Vending Co.	Atlants Jumbo	17100.00

**Auditors' Comments**

Appropriate approval/ sanction as mentioned in the reply by Institute will be checked by Audit team on next visit

**2. DIFFERENCE BETWEEN EXPENDITURE BOOKED IN PFMS SOFTWARE AND ACTUAL EXPENDITURE INCURRED AS PER CASH BOOK**

During audit we noticed that there was difference between expenditure booked in PFMS Software and actual expenditure incurred as per cash book. The detail of PFMS reconciliation are mentioned below:

**PFMS reconciliation statement as on 31.03.2023 - FY – 2022-23)**

Sr. No.	Statement of Expenditure	Amount (Rs.)
1	Expenditure booked as per PFMS Statement From (01.04.2022 to 31.03.2023)	2487334.00
2	Actual Expenditure incurred as per cash book from (01.04.2022 to 31.03.2023)	2587214.00
	Difference	99880.00

**3. INSTITUTE OPENED HOLDING ACCOUNT BUT NOT OPERATED FOR STATUTORY PAYMENTS**

During the audit we found that Institute has opened holding account as per NPIU instruction/ guideline but not operated for statutory payments till date.

As per instruction / guideline of NPIU Letter no. F.No.1/(13)/PFMS/FCD/2020 date on 23<sup>rd</sup> March 2021, A Separate bank account (To be called Holding Account) shall be opened by the Institute for holding the tax/ statutory deductions. This holding account would be permitted to make payments outside of PFMS, through cheques or internet banking to effect the statutory payments with the challan details being captured simultaneously. The holding account will serve the purpose of holding tax/ duties/levies/fees/ municipal charges etc. of State Government, municipalities etc. which the Agencies need to process. The Holding account shall be opened preferably in the same bank as in the SNA/ ZBA account and maximum time for which money can be held in this account shall be fourteen days, after which the money shall be credited back to the agency account.

**Auditors' Comment**

Audit team will check on next visit statutory payment made from the account as mentioned in the reply by the institute.

**4. INSPECTION REPORT OF MACHINERY, EQUIPMENTS AND MATERIAL NOT AVILABLE**

During audit we found that Institute has made some procurement but after supply and installation of Machinery, Equipments and Material from venders, suppliers there were no Inspection reports of IMC members found in record during audit. Details of these procurement are given below:

Date of Payment	Invoice no.	Name of Supplier	Name of Item	Amount
08.06.2022	SDC-2022-23/0344	Satluj Document company	Intractive Panel	190760.00
16.06.2022	58	Global Scientific Corporation	Tool Display Board	52500.00
08.06.2022	SPL/2022-23/0021	SPL Info Pathway Pvt. Ltd.	LED, 10 KVA UPS System etc.	495373.00
07.01.2023	TM-2022-23/01077	M/s The Vending Co.	Atlants Jumbo	17100.00

**PART – E**

**OTHER OBSERVATIONS**

**1. STATUS OF UTILISATION OF FUND**

During audit we found that fund received and utilized during audit period as below:

Opening Balance as on 01.04.2022	0.00
Fund received during the period from (01.04.2022 to 31.03.2023)	2587214.00
Expenditure incurred during the period (01.04.2022 to 31.03.2023)	2587214.00
Balance as per bank as on 31.03.2023	<u>0.00</u>

**2. CHECKING OF OTHER PROCUREMENT SECTION**

Sr. No.	Particulars	Compliance from auditors Yes/ No	Comment of auditor
1	Goods and services financed have been procured in accordance with the relevant financing agreement and procurement norms as laid out in the operations manual.	Yes	No comments
2	Procurement processes being followed at the it is and State Societies are as per procurement Guidelines under STRIVE project as per Para 4.2 of the OM	Yes	No comments
3	Any Procurement related complaints received and time taken in disposal of each such complaints and verifying that no contracts excluded from the program have been awarded.	No	There was no procurement related complaints are reflected on website
4	Publication of Annual/ Quarterly procurement plan on Institute / SPIU website.	Yes	Institute procurement plan is uploaded on the web site <a href="http://www.himachaliti.in/rajgariti/Admin">http://www.himachaliti.in/rajgariti/Admin</a> for the financial year 2022-23.
5	Selected Contractor/ Supplier/Service provider/ Consultant on World Banks list of temporarily suspended and debarred firms	No	No contract has been awarded to any firm by Institute, which is debarred by the World Bank.
6	Contract Award Notice (CAN) as per applicable format ( Competitive selection, Request for Quotations Direct selection are uploaded on website/ Public domain against of each of the completed procurement (applicable in case of LOA/contract issued)	Yes	No comments

7	Any other section/ weakness reviewed on procurement	Yes	During audit period some weakness found in procurement section that is already given in audit report Part -D.
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**PART - F**

**EXECUTIVE SUMMARY AND SUGGESTIONS/RECOMMENDATIONS**

**1. PROCUREMENT MADE WITHOUT APPROVAL OF COMPETENT**

**AUTHORITY**

During the audit we found that institute has some item purchases but these items were not approved in procurement plan FY 2022-23 from Chairman of IMC and Institute Management Committee. Details of these procurement are given below:

Date of Payment	Invoice no.	Name of Supplier	Name of Item	Amount
08.06.2022	SDC-2022-23/0344	Satluj Document company	Intractive Panel	190760.00
16.06.2022	58	Global Scientific Corporation	Tool Display Board	52500.00
08.06.2022	SPL/2022-23/0021	SPL Info Pathway Pvt. Ltd.	LED, 10 KVA UPS System etc.	495373.00
07.01.2023	TM-2022-23/01077	M/s The Vending Co.	Atlants Jumbo	17100.00

**Auditors' Comments**

Appropriate approval/ sanction as mentioned in the reply by Institute will be checked by Audit team on next visit

**2. DIFFERENCE BETWEEN EXPENDITURE BOOKED IN PFMS SOFTWARE AND ACTUAL EXPENDITURE INCURRED AS PER CASH BOOK**

During audit we noticed that there was difference between expenditure booked in PFMS Software and actual expenditure incurred as per cash book. The detail of PFMS reconciliation are mentioned below:

**PFMS reconciliation statement as on 31.03.2023 - FY – 2022-23)**

Sr. No.	Statement of Expenditure	Amount (Rs.)
1	Expenditure booked as per PFMS Statement From (01.04.2022 to 31.03.2023)	2487334.00
2	Actual Expenditure incurred as per cash book from (01.04.2022 to 31.03.2023)	2587214.00
	Difference	99880.00

**3. INSTITUTE OPENED HOLDING ACCOUNT BUT NOT OPERATED FOR STATUTORY PAYMENTS**

During the audit we found that Institute has opened holding account as per NPIU instruction/ guideline but not operated for statutory payments till date.

As per instruction / guideline of NPIU Letter no. F.No.1/(13)/PFMS/FCD/2020 date on 23<sup>rd</sup> March 2021, A Separate bank account (To be called Holding Account) shall be opened by the Institute for holding the tax/ statutory deductions. This holding account would be permitted to make payments outside of PFMS, through cheques or internet banking to effect the statutory payments with the challan details being captured simultaneously. The holding account will serve the purpose of holding tax/ duties/levies/fees/ municipal charges etc. of State Government, municipalities etc. which the Agencies need to process. The Holding account shall be opened preferably in the same bank as in the SNA/ ZBA account and maximum time for which money can be held in this account shall be fourteen days, after which the money shall be credited back to the agency account.

**Auditors' Comment**

Audit team will check on next visit statutory payment made from the account as mentioned in the reply by the institute.

**4. INSPECTION REPORT OF MACHINERY, EQUIPMENTS AND MATERIAL NOT AVAILABLE**

During audit we found that Institute has made some procurement but after supply and Installation of Machinery, Equipments and Material from venders, suppliers there were no Inspection reports of IMC members found in record during audit. Details of these Procurement are given below:

Date of Payment	Invoice no.	Name of Supplier	Name of Item	Amount
08.06.2022	SDC-2022-23/0344	Satluj Document company	Intractive Panel	190760.00
16.06.2022	58	Global Scientific Corporation	Tool Display Board	52500.00
08.06.2022	SPL/2022-23/0021	SPL Info Pathway Pvt. Ltd.	LED, 10 KVA UPS System etc.	495373.00
07.01.2023	TM-2022-23/01077	M/s The Vending Co.	Atlants Jumbo	17100.00



**SKILLS STRENGTHENING FOR INDUSTRIAL VALUE ENHANCEMENT (STRIVE)**

**(WORLD BANK FUNDED PROJECT)**

**GOVT. INDUSTRIAL TRAINING INSTITUTE – SAINJ**

**INTERNAL AUDIT REPORT FOR THE PERIOD FROM 01.04.2022 TO 31.03.2023**

**PART – A                      BRIEF DETAIL OF THE AUDITEE AND AUDIT**

- |   |  |
|---|--|
| a. Name and address of the Auditee      | : Govt. Industrial Training Institute<br>Sainj |
| b. Name of Auditors                     | : Agarwal A Kumar & Associates                 |
| c. Days of Audit                        | : 2  |
| d. Period covered in the previous audit | : April 01, 2021 to March 31, 2022             |
| e. Period covered in the current audit  | : April 01, 2022 to March 31, 2023             |

**PART – B**

**EXECUTIVE SUMMARY**

**(a) Objective of Audit**

We have conducted the Internal Audit of Govt. Industrial Training Institute Sainj for the period from April 01, 2022 to March 31, 2023. We have carried out the audit in accordance with the standards on auditing promulgated by the Institute of Chartered Accountants of India and in accordance with the TOR as issued by the funding Agency International Development Association. It is the responsibility of the management to maintain the PFMS / PMIS as prescribe by the funding agency in cash system of accounting, fair and proper documentation, generation books and records, and the various Interim financial reports and annual statements, and to implement a proper internal control system commensurate with the size of the 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.



**(b) Methodology of Audit**

The Audit was conducted on the basis of the finalized Audit Program. After distribution of the audit work and responsibilities, the concerned staff performed their job and directly reported to Team Manager on daily basis. Internal Audit program was mainly focused on following areas:

- 1 An assessment of whether the Project Financial Statements have been prepared in accordance with consistently applied Accounting Standards of the Institute of Chartered Accountants of India and gives a true and fair view of the operations of the Project during the year and the financial position of the Project at the close of the financial year.
- 2 An assessment of the adequacy of the Project financial management systems including internal controls. The financial management system should include methods and records established to identify, assemble, analyze, classify, record and report on transactions and to maintain accountability for the related assets and liabilities.
- 3 That all project funds have been used in accordance with the conditions of the relevant financing agreement, with due attention to transparency, economy and efficiency and only for the purposes for which the financing was provided.
- 4 All necessary supporting documents, records and books/ statements of accounts have been maintained and all necessary supporting documents such as records, vouchers, bids etc. and books of accounts have been kept in respect of all project expenditures.
- 5 Identify the expenditure which are covered in accordance with the allocation described in "Operational Manual" under section 4 "Fiduciary Systems" para 4.1 "Financial Management" under sub para 4.2.3 "Eligible and Ineligible Procurement Expenditure" as eligible and segregate these from non-eligible items.
- 6 Clear linkages exist between the books of accounts maintained for the expenditures and reports presented for the expenditure incurred.
- 7 That test check and verification of the activities were conducted for the project as planned and that they were in line with the agreed loan agreement.
- 8 Verify the eligibility of expenditures for SoE disbursement and separately report upon ineligible expenditure claimed if any.

**(c) Status of implementation of the Public Financial Management System**

During audit we noted that "Public Financial Management System" has been implemented during period from April 01, 2022 to March 31, 2023.



**(d) Status of Compliance of previous audit report**

During audit we noted that the compliance of the observations of previous internal audit report have been done.

**(e) Key areas of weakness**

During audit we noted that there were some key areas of weakness regarding procedural Lapse for the period from April 01, 2022 to March 31, 2023, Details are given in part D.

**PART – C**

**COMPLIANCE OF PREVIOUS AUDIT REPORT**

During audit we noted that the compliance of the observations of previous internal audit report have been done.

**PART – D**

**SERIOUS OBSERVATIONS**

During audit we found that there were some serious observations such as laps in internal control, system weakness etc. in following manner:

**1. TDS NOT DEDUCTED**

On checking of TDS records we noted that institute has paid amount of Rs.35,000/- to Osaka consultancy for professional services but TDS was not deducted under section 194J of Income tax at the time of payment by Institute. detail is mentioned below:

<b>Date of Deducted</b>	<b>Particulars</b>	<b>Amount</b>	<b>TDS Should be deducted @ 10%</b>	<b>Observation</b>
18.04.2022	Amount Paid to Osaka consultancy for professional charges on Training session for development & Industrial Value Enhancement.	35,000/-	3,500/-	TDS was not deducted by Institute at the time of payment.

**Auditors Comment**

Compliance has been done

## **2. DELAY IN DEPOSIT OF TDS**

During the checking of TDS records we noted that institute has deducted TDS in vendor payment but amount of TDS was late deposit by Institute. Detail is mentioned below:

<b>Date of Deducted</b>	<b>Particulars</b>	<b>Amount of TDS</b>	<b>Due Date for deposit</b>	<b>Actual date of deposit</b>	<b>Observation</b>
07.05.2022	Amount Paid to Gaurav Enterprises for purchases of Fabric Revolving Chair.	1,563/-	07.06.2022	08.06.2022	TDS was late deposited by Institute.

## **3. CHECKING OF PROCUREMENT PLAN**

During the checking of procurement plan we noted that Institute has not uploaded the Procurement plan of FY 2022-23 on website.

## **4. INSTITUTE OPENED HOLDING ACCOUNT BUT NOT OPERATED FOR**

### **STATUTORY PAYMENTS**

During the audit we found that Institute has opened holding account as per NPIU instruction/ guideline but not operated for statutory payments till date.

As per instruction / guideline of NPIU Letter no. F.No.1/(13)/PFMS/FCD/2020 date on 23<sup>rd</sup> March 2021, A Separate bank account (To be called Holding Account) shall be opened by the Institute for holding the tax/ statutory deductions. This holding account would be permitted to make payments outside of PFMS, through cheques or internet banking to effect the statutory payments with the challan details being captured simultaneously. The holding account will serve the purpose of holding tax/ duties/levies/fees/ municipal charges etc. of State Government, municipalities etc. which the Agencies need to process. The Holding account shall be opened preferably in the same bank as in the SNA/ ZBA account and maximum time for which money can be held in this account shall be fourteen days, after which the money shall be credited back to the agency account.

**PART – E**

**OTHER OBSERVATIONS**

**1. STATUS OF UTILISATION OF FUND**

During audit we found that fund received and utilized during audit period as below:

Opening Balance as on 01.04.2022	0.00
Fund received during the period from (01.04.2022 to 31.03.2023)	3144255.00
Expenditure incurred during the period (01.04.2022 to 31.03.2023)	3144255.00
Balance as per bank as on 31.03.2023	<u>0.00</u>

**2. NO DIFFERENCE BETWEEN EXPENDITURE BOOKED IN PFMS SOFTWARE AND ACTUAL EXPENDITURE INCURRED AS PER CASH BOOK**

During audit we noticed that there was no difference between expenditure booked in PFMS Software and actual expenditure incurred as per cash book. The detail of PFMS reconciliation are mentioned below:

**PFMS reconciliation statement as on 31.03.2023 - FY – 2022-23)**

Sr. No.	Statement of Expenditure	Amount (Rs.)
1	Expenditure booked as per PFMS Statement From (01.04.2022 to 31.03.2023)	3144255.00
2	Actual Expenditure incurred as per cash book from (01.04.2022 to 31.03.2023)	3144255.00
	Difference	0.00

**3. CHECKING OF OTHER PROCUREMENT SECTION**

Sr. No.	Particulars	Compliance from auditors Yes/ No	Comment of auditor
1	Goods and services financed have been procured in accordance with the relevant financing agreement and procurement norms as laid out in the operations manual.	Yes	No comments
2	Procurement processes being followed at the it is and State Societies are as per procurement Guidelines under STRIVE project as per Para 4.2 of the OM	Yes	No comments

3	Any Procurement related complaints received and time taken in disposal of each such complaints and verifying that no contracts excluded from the program have been awarded.	No	There was no procurement related complaints are reflected on website
4	Publication of Annual/ Quarterly procurement plan on Institute / SPIU website.	No	Institute has not uploaded the Procurement plan of FY 2022-23 on website.
5	Selected Contractor/ Supplier/Service provider/ Consultant on World Banks list of temporarily suspended and debarred firms	No	No contract has been awarded to any firm by Institute, which is debarred by the World Bank.
6	Contract Award Notice (CAN) as per applicable format ( Competitive selection, Request for Quotations Direct selection are uploaded on website/ Public domain against of each of the completed procurement (applicable in case of LOA/contract issued)	Yes	No comments
7	Any other section/ weakness reviewed on procurement	Yes	During audit period some weakness found in procurement section that is already given in audit report Part -D.

## PART - F

### EXECUTIVE SUMMARY AND SUGGESTIONS/RECOMMENDATIONS

#### 1. TDS NOT DEDUCTED

On checking of TDS records we noted that institute has paid amount of Rs.35,000/- to Osaka consultancy for professional services but TDS was not deducted under

section 194J of Income tax at the time of payment by Institute. detail is mentioned below:

Date of Deducted	Particulars	Amount	TDS Should be deducted @ 10%	Observation
18.04.2022	Amount Paid to Osaka consultancy for professional charges on Training session for development & Industrial Value Enhancement.	35,000/-	3,500/-	TDS was not deducted by Institute at the time of payment.

#### Auditors' Comment

Compliance has been done

#### 2. DELAY IN DEPOSIT OF TDS

During the checking of TDS records we noted that institute has deducted TDS in vendor payment but amount of TDS was late deposit by Institute. Detail is mentioned below:

Date of Deducted	Particulars	Amount of TDS	Due Date for deposit	Actual date of deposit	Observation
07.05.2022	Amount Paid to Gaurav Enterprises for purchases of Fabric Revolving Chair.	1,563/-	07.06.2022	08.06.2022	TDS was late deposited by Institute.

#### 3. CHECKING OF PROCUREMENT PLAN

During the checking of procurement plan we noted that Institute has not been uploaded the Procurement plan of FY 2022-23 on website.

#### 4. INSTITUTE OPENED HOLDING ACCOUNT BUT NOT OPERATED FOR STATUTORY PAYMENTS

During the audit we found that Institute has opened holding account as per NPIU instruction/ guideline but not operated for statutory payments till date.

As per instruction / guideline of NPIU Letter no. F.No.1/(13)/PFMS/FCD/2020 date on 23<sup>rd</sup> March 2021, A Separate bank account (To be called Holding Account) shall be opened by the

Institute for holding the tax/ statutory deductions. This holding account would be permitted to make payments outside of PFMS, through cheques or internet banking to effect the statutory payments with the challan details being captured simultaneously. The holding account will serve the purpose of holding tax/ duties/levies/fees/ municipal charges etc. of State Government, municipalities etc. which the Agencies need to process. The Holding account shall be opened preferably in the same bank as in the SNA/ ZBA account and maximum time for which money can be held in this account shall be fourteen days, after which the money shall be credited back to the agency account.



**SKILLS STRENGTHENING FOR INDUSTRIAL VALUE ENHANCEMENT (STRIVE)**

**(WORLD BANK FUNDED PROJECT)**

**GOVT. INDUSTRIAL TRAINING INSTITUTE – SHAHPUR**

**INTERNAL AUDIT REPORT FOR THE PERIOD FROM 01.04.2022 TO 31.03.2023**

**PART – A BRIEF DETAIL OF THE AUDITEE AND AUDIT**

- |   |  |
|---|--|
| a. Name and address of the Auditee      | : Govt. Industrial Training Institute<br>Shahpur |
| b. Name of Auditors                     | : Agarwal A Kumar & Associates                   |
| c. Days of Audit                        | : 2  |
| d. Period covered in the previous audit | : April 01, 2021 to March 31, 2022               |
| e. Period covered in the current audit  | : April 01, 2022 to March 31, 2023               |

**PART – B**

**EXECUTIVE SUMMARY**

**(a) Objective of Audit**

We have conducted the Internal Audit of Govt. Industrial Training Institute Shahpur for the period from April 01, 2022 to March 31, 2023. We have carried out the audit in accordance with the standards on auditing promulgated by the Institute of Chartered Accountants of India and in accordance with the TOR as issued by the funding Agency International Development Association. It is the responsibility of the management to maintain the PFMS / PMIS as prescribe by the funding agency in cash system of accounting, fair and proper documentation, generation books and records, and the various Interim financial reports and annual statements, and to implement a proper internal control system commensurate with the size of the 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.



**(b) Methodology of Audit**

The Audit was conducted on the basis of the finalized Audit Program. After distribution of the audit work and responsibilities, the concerned staff performed their job and directly reported to Team Manager on daily basis. Internal Audit program was mainly focused on following areas:

- 1 An assessment of whether the Project Financial Statements have been prepared in accordance with consistently applied Accounting Standards of the Institute of Chartered Accountants of India and gives a true and fair view of the operations of the Project during the year and the financial position of the Project at the close of the financial year.
- 2 An assessment of the adequacy of the Project financial management systems including internal controls. The financial management system should include methods and records established to identify, assemble, analyze, classify, record and report on transactions and to maintain accountability for the related assets and liabilities.
- 3 That all project funds have been used in accordance with the conditions of the relevant financing agreement, with due attention to transparency, economy and efficiency and only for the purposes for which the financing was provided.
- 4 All necessary supporting documents, records and books/ statements of accounts have been maintained and all necessary supporting documents such as records, vouchers, bids etc. and books of accounts have been kept in respect of all project expenditures.
- 5 Identify the expenditure which are covered in accordance with the allocation described in "Operational Manual" under section 4 "Fiduciary Systems" para 4.1 " Financial Management" under sub para 4.2.3 "Eligible and Ineligible Procurement Expenditure" as eligible and segregate these from non-eligible items.
- 6 Clear linkages exist between the books of accounts maintained for the expenditures and reports presented for the expenditure incurred.
- 7 That test check and verification of the activities were conducted for the project as planned and that they were in line with the agreed loan agreement.
- 8 Verify the eligibility of expenditures for SoE disbursement and separately report upon ineligible expenditure claimed if any.



**(c) Status of implementation of the Public Financial Management System**

During audit we noted that "Public Financial Management System" has been implemented during period from April 01, 2022 to March 31, 2023.

**(d) Status of Compliance of previous audit report**

During audit we noted that the compliance of the observations of previous internal audit report have not been done.

**(e) Key areas of weakness**

During audit we noted that there were some key areas of weakness regarding procedural Lapse for the period from April 01, 2022 to March 31, 2023, Details are given in part D.

**PART – C**

**COMPLIANCE OF PREVIOUS AUDIT REPORT**

During audit we noted that the compliance of the observations of previous internal audit report have not been done.

**1. DIFFERENCE BETWEEN EXPENDITURE BOOKED IN PFMS SOFTWARE AND ACTUAL EXPENDITURE INCURRED AS PER CASH BOOK**

During audit we noticed that there was difference between expenditure booked in PFMS Software and actual expenditure incurred as per cash book. The detail of PFMS reconciliation are mentioned below:

**PFMS reconciliation statement as on 31.03.2021 - FY – 2020-21)**

Sr. No.	Statement of Expenditure	Amount (Rs.)
1	Expenditure booked as per PFMS Statement From (01.04.2020 to 31.03.2021)	4031345.00
2	Actual Expenditure incurred as per cash book from (01.04.2020 to 31.03.2021)	3740945.00
	Difference	290400.00

**2. DIFFERENCE BETWEEN EXPENDITURE BOOKED IN PFMS SOFTWARE AND ACTUAL EXPENDITURE INCURRED AS PER CASH BOOK**

During audit we noticed that there was difference between expenditure booked in PFMS Software and actual expenditure incurred as per cash book. The detail of PFMS reconciliation are mentioned below:

**PFMS reconciliation statement as on 31.03.2022 - FY – 2021-22)**

Sr. No.	Statement of Expenditure	Amount (Rs.)
1	Expenditure booked as per PFMS Statement From (01.04.2021 to 31.03.2022)	2884073.00
2	Actual Expenditure incurred as per cash book from (01.04.2021 to 31.03.2022)	2959055.00
	Difference	74982.00

**3. NON LEVY OF LIQUIDATED DAMAGES**

On checking of procurement we found that expenditure incurred for purchase of Machinery & Equipments but supply was late provided by vendor or suppliers and No L.D. was deducted on payment of Vender & Supplier by Institute but As per Term & condition of contract liquidate damage should be charged for any delay in supply of goods and material. Liquidated Damages are charged at 0.5% of contract price per week after the stipulated date of delivery, subject to a maximum limit of 10% of contract price. Details are mentioned below:

Date of Payment	Name of Supplier	Amount	Method of purchase	Date of Supply as per agreement	Actual Delivery	No. of delay
5/26/2021	Wesco welding systems	249500/-	GEM	12.05.2021	26.05.2021	14 days
5/27/2021	Bansal industrial corporation	304440/-	TENDER	18.04.2021	14.06.2021	56 days
5/25/2021	Marks edpal instruments pvt ltd.	230100/-	TENDER	18.04.2021	18.06.2021	60 days

6/27/2021	Universal engineering equipment corporation	348100/-	TENDER	16.04.2021	22.06.2021	66 days
6/18/2021	Bansal industrial corporation	447998/-	Gem	23.05.2021	22.06.2021	29 days
6/23/2021	Vee key Systems	92040/-	Tender	16.04.2021	23.06.2021	67 days
6/23/2021	Vee key Systems	62835/-	Tender	16.04.2021	23.06.2021	67 days

## **PART - D**

### **SERIOUS OBSERVATIONS**

During audit we found that there were some serious observations such as laps in internal control, system weakness etc. in following manner:

#### **1. TDS AMOUNT DEDUCTED TWICE FROM PFMS PORTAL**

During the checking of TDS records we found that while Institute has generating the PPA for making the payment to vendor than TDS amount was deducted twice from PFMS Portal but actually TDS amount was deposited once in the bank through IMC only and balance amount was lying in the SNA account but Now there is a difference between the funds reflected on PFMS Portal & Lying in the SNA account The details are mentioned as under:

Name of ITI	Account no.	Date	Amount of TDS deducted Twice from PFMS Portal
Govt. ITI Shahpur	792710210000002	02.04.2022	7798.00
Govt. ITI Shahpur	792710210000002	20.04.2022	8780.00
Govt. ITI Shahpur	792710210000002	19.07.2022	11160.00

#### **2. LESS GST TDS DEDUCTED**

During the audit, we noted that in one case Institute has less GST TDS deducted from vendors / Suppliers payment but it should be deducted @ 2% as per under Section 51 of GST act. The details are mentioned below:

Date	Particulars	Net Taxable Amount	GST TDS Deducted	GST TDS Should be Deducted @ 2%	Less Amount of GST TDS Deducted
17.05.2022	M/s AarKay Traders.	395550.00	7798.00	7911.00	113.00

### **3. DIFFERENCE BETWEEN EXPENDITURE BOOKED IN PFMS SOFTWARE AND ACTUAL EXPENDITURE INCURRED AS PER CASH BOOK**

During audit we noticed that there was difference between expenditure booked in PFMS Software and actual expenditure incurred as per cash book. The detail of PFMS reconciliation are mentioned below:

#### **PFMS reconciliation statement as on 31.03.2023 - FY – 2022-23)**

Sr. No.	Statement of Expenditure	Amount (Rs.)
1	Expenditure booked as per PFMS Statement From (01.04.2022 to 31.03.2023)	4919076.00
2	Actual Expenditure incurred as per cash book from (01.04.2022 to 31.03.2023)	3041100.00
	Difference	1877976.00

### **4. NON LEVY OF LIQUIDATED DAMAGES**

On checking of procurement we found that expenditure incurred for purchase of Machinery & Equipments but supply was late provided by vendor or suppliers and No L.D. was deducted on payment of Vender / Supplier by Institute but As per Term & condition of contract liquidate damage should be charged for any delay in supply of goods and material. Liquidated Damages are charged at 0.5% of contract price per week after the stipulated date of delivery, subject to a maximum limit of 10% of contract price. Details are mentioned below:

Date of Payment	Name of Supplier	Amount	Method of purchase	Date of Supply as per agreement	Actual Delivery	No. of delay
17.05.2022	M/s AarKay Traders.	4,92,240/-	Tender	12.04.2022	22.04.2022	10 days
28.06.2022	Jetage Garage Equipments	5,18,000/-	Gem	18.05.2022	25.05.2022	7 days

**5. INSTITUTE OPENED HOLDING ACCOUNT BUT NOT OPERATED FOR STATUTORY PAYMENTS**

During the audit we found that Institute has opened holding account as per NPIU instruction/ guideline but not operated for statutory payments till date.

As per instruction / guideline of NPIU Letter no. F.No.1/(13)/PFMS/FCD/2020 date on 23<sup>rd</sup> March 2021, A Separate bank account (To be called Holding Account) shall be opened by the Institute for holding the tax/ statutory deductions. This holding account would be permitted to make payments outside of PFMS, through cheques or internet banking to effect the statutory payments with the challan details being captured simultaneously. The holding account will serve the purpose of holding tax/ duties/levies/fees/ municipal charges etc. of State Government, municipalities etc. which the Agencies need to process. The Holding account shall be opened preferably in the same bank as in the SNA/ ZBA account and maximum time for which money can be held in this account shall be fourteen days, after which the money shall be credited back to the agency account.

**PART – E**

**OTHER OBSERVATIONS**

**1. STATUS OF UTILISATION OF FUND**

During audit we found that fund received and utilized during audit period as below:

Opening Balance as on 01.04.2022	0.00
Fund received during the period from (01.04.2022 to 31.03.2023)	3041100.00
Expenditure incurred during the period (01.04.2022 to 31.03.2023)	3041100.00
Balance as per bank as on 31.03.2023	<u>0.00</u>

**2. CHECKING OF PROCUREMENT SECTION**

Sr. No.	Particulars	Compliance from auditors Yes/ No	Comment of auditor
1	Goods and services financed have been procured in accordance with the relevant financing agreement and procurement norms as laid out in the operations manual.	Yes	No comments

2	Procurement processes being followed at the it is and State Societies are as per procurement Guidelines under STRIVE project as per Para 4.2 of the OM	Yes	No comments
3	Any Procurement related complaints received and time taken in disposal of each such complaints and verifying that no contracts excluded from the program have been awarded.	No	There was no procurement related complaints are reflected on website
4	Publication of Annual/ Quarterly procurement plan on Institute / SPIU website.	Yes	Institute procurement plan is uploaded on the web site <a href="http://www.itishahpur.org">www.itishahpur.org</a> for the financial year 2022-23.
5	Selected Contractor/ Supplier/Service provider/ Consultant on World Banks list of temporarily suspended and debarred firms	No	No contract has been awarded to any firm by Institute, which is debarred by the World Bank.
6	Contract Award Notice (CAN) as per applicable format ( Competitive selection, Request for Quotations Direct selection are uploaded on website/ Public domain against of each of the completed procurement (applicable in case of LOA/contract issued)	Yes	No comments
7	Any other section/ weakness reviewed on procurement	Yes	During audit period some weakness found in procurement section that is already given in audit report Part -D.

## PART - F

### EXECUTIVE SUMMARY AND SUGGESTIONS/RECOMMENDATIONS

#### 1. TDS AMOUNT DEDUCTED TWICE FROM PFMS PORTAL

During the checking of TDS records we found that while Institute has generating the PPA for making the payment to vendor than TDS amount was deducted twice from PFMS Portal but

actually TDS amount was deposited once in the bank through IMC only and same this amount was lying in the SNA account but Now there is a difference between the funds reflected on PFMS Portal & Lying in the SNA account The details are mentioned as under:

Name of ITI	Account no.	Date	Amount of TDS deducted Twice from PFMS Portal
Govt. ITI Shahpur	792710210000002	02.04.2022	7798.00
Govt. ITI Shahpur	792710210000002	20.04.2022	8780.00
Govt. ITI Shahpur	792710210000002	19.07.2022	11160.00

## 2. LESS GST TDS DEDUCTED

During the audit, we noted that in one case Institute has less GST TDS deducted from vendors / Suppliers payment but it should be deducted @ 2% as per under Section 51 of GST act. The details are mentioned below:

Date	Particulars	Net Taxable Amount	GST TDS Deducted	GST TDS Should be Deducted @ 2%	Less Amount of GST TDS Deducted
17.05.2022	M/s AarKay Traders.	395550.00	7798.00	7911.00	113.00

## 3. DIFFERENCE BETWEEN EXPENDITURE BOOKED IN PFMS SOFTWARE AND ACTUAL EXPENDITURE INCURRED AS PER CASH BOOK

During audit we noticed that there was difference between expenditure booked in PFMS Software and actual expenditure incurred as per cash book. The detail of PFMS reconciliation are mentioned below:

### PFMS reconciliation statement as on 31.03.2023 - FY – 2022-23)

Sr. No.	Statement of Expenditure	Amount (Rs.)
1	Expenditure booked as per PFMS Statement From (01.04.2022 to 31.03.2023)	4919076.00
2	Actual Expenditure incurred as per cash book from (01.04.2022 to 31.03.2023)	3041100.00
	Difference	1877976.00

#### **4. NON LEVY OF LIQUIDATED DAMAGES**

On checking of procurement we found that expenditure incurred for purchase of Machinery & Equipments but supply was late provided by vendor or suppliers and No L.D. was deducted on payment of Vender & Supplier by Institute but As per Term & condition of contract liquidate damage should be charged for any delay in supply of goods and material. Liquidated Damages are charged at 0.5% of contract price per week after the stipulated date of delivery, subject to a maximum limit of 10% of contract price. Details are mentioned below:

Date of Payment	Name of Supplier	Amount	Method of purchase	Date of Supply as per agreement	Actual Delivery	No. of delay
17.05.2022	M/s AarKay Traders.	4,92,240/-	Tender	12.04.2022	22.04.2022	10 days
28.06.2022	Jetage Garage Equipments	5,18,000/-	Gem	18.05.2022	25.05.2022	7 days

#### **5. INSTITUTE OPENED HOLDING ACCOUNT BUT NOT OPERATED FOR STATUTORY PAYMENTS**

During the audit we found that Institute has opened holding account as per NPIU instruction/ guideline but not operated for statutory payments till date.

As per instruction / guideline of NPIU Letter no. F.No.1/(13)/PFMS/FCD/2020 date on 23<sup>rd</sup> March 2021, A Separate bank account (To be called Holding Account) shall be opened by the Institute for holding the tax/ statutory deductions. This holding account would be permitted to make payments outside of PFMS, through cheques or internet banking to effect the statutory payments with the challan details being captured simultaneously. The holding account will serve the purpose of holding tax/ duties/levies/fees/ municipal charges etc. of State Government, municipalities etc. which the Agencies need to process. The Holding account shall be opened preferably in the same bank as in the SNA/ ZBA account and maximum time for which money can be held in this account shall be fourteen days, after which the money shall be credited back to the agency account.





**SKILLS STRENGTHENING FOR INDUSTRIAL VALUE ENHANCEMENT (STRIVE)**

**(WORLD BANK FUNDED PROJECT)**

**GOVT. INDUSTRIAL TRAINING INSTITUTE – SHAMSHI**

**INTERNAL AUDIT REPORT FOR THE PERIOD FROM 01.04.2022 TO 31.03.2023**

**PART – A**                      **BRIEF DETAIL OF THE AUDITEE AND AUDIT**

- |   |  |
|---|--|
| a. Name and address of the Auditee      | : Govt. Industrial Training Institute<br>Shamshi |
| b. Name of Auditors                     | : Agarwal A Kumar & Associates                   |
| c. Days of Audit                        | : 2  |
| d. Period covered in the previous audit | : April 01, 2021 to March 31, 2022               |
| e. Period covered in the current audit  | : April 01, 2022 to March 31, 2023               |

**PART – B**

**EXECUTIVE SUMMARY**

**(a) Objective of Audit**

We have conducted the Internal Audit of Govt. Industrial Training Institute Shamshi for the period from April 01, 2022 to March 31, 2023. We have carried out the audit in accordance with the standards on auditing promulgated by the Institute of Chartered Accountants of India and in accordance with the TOR as issued by the funding Agency International Development Association. It is the responsibility of the management to maintain the PFMS / PMIS as prescribe by the funding agency in cash system of accounting, fair and proper documentation, generation books and records, and the various Interim financial reports and annual statements, and to implement a proper internal control system commensurate with the size of the 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.



**(b) Methodology of Audit**

The Audit was conducted on the basis of the finalized Audit Program. After distribution of the audit work and responsibilities, the concerned staff performed their job and directly reported to Team Manager on daily basis. Internal Audit program was mainly focused on following areas:

- 1 An assessment of whether the Project Financial Statements have been prepared in accordance with consistently applied Accounting Standards of the Institute of Chartered Accountants of India and gives a true and fair view of the operations of the Project during the year and the financial position of the Project at the close of the financial year.
- 2 An assessment of the adequacy of the Project financial management systems including internal controls. The financial management system should include methods and records established to identify, assemble, analyze, classify, record and report on transactions and to maintain accountability for the related assets and liabilities.
- 3 That all project funds have been used in accordance with the conditions of the relevant financing agreement, with due attention to transparency, economy and efficiency and only for the purposes for which the financing was provided.
- 4 All necessary supporting documents, records and books/ statements of accounts have been maintained and all necessary supporting documents such as records, vouchers, bids etc. and books of accounts have been kept in respect of all project expenditures.
- 5 Identify the expenditure which are covered in accordance with the allocation described in "Operational Manual" under section 4 "Fiduciary Systems" para 4.1 "Financial Management" under sub para 4.2.3 "Eligible and Ineligible Procurement Expenditure" as eligible and segregate these from non-eligible items.
- 6 Clear linkages exist between the books of accounts maintained for the expenditures and reports presented for the expenditure incurred.
- 7 That test check and verification of the activities were conducted for the project as planned and that they were in line with the agreed loan agreement.
- 8 Verify the eligibility of expenditures for SoE disbursement and separately report upon ineligible expenditure claimed if any.

**(c) Status of implementation of the Public Financial Management System**

During audit we noted that "Public Financial Management System" has been implemented during period from April 01, 2022 to March 31, 2023.

**(d) Status of Compliance of previous audit report**

During audit we noted that the compliance of the observations of previous internal audit report have not been done.

**(e) Key areas of weakness**

During audit we noted that there were some key areas of weakness regarding procedural Lapse for the period from April 01, 2022 to March 31, 2023, Details are given in part D.

**PART - C**

**COMPLIANCE OF PREVIOUS AUDIT REPORT**

During audit we noted that the compliance of the observations of previous internal audit report have not been done.

**1. DIFFERENCE BETWEEN EXPENDITURE BOOKED IN PFMS SOFTWARE AND ACTUAL EXPENDITURE INCURRED AS PER CASH BOOK**

During audit we noticed that there was difference between expenditure booked in PFMS Software and actual expenditure incurred as per cash book. The detail of PFMS reconciliation are mentioned below:

**PFMS reconciliation statement as on 31.03.2021 - FY - 2020-21)**

Sr. No.	Statement of Expenditure	Amount (Rs.)
1	Expenditure booked as per PFMS Statement From (01.04.2020 to 31.03.2021)	6791959.00
2	Actual Expenditure incurred as per cash book from (01.04.2020 to 31.03.2021)	6746503.00
	Difference	45456.00

**PART - D**

**SERIOUS OBSERVATIONS**

During audit we found that there were some serious observations such as laps in internal control, system weakness etc. in following manner:

**1. PROCUREMENT MADE WITHOUT APPROVAL OF COMPETENT AUTHORITY**

During the audit we found that institute has made procurement but this item was not approved in procurement plan FY 2022-23 from Chairman of IMC and Institute Management Committee. Detail of this procurement is given below:

Date of Payment	Invoice no.	Name of Supplier	Name of Item	Amount
16.03.2023	BE-2022-23/1137	B.E. Office Automation	Multimedia Projector	88220.00

**Auditors' Comment**

Audit team will check the approval in next visit as mentioned in reply/ compliance by the Institute

**2. EXPENDITURE EXCEEDED AGAINST SANCTIONED BUDGET**

While checking of Books of accounts we observed that Institute has incurred the expenditure exceed with sanction budget amount, details are mentioned below:

Date of Payment	Particulars	Budget Amount	Award Amount	Excess expenditure against sanction Budget	Observation
14.02.2023	Amount Paid to SAAR Technologies for purchases of Numeric Online UPS.	20000.00	220220.00	200220.00	Expenditure exceeded against sanctioned budget Amount

**3. DIFFERENCE BETWEEN EXPENDITURE BOOKED IN PFMS SOFTWARE AND ACTUAL EXPENDITURE INCURRED AS PER CASH BOOK**

During audit we noticed that there was difference between expenditure booked in PFMS Software and actual expenditure incurred as per cash book. The detail of PFMS reconciliation are mentioned below:

**PFMS reconciliation statement as on 31.03.2023 - FY – 2022-23)**

Sr. No.	Statement of Expenditure	Amount (Rs.)
1	Expenditure booked as per PFMS Statement From (01.04.2022 to 31.03.2023)	5922841.00
2	Actual Expenditure incurred as per cash book from (01.04.2022 to 31.03.2023)	3454960.00
	Difference	2467881.00

**PART – E**

**OTHER OBSERVATIONS**

**1. STATUS OF UTILISATION OF FUND**

During audit we found that fund received and utilized during audit period as below:

Opening Balance as on 01.04.2022	0.00
Fund received during the period from (01.04.2022 to 31.03.2023)	3454960.00
Expenditure incurred during the period (01.04.2022 to 31.03.2023)	3454960.00
Balance as per bank as on 31.03.2023	<u>0.00</u>

**2. CHECKING OF OTHER PROCUREMENT SECTION**

Sr. No.	Particulars	Compliance from auditors Yes/ No	Comment of auditor
1	Goods and services financed have been procured in accordance with the relevant financing agreement and procurement norms as laid out in the operations manual.	Yes	No comments
2	Procurement processes being followed at the it is and State Societies are as per procurement Guidelines under STRIVE project as per Para 4.2 of the OM	Yes	No comments
3	Any Procurement related complaints received and time taken in disposal of each such complaints and verifying that no contracts excluded from the program have been awarded.	No	There was no procurement related complaints are reflected on website
4	Publication of Annual/ Quarterly procurement plan on Institute / SPIU website.	No	Institute has not been uploaded the Procurement plan of FY 2022-23 on website.
5	Selected Contractor/ Supplier/Service provider/ Consultant on World Banks list of temporarily suspended and debarred firms	No	No contract has been awarded to any firm by Institute, which is debarred by the World Bank.

6	Contract Award Notice (CAN) as per applicable format ( Competitive selection, Request for Quotations Direct selection are uploaded on website/ Public domain against of each of the completed procurement (applicable in case of LOA/contract issued)	Yes	No comments
7	Any other section/ weakness reviewed on procurement	Yes	During audit period some weakness found in procurement section that is already given in audit report Part -D.

**PART - F**

**EXECUTIVE SUMMARY AND SUGGESTIONS/RECOMMENDATIONS**

**1. DIFFERENCE BETWEEN EXPENDITURE BOOKED IN PFMS SOFTWARE AND ACTUAL EXPENDITURE INCURRED AS PER CASH BOOK**

During audit we noticed that there was difference between expenditure booked in PFMS Software and actual expenditure incurred as per cash book. The detail of PFMS reconciliation are mentioned below:

**PFMS reconciliation statement as on 31.03.2023 - FY – 2022-23)**

Sr. No.	Statement of Expenditure	Amount (Rs.)
1	Expenditure booked as per PFMS Statement From (01.04.2022 to 31.03.2023)	5922841.00
2	Actual Expenditure incurred as per cash book from (01.04.2022 to 31.03.2023)	3454960.00
	Difference	2467881.00

**2. PROCUREMENT MADE WITHOUT APPROVAL OF COMPETENT AUTHORITY**

During the audit we found that institute has made procurement but this item was not approved in procurement plan FY 2022-23 from Chairman of IMC and Institute Management Committee. Detail of this procurement is given below:

Date of Payment	Invoice no.	Name of Supplier	Name of Item	Amount
16.03.2023	BE-2022-23/1137	B.E. Office Automation	Multimedia Projector	88220.00

**Auditors' Comment**

Audit team will check the approval in next visit as mentioned in reply/ compliance by the Institute

**3. EXPENDITURE EXCEEDED AGAINST SANCTIONED BUDGET**

While checking of Books of accounts we observed that Institute has incurred the expenditure exceed with sanction budget amount, details are mentioned below:

Date of Payment	Particulars	Budget Amount	Award Amount	Excess expenditure against sanction Budget	Observation
14.02.2023	Amount Paid to SAAR Technologies for purchases of Numeric Online UPS.	20000.00	220220.00	200220.00	Expenditure exceeded against sanctioned budget Amount



**SKILLS STRENGTHENING FOR INDUSTRIAL VALUE ENHANCEMENT (STRIVE)**

**(WORLD BANK FUNDED PROJECT)**

**GOVT. INDUSTRIAL TRAINING INSTITUTE - BAIJNATH**

**INTERNAL AUDIT REPORT FOR THE PERIOD FROM 01.04.2022 TO 31.03.2023**

**PART – A      BRIEF DETAIL OF THE AUDITEE AND AUDIT**

- a. Name and address of the Auditee : Govt. Industrial Training Institute  
Bajnath
- b. Name of Auditors : Agarwal A Kumar & Associates
- c. Days of Audit : 2
- d. Period covered in the previous audit : April 01, 2021 to March 31, 2022
- e. Period covered in the current audit : April 01, 2022 to March 31, 2023

**PART – B**

**EXECUTIVE SUMMARY**

**(a) Objective of Audit**

We have conducted the Internal Audit of Govt. Industrial Training Institute Bajjnath for the period from April 01, 2022 to March 31, 2023. We have carried out the audit in accordance with the standards on auditing promulgated by the Institute of Chartered Accountants of India and in accordance with the TOR as issued by the funding Agency International Development Association. It is the responsibility of the management to maintain the PFMS / PMIS as prescribe by the funding agency in cash system of accounting, fair and proper documentation, generation books and records, and the various Interim financial reports and annual statements, and to implement a proper internal control system commensurate with the size of the 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.





**(d) Status of Compliance of previous audit report**

During audit we noted that the compliance of the observations of previous internal audit report have not been done.

**(e) Key areas of weakness that need improvement**

During audit we noted that there were some key areas of weakness regarding procedural Lapse for the period from April 01, 2022 to March 31, 2023, Details are given in part D.

**PART – C**

**COMPLIANCE OF PREVIOUS AUDIT REPORT**

During audit we noted that the compliance of the observations of previous internal audit report have not been done.

**1. GST TDS NOT DEDUCTED**

During the audit we found that amount was paid for supply of goods or services but GST TDS @ 2% Under Section 51 of GST Act not deducted at the time of payment. Details are given below:

<b>Date</b>	<b>Particulars</b>	<b>Total Amount</b>	<b>Observations</b>
09/10/2020	Satluj Document company	9,51,600/-	Payment made without deducted of GST TDS.
16/12/2020	Satluj Document company	2,79,702/-	Payment made without deducted of GST TDS.
28/01/2021	Office Solution and Supplies	3,16,840/-	Payment made without deducted of GST TDS.
28/01/2021	M/s Mahindra & Mahindra Ltd.	10,81,390/-	Payment made without deducted of GST TDS.
28/01/2021	M/s Asha Interprises	4,49,950/-	Payment made without deducted of GST TDS.

**2. DIFFERENCE BETWEEN EXPENDITURE BOOKED IN PFMS SOFTWARE AND ACTUAL EXPENDITURE INCURRED AS PER CASH BOOK**

During audit we noticed that there was difference between expenditure booked in PFMS Software and actual expenditure incurred as per cash book. The detail of PFMS reconciliation are mentioned below:

**PFMS reconciliation statement as on 31.03.2022 - FY – 2021-22)**

Sr. No.	Statement of Expenditure	Amount (Rs.)
1	Expenditure booked as per PFMS Statement From (01.04.2021 to 31.03.2022)	3559244.00
2	Actual Expenditure incurred as per cash book from (01.04.2021 to 31.03.2022)	3544168.00
	Difference	15076.00

**PART – D**

**SERIOUS OBSERVATIONS**

During audit we found that there were serious observations such as laps in internal control, system weakness etc.

**1. BANK GURANTEE CONFIRMATION LETTER NOT TAKEN FROM BANK FOR PERFORMANCE SECURITY**

During the checking of GEM Contract we noted that in one case Institute has received the bank guarantee of Performance security from contractors but Confirmation letter from bank were not taken by Divisions. The detail of this is given below:

Name of the Contractor	GEM Contract No.	Amount of BG	BG No.	Valid up to	Observation
Spark line Welders	GEMC- 51168773 2838272	22,500/-	0090IPEB G220038	20.02.2023	Confirmation Letter of B.G from bank not taken by the Institute.

**Auditors' Comment**

Confirmation letter of Bank has not been attached with reply. Audit team will check in the next visit

## 2. TDS NOT DEDUCTED

On checking of TDS records we noted that institute has paid amount of Rs.2,05,000/- to CIPET Baddi but DS was not deducted under section 194J of Income tax at the time of payment by Institute. Detail is mentioned below:

Date of Deducted	Particulars	Amount	TDS Should be deducted @ 10%	Observation
02.02.2023	Amount Paid to CIPET Baddi for fees of training Skill up gradation program on basic concepts and Machinery for technical Services	1,00,000/-	10,000/-	TDS was not deducted by Institute at the time of payment.
28.02.2023	Amount Paid to CIPET Baddi for fees of training Skill up gradation program on basic concepts and Machinery for technical Services	1,05,000/-	10,500/-	TDS was not deducted by Institute at the time of payment.

## 3. PROCUREMENT MADE WITHOUT APPROVAL OF COMPETENT AUTHORITY

During the audit we found that institute has made procurement but this item was not approved in procurement plan FY 2022-23 from Chairman of IMC and Institute Management Committee. Detail of this procurement is given below:

Date of Payment	Invoice no.	Name of Supplier	Name of Item	Amount	Qty
28.02.2023	CP/CR/2022-23-2459	Cyber Pub	K7 Total Security / one year	23400.00	36

### Auditors' Comments

Copy of approval not attached with reply. Audit team will check in the next visit

**4. DIFFERENCE BETWEEN EXPENDITURE BOOKED IN PFMS SOFTWARE AND ACTUAL EXPENDITURE INCURRED AS PER CASH BOOK**

During audit we noticed that there was difference between expenditure booked in PFMS Software and actual expenditure incurred as per cash book. The detail of PFMS reconciliation are mentioned below:

**PFMS reconciliation statement as on 31.03.2023 - FY – 2022-23)**

Sr. No.	Statement of Expenditure	Amount (Rs.)
1	Expenditure booked as per PFMS Statement From (01.04.2022 to 31.03.2023)	1909220.00
2	Actual Expenditure incurred as per cash book from (01.04.2022 to 31.03.2023)	1749220.00
	Difference	160000.00

**5. NON LEVY OF LIQUIDATED DAMAGES**

On checking of procurement we found that expenditure incurred for purchase of Machinery & Equipments but supply was late provided by vendor or suppliers and No L.D. was deducted on payment of Vender & Supplier by Institute but As per Term & condition of contract liquidate damage should be charged for any delay in supply of goods and material. Liquidated Damages are charged at 0.5% of contract price per week after the stipulated date of delivery, subject to a maximum limit of 10% of contract price. Details are mentioned below:

Date of Payment	Name of Supplier	Amount	GEM Contract no.	Date of Supply as per Contract	Actual Delivery	No. of delay
30.07.2022	Sparkline Welders	7,50,000/-	GEMC-511687732838272	24.05.2022	16.07.2022	52 days

**Auditors' Comments**

Copy of extension of time of supply / delivery not attached with reply. Audit team will check in the next visit

**6. INSTITUTE OPENED HOLDING ACCOUNT BUT NOT OPERATED FOR STATUTORY PAYMENTS**

During the audit we found that Institute has opened holding account as per NPIU instruction/ guideline but not operated for statutory payments till date.

As per instruction / guideline of NPIU Letter no. F.No.1/(13)/PFMS/FCD/2020 date on 23<sup>rd</sup> March 2021, A Separate bank account (To be called Holding Account) shall be opened by the Institute for holding the tax/ statutory deductions. This holding account would be permitted to make payments outside of PFMS, through cheques or internet banking to effect the statutory payments with the challan details being captured simultaneously. The holding account will serve the purpose of holding tax/ duties/levies/fees/ municipal charges etc. of State Government, municipalities etc. which the Agencies need to process. The Holding account shall be opened preferably in the same bank as in the SNA/ ZBA account and maximum time for which money can be held in this account shall be fourteen days, after which the money shall be credited back to the agency account.

## PART - E

### OTHER OBSERVATIONS

#### 1. STATUS OF UTILISATION OF FUND

During audit we found that fund received and utilized during audit period as below:

Opening Balance as on 01.04.2022	0.00
Fund received during the period from (01.04.2022 to 31.03.2023)	1749220.00
Expenditure incurred during the period (01.04.2022 to 31.03.2023)	1749220.00
Balance as per bank as on 31.03.2023	<u>0.00</u>

#### 2. CHECKING OF PROCUREMENT SECTION

Sr. No.	Particulars	Compliance from auditors Yes/ No	Comment of Auditor
1	Goods and services financed have been procured in accordance with the relevant financing agreement and procurement norms as laid out in the operations manual.	Yes	No comments
2	Procurement processes being followed at the it is and State Societies are as per procurement Guidelines under STRIVE project as per Para 4.2 of the OM	Yes	No comments
3	Any Procurement related complaints received and time taken in disposal of each such complaints and verifying that no contracts excluded from the program have been awarded.	No	There was no procurement related complaints are reflected on website

4	Publication of Annual/ Quarterly procurement plan on Institute / SPIU website.	Yes	Institute procurement plan is uploaded on the web site <a href="http://www.govt.itibaijnath.org">www.govt.itibaijnath.org</a> for the financial year 2022-23.
5	Selected Contractor/ Supplier/Service provider/ Consultant on World Banks list of temporarily suspended and debarred firms	No	No contract has been awarded to any firm by Institute, which is debarred by the World Bank.
6	Contract Award Notice (CAN) as per applicable format ( Competitive selection, Request for Quotations Direct selection are uploaded on website/ Public domain against of each of the completed procurement (applicable in case of LOA/contract issued)	Yes	No comments
7	Any other section/ weakness reviewed on procurement	Yes	During audit period some weakness found in procurement section that is already given in audit report Part -D.

## PART - F

### EXECUTIVE SUMMARY AND SUGGESTIONS/RECOMMENDATIONS

#### 1. BANK GURANTEEE CONFIRMATION LETTER NOT TAKEN FROM BANK FOR PERFORMANCE SECURITY

During the checking of GEM Contract we noted that in one case Institute has received the bank guarantee of Performance security from contractors but Confirmation letter from bank were not taken by Divisions. The detail of this is given below:

Name of the Contractor	GEM Contract No.	Amount of BG	BG No.	Valid up to	Observation
Spark line Welders	GEMC-51168773 2838272	22,500/-	0090IPEB G220038	20.02.2023	Confirmation Letter of B.G from bank not taken by the Institute.

### Auditors' Comment

Confirmation letter of Bank has not been attached with reply. Audit team will check in the next visit

### 2. TDS NOT DEDUCTED

On checking of TDS records we noted that institute has paid amount of Rs.2,05,000/- to CIPET Baddi but TDS was not deducted under section 194J of Income tax at the time of payment by Institute. detail is mentioned below:

Date of Deducted	Particulars	Amount	TDS Should be deducted @ 10%	Observation
02.02.2023	Amount Paid to CIPET Baddi for fees of training Skill up gradation program on basic concepts and Machinery for technical Services	1,00,000/-	10,000/-	TDS was not deducted by Institute at the time of payment.
28.02.2023	Amount Paid to CIPET Baddi for fees of training Skill up gradation program on basic concepts and Machinery for technical Services	1,05,000/-	10,500/-	TDS was not deducted by Institute at the time of payment.

### 3. PROCUREMENT MADE WITHOUT APPROVAL OF COMPETENT

#### AUTHORITY

During the audit we found that institute has procurement made but this item was not approved in procurement plan FY 2022-23 from Chairman of IMC and Institute Management Committee. Detail of this procurement is given below:

Date of Payment	Invoice no.	Name of Supplier	Name of Item	Amount	Qty
28.02.2023	CP/CR/2022-23-2459	Cyber Pub	K7 Total Security / one year	23400.00	36

#### Auditors' Comments

Copy of approval not attached with reply. Audit team will check in the next visit

**4. DIFFERENCE BETWEEN EXPENDITURE BOOKED IN PFMS SOFTWARE AND ACTUAL EXPENDITURE INCURRED AS PER CASH BOOK**

During audit we noticed that there was difference between expenditure booked in PFMS Software and actual expenditure incurred as per cash book. The detail of PFMS reconciliation are mentioned below:

**PFMS reconciliation statement as on 31.03.2023 - FY – 2022-23)**

Sr. No.	Statement of Expenditure	Amount (Rs.)
1	Expenditure booked as per PFMS Statement From (01.04.2022 to 31.03.2023)	1909220.00
2	Actual Expenditure incurred as per cash book from (01.04.2022 to 31.03.2023)	1749220.00
	Difference	160000.00

**5. NON LEVY OF LIQUIDATED DAMAGES**

On checking of procurement we found that expenditure incurred for purchase of Machinery & Equipments but supply was late provided by vendor or suppliers and No L.D. was deducted on payment of Vender & Supplier by Institute but As per Term & condition of contract liquidate damage should be charged for any delay in supply of goods and material. Liquidated Damages are charged at 0.5% of contract price per week after the stipulated date of delivery, subject to a maximum limit of 10% of contract price. Details are mentioned below:

Date of Payment	Name of Supplier	Amount	GEM Contract no.	Date of Supply as per Contract	Actual Delivery	No. of delay
30.07.2022	Sparkline Welders	7,50,000/-	GEMC-511687732838272	24.05.2022	16.07.2022	52 days

**Auditors' Comments**

Copy of extension of time of supply / delivery not attached with reply. Audit team will check in the next visit



**6. INSTITUTE OPENED HOLDING ACCOUNT BUT NOT OPERATED FOR STATUTORY PAYMENTS**

During the audit we found that Institute has opened holding account as per NPIU instruction/ guideline but not operated for statutory payments till date.

As per instruction / guideline of NPIU Letter no. F.No.1/(13)/PFMS/FCD/2020 date on 23<sup>rd</sup> March 2021, A Separate bank account (To be called Holding Account) shall be opened by the Institute for holding the tax/ statutory deductions. This holding account would be permitted to make payments outside of PFMS, through cheques or internet banking to effect the statutory payments with the challan details being captured simultaneously. The holding account will serve the purpose of holding tax/ duties/levies/fees/ municipal charges etc. of State Government, municipalities etc. which the Agencies need to process. The Holding account shall be opened preferably in the same bank as in the SNA/ ZBA account and maximum time for which money can be held in this account shall be fourteen days, after which the money shall be credited back to the agency account.



**SKILLS STRENGTHENING FOR INDUSTRIAL VALUE ENHANCEMENT (STRIVE)**

**(WORLD BANK FUNDED PROJECT)**

**GOVT. INDUSTRIAL TRAINING INSTITUTE - JOGINDERNAGAR**

**INTERNAL AUDIT REPORT FOR THE PERIOD FROM 01.04.2022 TO 31.03.2023**

**PART – A**

**BRIEF DETAIL OF THE AUDITEE AND AUDIT**

- |   |  |
|---|--|
| a. Name and address of the Auditee      | : Govt. Industrial Training Institute<br>Jogindernagar |
| b. Name of Auditors                     | : Agarwal A Kumar & Associates                         |
| c. Days of Audit                        | : 2  |
| d. Period covered in the previous audit | : April 01, 2021 to March 31, 2022                     |
| e. Period covered in the current audit  | : April 01, 2022 to March 31, 2023                     |

**PART – B**

**EXECUTIVE SUMMARY**

**(a) Objective of Audit**

We have conducted the Internal Audit of Govt. Industrial Training Institute Jogindernagar for the period from April 01, 2022 to March 31, 2023. We have carried out the audit in accordance with the standards on auditing promulgated by the Institute of Chartered Accountants of India and in accordance with the TOR as issued by the funding Agency International Development Association. It is the responsibility of the management to maintain the PFMS / PMIS as prescribe by the funding agency in cash system of accounting, fair and proper documentation, generation books and records, and the various Interim financial reports and annual statements, and to implement a proper internal control system commensurate with the size of the 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.



**(b) Methodology of Audit**

The Audit was conducted on the basis of the finalized Audit Program. After distribution of the audit work and responsibilities, the concerned staff performed their job and directly reported to Team Manager on daily basis. Internal Audit program was mainly focused on following areas:

- 1 An assessment of whether the Project Financial Statements have been prepared in accordance with consistently applied Accounting Standards of the Institute of Chartered Accountants of India and gives a true and fair view of the operations of the Project during the year and the financial position of the Project at the close of the fiscal year.
- 2 An assessment of the adequacy of the Project financial management systems including internal controls. The financial management system should include methods and records established to identify, assemble, analyze, classify, record and report on transactions and to maintain accountability for the related assets and liabilities.
- 3 That all project funds have been used in accordance with the conditions of the relevant financing agreement, with due attention to transparency, economy and efficiency and only for the purposes for which the financing was provided.
- 4 All necessary supporting documents, records and books/ statements of accounts have been maintained and all necessary supporting documents such as records, vouchers, bids etc. and books of accounts have been kept in respect of all project expenditures.
- 5 Identify the expenditure which are covered in accordance with the allocation described in "Operational Manual" under section 4 "Fiduciary Systems" para 4.1 "Financial Management" under sub para 4.2.3 "Eligible and Ineligible Procurement Expenditure" as eligible and segregate these from non-eligible items.
- 6 Clear linkages exist between the books of accounts maintained for the expenditures and reports presented for the expenditure incurred.
- 7 That test check and verification of the activities were conducted for the project as planned and that they were in line with the agreed loan agreement.
- 8 Verify the eligibility of expenditures for SoE disbursement and separately report upon ineligible expenditure claimed if any.

**(c) Status of implementation of the Public Financial Management System**

During audit we noted that "Public Financial Management System" has been implemented during period from April 01, 2022 to March 31, 2023.

(d) Status of Compliance of previous audit report

During audit we noted that the compliance of the observations of previous internal audit report have been done.

(e) Key areas of weakness

During audit we noted that there were some key areas of weakness regarding procedural lapse for the period from April 01, 2022 to March 31, 2023, Details are given in part D.

PART – C

COMPLIANCE OF PREVIOUS AUDIT REPORT

During audit we noted that the compliance of the observations of previous internal audit report have been done.

PART – D

SERIOUS OBSERVATIONS

1. TDS NOT DEDUCTED

On checking of TDS records we noted that institute has paid amount of Rs.56,500/- to Newton Academy but deducted TDS was not deducted under section 194J of Income tax at the time of payment by Institute. detail is mentioned below:

<b>Date of Deducted</b>	<b>Particulars</b>	<b>Amount</b>	<b>TDS Should be deducted @ 10%</b>	<b>Observation</b>
28.06.2022	Amount Paid to Newton Academy for fees of 4 Weeks AUTOCAD training for 119 students of Technical services.	56,500/-	5,650/-	TDS was not deducted by Institute at the time of payment.

2. DIFFERENCE BETWEEN EXPENDITURE BOOKED IN PFMS SOFTWARE AND ACTUAL EXPENDITURE INCURRED AS PER CASH BOOK

During audit we noticed that there was difference between expenditure booked in PFMS Software and actual expenditure incurred as per cash book. The detail of PFMS reconciliation are mentioned below:

PFMS reconciliation statement as on 31.03.2023 - FY – 2022-23)

Sr. No.	Statement of Expenditure	Amount (Rs.)
1	Expenditure booked as per PFMS Statement From (01.04.2022 to 31.03.2023)	3541184.00
2	Actual Expenditure incurred as per cash book from (01.04.2022 to 31.03.2023)	3327000.00
	Difference	214184.00

**3. CHECKING OF PROCUREMENT PROCEDURE**

During audit we noted that in some cases Institute has not followed the proper procurement procedure for purchase. Detail of these procurement are given below:

Date	Particulars	Amount (Rs)	Observations
22.04.2022	Paid to Rajesh Printers for printing of magazine with Art Paper 130	12,800/-	1. Dates were not mentioned on Quotations. 2. Quotations were not stamped from venders.
03.06.2022	Paid to AP Infotech for purchases of 90AMP Excide Battery	30,944/-	1. Dates were not mentioned on Quotations.

**4. EXPENDITURE EXCEEDED AGAINST SANCTIONED BUDGET**

While checking of Books of accounts we observed that Institute has incurred the expenditure exceeded against sanctioned budget amount, details are mentioned below:

Date of Payment	Particulars	Budget Amount	Award Amount	Observation
28.06.2022	Amount Paid to Sachdeva Electronics Centre for Purchases of Voltas AC	50000.00	86000.00	Expenditure exceeded against sanctioned budget Amount

22.04.2022	Amount Paid to TANGENT Infocom Pvt Ltd. For purchases of HP Desktop 400G6	1100000.00	1150000.00	Expenditure exceeded against sanctioned budget Amount
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**Auditors' Comment**

Approval of competent authority not attached with reply as mentioned by the Institute

**5. INSTITUTE OPENED HOLDING ACCOUNT BUT NOT OPERATED FOR STATUTORY PAYMENTS**

During the audit we found that Institute has opened holding account as per NPIU instruction/ guideline but not operated for statutory payments till date.

As per instruction / guideline of NPIU Letter no. F.No.1/(13)/PFMS/FCD/2020 date on 23<sup>rd</sup> March 2021, A Separate bank account (To be called Holding Account) shall be opened by the Institute for holding the tax/ statutory deductions. This holding account would be permitted to make payments outside of PFMS, through cheques or internet banking to effect the statutory payments with the challan details being captured simultaneously. The holding account will serve the purpose of holding tax/ duties/levies/fees/ municipal charges etc. of State Government, municipalities etc. which the Agencies need to process. The Holding account shall be opened preferably in the same bank as in the SNA/ ZBA account and maximum time for which money can be held in this account shall be fourteen days, after which the money shall be credited back to the agency account.

**PART - E**

**OTHER OBSERVATIONS**

**1. STATUS OF UTILISATION OF FUND**

During audit we found that fund received and utilized during audit period as below:

Opening Balance as on 01.04.2022	0.00
Fund received during the period from (01.04.2022 to 31.03.2023)	3327000.00
Expenditure incurred during the period (01.04.2022 to 31.03.2023)	3327000.00
Balance as per bank as on 31.03.2023	<u>0.00</u>

## 2. CHECKING OF PROCUREMENT SECTION

Sr. No.	Particulars	Compliance from auditors Yes/ No	Comment of auditor
1	Goods and services financed have been procured in accordance with the relevant financing agreement and procurement norms as laid out in the operations manual.	Yes	No comments
2	Procurement processes being followed at the it is and State Societies are as per procurement Guidelines under STRIVE project as per Para 4.2 of the OM	Yes	No comments
3	Any Procurement related complaints received and time taken in disposal of each such complaints and verifying that no contracts excluded from the program have been awarded.	No	There was no procurement related complaints are reflected on website
4	Publication of Annual/ Quarterly procurement plan on Institute / SPIU website.	Yes	Institute procurement plan is uploaded on the web site <a href="http://www.itijogindemagar.edu.in">www.itijogindemagar.edu.in</a> for the financial year 2022-23.
5	Selected Contractor/ Supplier/Service provider/ Consultant on World Banks list of temporarily suspended and debarred firms	No	No contract has been awarded to any firm by Institute, which is debarred by the World Bank.
6	Contract Award Notice (CAN) as per applicable format ( Competitive selection, Request for Quotations Direct selection are uploaded on website/ Public domain against of each of the completed procurement (applicable in case of LOA/contract issued)	Yes	No comments
7	Any other section/ weakness reviewed on procurement	Yes	During audit period some weakness found in procurement section that is already given in audit report Part-D.

## EXECUTIVE SUMMARY AND SUGGESTIONS/RECOMMENDATIONS

### 1. TDS NOT DEDUCTED

On checking of TDS records we noted that institute has paid amount of Rs.56,500/- to Newton Academy but TDS was not deducted under section 194J of Income tax at the time of payment by Institute. detail is mentioned below:

Date of Deducted	Particulars	Amount	TDS Should be deducted @ 10%	Observation
28.06.2022	Amount Paid to Newton Academy for fees of 4 Weeks AUTOCAD training for 119 students of Technical services.	56,500/-	5,650/-	TDS was not deducted by Institute at the time of payment.

### 2. DIFFERENCE BETWEEN EXPENDITURE BOOKED IN PFMS SOFTWARE AND ACTUAL EXPENDITURE INCURRED AS PER CASH BOOK

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#### PFMS reconciliation statement as on 31.03.2023 - FY – 2022-23)

Sr.No.	Statement of Expenditure	Amount (Rs.)
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	Difference	214184.00

### 3. CHECKING OF PROCUREMENT PROCEDURE

During audit we noted that in some cases Institute has not followed the proper procurement procedure for purchase. Detail of these procurement are given below:



Date	Particulars	Amount (Rs)	Observations
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03.06.2022	Paid to AP Infotech for purchases of 90AMP Excide Battery	30,944/-	1. Dates were not mentioned on Quotations.

#### **4. EXPENDITURE EXCEEDED AGAINST SANCTIONED BUDGET**

While checking of Books of accounts we observed that Institute has incurred the expenditure exceeded against sanctioned budget amount. Details are mentioned below:

Date of Payment	Particulars	Budget Amount	Award Amount	Observation
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22.04.2022	Amount Paid to TANGENT Infocom Pvt Ltd. For purchases of HP Desktop 400G6	1100000.00	1150000.00	Expenditure exceeded against sanctioned budget Amount

#### **Auditors' Comment**

Approval of competent authority not attached with reply as mentioned by the Institute

#### **5. INSTITUTE OPENED HOLDING ACCOUNT BUT NOT OPERATED FOR STATUTORY PAYMENTS**

During the audit we found that Institute has opened holding account as per NPIU instruction/ guideline but not operated for statutory payments till date.

As per instruction / guideline of NPIU Letter no. F.No.1/(13)/PFMS/FCD/2020 date on 23<sup>rd</sup>

March 2021, A Separate bank account (To be called Holding Account) shall be opened by the Institute for holding the tax/ statutory deductions. This holding account would be permitted to make payments outside of PFMS, through cheques or internet banking to effect the statutory payments with the challan details being captured simultaneously. The holding account will serve the purpose of holding tax/ duties/levies/fees/ municipal charges etc. of State Government, municipalities etc. which the Agencies need to process. The Holding account shall be opened preferably in the same bank as in the SNA/ ZBA account and maximum time for which money can be held in this account shall be fourteen days, after which the money shall be credited back to the agency account.



**SKILLS STRENGTHENING FOR INDUSTRIAL VALUE ENHANCEMENT (STRIVE)**

**(WORLD BANK FUNDED PROJECT)**

**GOVT. INDUSTRIAL TRAINING INSTITUTE - PALAMPUR**

**INTERNAL AUDIT REPORT FOR THE PERIOD FROM 01.04.2022 TO 31.03.2023**

**PART – A      BRIEF DETAIL OF THE AUDITEE AND AUDIT**

- |   |   |
|---|---|
| a. Name and address of the Auditee      | : Govt. Industrial Training Institute<br>Palampur |
| b. Name of Auditors                     | : Agarwal A Kumar & Associates                    |
| c. Days of Audit                        | : 2   |
| d. Period covered in the previous audit | : April 01, 2021 to March 31, 2022                |
| e. Period covered in the current audit  | : April 01, 2022 to March 31, 2023                |

**PART – B**

**EXECUTIVE SUMMARY**

**(a) Objective of Audit**

We have conducted the Internal Audit of Govt. Industrial Training Institute Palampur for the period from April 01, 2022 to March 31, 2023. We have carried out the audit in accordance with the standards on auditing promulgated by the Institute of Chartered Accountants of India and in accordance with the TOR as issued by the funding Agency International Development Association. It is the responsibility of the management to maintain the PFMS / PMIS as prescribe by the funding agency in cash system of accounting, fair and proper documentation, generation books and records, and the various Interim financial reports and annual statements, and to implement a proper internal control system commensurate with the size of the 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.



**(b) Methodology of Audit**

The Audit was conducted on the basis of the finalized Audit Program. After distribution of the audit work and responsibilities, the concerned staff performed their job and directly reported to Team Manager on daily basis. Internal Audit program was mainly focused on following areas:

- 1 An assessment of whether the Project Financial Statements have been prepared in accordance with consistently applied Accounting Standards of the Institute of Chartered Accountants of India and gives a true and fair view of the operations of the Project during the year and the financial position of the Project at the close of the fiscal year.
- 2 An assessment of the adequacy of the Project financial management systems including internal controls. The financial management system should include methods and records established to identify, assemble, analyze, classify, record and report on transactions and to maintain accountability for the related assets and liabilities.
- 3 That all project funds have been used in accordance with the conditions of the relevant financing agreement, with due attention to transparency, economy and efficiency and only for the purposes for which the financing was provided.
- 4 All necessary supporting documents, records and books/ statements of accounts have been maintained and all necessary supporting documents such as records, vouchers, bids etc. and books of accounts have been kept in respect of all project expenditures.
- 5 Identify the expenditure which are covered in accordance with the allocation described in "Operational Manual" under section 4 "Fiduciary Systems" para 4.1 " Financial Management" under sub para 4.2.3 "Eligible and Ineligible Procurement Expenditure " as eligible and segregate these from non-eligible items.
- 6 Clear linkages exist between the books of accounts maintained for the expenditures and reports presented for the expenditure incurred.
- 7 That test check and verification of the activities were conducted for the project as planned and that they were in line with the agreed loan agreement.
- 8 Verify the eligibility of expenditures for SoE disbursement and separately report upon ineligible expenditure claimed if any.

**(c) Status of implementation of the Public Financial Management System**

During audit we noted that "Public Financial Management System" has been implemented during period from April 01, 2022 to March 31, 2023.

(d) **Status of Compliance of previous audit report**

During audit we noted that the compliance of the observations of previous internal audit report have not been done.

(e) **Key areas of weakness**

During audit we noted that there were some key areas of weakness regarding procedural lapse for the period from April 01, 2022 to March 31, 2023, Details are given in part D.

**PART - C**

**COMPLIANCE OF PREVIOUS AUDIT REPORT**

During audit we noted that the compliance of the observations of previous internal audit report have not been done.

**1. DIFFERENCE BETWEEN EXPENDITURE BOOKED IN PFMS SOFTWARE AND ACTUAL EXPENDITURE INCURRED AS PER CASH BOOK**

During audit we noticed that there was difference between expenditure booked in PFMS Software and actual expenditure incurred as per cash book. The detail of PFMS reconciliation are mentioned below:

**PFMS reconciliation statement as on 31.03.2021 - FY - 2020-21)**

<b>Sr. No.</b>	<b>Statement of Expenditure</b>	<b>Amount (Rs.)</b>
1	Expenditure booked as per PFMS Statement From (01.04.2020 to 31.03.2021)	4766925.00
2	Actual Expenditure incurred as per cash book from (01.04.2020 to 31.03.2021)	4374068.00
	Difference	392857.00

**2. DIFFERENCE BETWEEN EXPENDITURE BOOKED IN PFMS SOFTWARE AND ACTUAL EXPENDITURE INCURRED AS PER CASH BOOK**

During audit we noticed that there was no difference between expenditure booked in PFMS Software and actual expenditure incurred as per cash book. The detail of PFMS reconciliation are mentioned below:

**PFMS reconciliation statement as on 31.03.2022**

Sr. No.	Statement of Expenditure	Amount (Rs.)
1	Expenditure booked as per PFMS Statement From (01.04.2021 to 31.03.2022)	3614049.00
2	Actual Expenditure incurred as per cash book from (01.04.2021 to 31.03.2022)	3614403.00
	Difference	354.00

**3. GST TDS NOT DEDUCTED- ( FY-2020-21)**

During the audit we found that amount was paid for supply of goods or services but GST TDS @ 2% Under Section 51 of GST Act not deducted at the time of payment. Details are given below:

Date	Particulars	Total Amount	Observations
23/11/2020	Rambow Technologies	3,74,000/-	Payment made without deducted of GST TDS.
16/12/2020	Ellora computers	4,57,106/-	Payment made without deducted of GST TDS.
23/01/2021	Wood Square Technologies Pvt Ltd.	2,94,120/-	Payment made without deducted of GST TDS.
23/01/2021	Wood Square Technologies Pvt Ltd.	3,00,000/-	Payment made without deducted of GST TDS.
19/03/2021	Wood Square Technologies Pvt Ltd.	2,78,900/-	Payment made without deducted of GST TDS.

**4. GST TDS NOT DEDUCTED- ( FY -2021-22)**

During the audit we found that amount was paid for supply of goods or services but GST TDS @ 2% Under Section 51 of GST Act not deducted at the time of payment. Details are given below:

Date	Particulars	Total Amount	Observations
11.06.2021	Mars Edpal Instrument	495000.00	Payment made without deducted of GST TDS.
01.07.2021 01.07.2021	M/S Sanjeev Kumar Govt Contractor	499000.00 498960.00	Payment made without deducted of GST TDS.

01.07.2021	Wood Square Technologies Pvt Ltd.	278889.00	Payment made without deducted of GST TDS.
14.07.2021	Mars Edpal Instrument	330000.00	Payment made without deducted of GST TDS.

### **RECOMMENDATIONS**

As per institute reply there was delay in applying in GST registration. We recommend that reasons for delay in applying GST registration should be brought to the notice of competent authority and be ratified for proper reply to GST department, in case, any notice received from them in future regarding these lapses.

### **5. NON LEVY OF LIQUIDATED DAMAGES**

On checking of procurement we found that expenditure incurred for purchase of Machinery & Equipments but supply was late provided by vendor or suppliers and No L.D. was deducted on payment of Vender & Supplier by Institute but As per Term & condition of contract liquidate damage should be charged for any delay in supply of goods and material. Liquidated Damages are charged at 0.5% of contract price per week after the stipulated date of delivery, subject to a maximum limit of 10% of contract price. Details are mentioned below:

Date of Payment	Name of Supplier	Amount	Method of purchase	Date of Supply as per agreement	Actual Delivery	No. of delay
25.03.2021	M/S Mars edpal Instruments Pvt. Ltd.	95000	GEM	19.02.2021	25.03.2021	34days
23.03.2021	M/S wood Square Technologies	29675	GEM	06.03.2021	23.03.2021	17days
09.06.2021	M/S Mars edpal Instruments Pvt. Ltd.	495000	GEM	20.05.2021	09.06.2021	19days
26.08.2021	Varper International PVT Ltd.	69650	GEM	01.06.2021	26.08.2021	86days

**PART – D**

**SERIOUS OBSERVATIONS**

During audit we found that there were some serious observations such as laps in internal control, system weakness etc. in following manner:

**1. TDS NOT DEDUCTED**

On checking of TDS records we noted that institute has paid total amount of Rs.1,47,500/- to Mahavastu Associates but TDS was not deducted under section 194J of Income tax at the time of payment by Institute. details are mentioned below:

Date of Deducted	Particulars	Amount	TDS Should be deducted @ 10%	Observation
31.01.2023	Amount Paid to Mahavastu Associates for fees of on Job tanning of trainees on AUTOCAD of 59 students.	75,000/-	7,500/-	TDS was not deducted by Institute at the time of payment.
02.03.2023	Amount Paid to Mahavastu Associates for fees of on Job tanning of trainees on AUTOCAD of 59 students.	72,500/-	7,250/-	TDS was not deducted by Institute at the time of payment.

**2. EXPENDITURE EXCEEDED AGAINST SANCTIONED BUDGET**

While checking of Books of accounts we observed that Institute has incurred the expenditure exceeded against sanctioned budget amount, details are mentioned below:

Date of Payment	Particulars	Budget Amount	Award Amount	Excess Expenditure Against Sanction Budget	Observation
20.06.2022	Amount Paid to Sanjeev Kumar Govt. Contractor for purchases of Double needle Machine Semi dry.	85000.00	236000.00	151000.00	Expenditure exceeded against sanctioned budget Amount



20.06.2022	Amount Paid to Sanjeev Kumar Govt. Contractor for purchases of Button Sewing Machine lock stitch.	200000.00	440000.00	240000.00	Expenditure exceeded against sanctioned budget Amount
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**Auditors' Comment**

Compliance has been done

**3. DIFFERENCE BETWEEN EXPENDITURE BOOKED IN PFMS SOFTWARE AND ACTUAL EXPENDITURE INCURRED AS PER CASH BOOK**

During audit we noticed that there was difference between expenditure booked in PFMS Software and actual expenditure incurred as per cash book. The detail of PFMS reconciliation are mentioned below:

**PFMS reconciliation statement as on 31.03.2023 - FY - 2022-23)**

Sr. No.	Statement of Expenditure	Amount (Rs.)
1	Expenditure booked as per PFMS Statement From (01.04.2022 to 31.03.2023)	4310784.00
2	Actual Expenditure incurred as per cash book from (01.04.2022 to 31.03.2023)	3769622.00
	Difference	541162.00

**4. NON LEVY OF LIQUIDATED DAMAGES**

On checking of procurement we found that expenditure incurred for purchase of Machinery & Equipments but supply was late provided by vendor or suppliers and No L.D. was deducted on payment of Vender / Supplier by Institute but As per Term & condition of contract liquidate damage should be charged for any delay in supply of goods and material. Liquidated Damages are charged at 0.5% of contract price per week after the stipulated date of delivery, subject to a maximum limit of 10% of contract price. Details are mentioned below:

Date of Payment	Name of Supplier	Amount	Method of purchase	Date of Supply as per agreement / Contract	Actual Delivery	No. of delay
20.06.2022	Sanjeev Kumar Govt. Contractor	893760	Tender	23.04.2022	13.05.2022	20days
04.07.2022	Asha Enterprises	302210	Gem	23.04.2022	16.06.2022	23days

#### **5. CHECKING OF PROCUREMENT PLAN**

During the checking of procurement plan we noted that Institute has not uploaded the Procurement plan of FY 2022-23 on website.

#### **Auditors' Comment**

Compliance has been done

#### **6. INSTITUTE OPENED HOLDING ACCOUNT BUT NOT OPERATED FOR STATUTORY PAYMENTS**

During the audit we found that Institute has opened holding account as per NPIU instruction/ guideline but not operated for statutory payments till date.

As per instruction / guideline of NPIU Letter no. F.No.1/(13)/PFMS/FCD/2020 date on 23<sup>rd</sup> March 2021, A Separate bank account (To be called Holding Account) shall be opened by the Institute for holding the tax/ statutory deductions. This holding account would be permitted to make payments outside of PFMS, through cheques or internet banking to effect the statutory payments with the challan details being captured simultaneously. The holding account will serve the purpose of holding tax/ duties/levies/fees/ municipal charges etc. of State Government, municipalities etc. which the Agencies need to process. The Holding account shall be opened preferably in the same bank as in the SNA/ ZBA account and maximum time for which money can be held in this account shall be fourteen days, after which the money shall be credited back to the agency account.

## **7. VARIATION BETWEEN COST ESTIMATE (BUDGETARY) AND AWARDED**

### **PRICE**

While checking of procurement plan we found that in some of the cases there are variations exceeding 30% in budgetary cost estimates and final amount of awarded contracts. Details of these cases, are as follows :

<b>Date of Payment</b>	<b>Particulars</b>	<b>Estimate cost</b>	<b>Award Amount</b>	<b>Variation %</b>
20.06.2022	Amount Paid to Sanjeev Kumar Govt. Contractor for purchases of Double needle Machine Semi dry.	85000.00	236000.00	200%
20.06.2022	Amount Paid to Sanjeev Kumar Govt. Contractor for purchases of Button Sewing Machine lock stitch.	200000.00	440000.00	100%

### **PART - E**

#### **OTHER OBSERVATIONS**

##### **1. STATUS OF UTILISATION OF FUND**

During audit we found that fund received and utilized during audit period as below:

Opening Balance as on 01.04.2022	0.00
Fund received during the period from (01.04.2022 to 31.03.2023)	3769622.00
Expenditure incurred during the period (01.04.2022 to 31.03.2023)	3769622.00
Balance as per bank as on 31.03.2023	<u>0.00</u>

##### **2. CHECKING OF PROCUREMENT SECTION**

<b>Sr. No.</b>	<b>Particulars</b>	<b>Compliance from auditors Yes/ No</b>	<b>Comment of auditor</b>
1	Goods and services financed have been procured in accordance with the relevant financing agreement and procurement norms as laid out in the operations manual.	Yes	No comments

2	Procurement processes being followed at the it is and State Societies are as per procurement Guidelines under STRIVE project as per Para 4.2 of the OM	Yes	No comments
3	Any Procurement related complaints received and time taken in disposal of each such complaints and verifying that no contracts excluded from the program have been awarded.	No	There was no procurement related complaints are reflected on website
4	Publication of Annual/ Quarterly procurement plan on Institute / SPIU website.	No	Institute has not uploaded the Procurement plan of FY 2022-23 on website.
5	Selected Contractor/ Supplier/Service provider/ Consultant on World Banks list of temporarily suspended and debarred firms	No	No contract has been awarded to any firm by Institute, which is debarred by the World Bank.
6	Contract Award Notice (CAN) as per applicable format ( Competitive selection, Request for Quotations Direct selection are uploaded on website/ Public domain against of each of the completed procurement (applicable in case of LOA/contract issued)	Yes	No comments
7	Any other section/ weakness reviewed on procurement	Yes	During audit period some weakness found in procurement section that is already given in audit report Part -D.

## **PART - F**

### **EXECUTIVE SUMMARY**

#### **1. TDS NOT DEDUCTED**

On checking of TDS records we noted that institute has paid total amount of Rs.1,47,500/- to Mahavastu Associates but TDS was not deducted under section 194J of Income tax at the time of payment by Institute. details are mentioned below:

Date of Deducted	Particulars	Amount	TDS Should be deducted @ 10%	Observation
31.01.2023	Amount Paid to Mahavastu Associates for fees of on Job tanning of trainees on AUTOCAD of 59 students.	75,000/-	7,500/-	TDS was not deducted by Institute at the time of payment.
02.03.2023	Amount Paid to Mahavastu Associates for fees of on Job tanning of trainees on AUTOCAD of 59 students.	72,500/-	7,250/-	TDS was not deducted by Institute at the time of payment.

## 2. EXPENDITURE EXCEEDED AGAINST SANCTIONED BUDGET

While checking of Books of accounts we observed that Institute has incurred the expenditure exceeded against sanctioned budget amount, details are mentioned below:

Date of Payment	Particulars	Budget Amount	Award Amount	Excess Expenditure Against Sanction Budget	Observation
20.06.2022	Amount Paid to Sanjeev Kumar Govt. Contractor for purchases of Double needle Machine Semi dry.	85000.00	236000.00	151000.00	Expenditure exceeded against sanctioned budget Amount
20.06.2022	Amount Paid to Sanjeev Kumar Govt. Contractor for purchases of Button Sewing Machine lock stitch.	200000.00	440000.00	240000.00	Expenditure exceeded against sanctioned budget Amount

### Auditors' Comment

Compliance has been done

## 3. DIFFERENCE BETWEEN EXPENDITURE BOOKED IN PFMS SOFTWARE AND ACTUAL EXPENDITURE INCURRED AS PER CASH BOOK

During audit we noticed that there was difference between expenditure booked in PFMS Software and actual expenditure incurred as per cash book. The detail of PFMS reconciliation are mentioned below:

**PFMS reconciliation statement as on 31.03.2023 - FY – 2022-23)**

Sr. No.	Statement of Expenditure	Amount (Rs.)
1	Expenditure booked as per PFMS Statement From (01.04.2022 to 31.03.2023)	4310784.00
2	Actual Expenditure incurred as per cash book from (01.04.2022 to 31.03.2023)	3769622.00
	Difference	541162.00

**4. NON LEVY OF LIQUIDATED DAMAGES**

On checking of procurement we found that expenditure incurred for purchase of Machinery & Equipments but supply was late provided by vendor or suppliers and No L.D. was deducted on payment of Vender & Supplier by Institute but As per Term & condition of contract liquidate damage should be charged for any delay in supply of goods and material. Liquidated Damages are charged at 0.5% of contract price per week after the stipulated date of delivery, subject to a maximum limit of 10% of contract price. Details are mentioned below:

Date of Payment	Name of Supplier	Amount	Method of purchase	Date of Supply as per agreement / Contract	Actual Delivery	No. of delay
20.06.2022	Sanjeev Kumar Govt. Contractor	893760	Tender	23.04.2022	13.05.2022	20days
04.07.2022	Asha Enterprises	302210	Gem	23.04.2022	16.06.2022	23days

**5. CHECKING OF PROCUREMENT PLAN**

During the checking of procurement plan we noted that Institute has not uploaded the Procurement plan of FY 2022-23 on website.

**Auditors Comments**

Compliance has been done

**6. INSTITUTE OPENED HOLDING ACCOUNT BUT NOT OPERATED FOR STATUTORY PAYMENTS**

During the audit we found that Institute has opened holding account as per NPIU instruction/ guideline but not operated for statutory payments till date.

As per instruction / guideline of NPIU Letter no. F.No.1/(13)/PFMS/FCD/2020 date on 23<sup>rd</sup> March 2021, A Separate bank account (To be called Holding Account) shall be opened by the Institute for holding the tax/ statutory deductions. This holding account would be permitted to make payments outside of PFMS, through cheques or internet banking to effect the statutory payments with the challan details being captured simultaneously. The holding account will serve the purpose of holding tax/ duties/levies/fees/ municipal charges etc. of State Government, municipalities etc. which the Agencies need to process. The Holding account shall be opened preferably in the same bank as in the SNA/ ZBA account and maximum time for which money can be held in this account shall be fourteen days, after which the money shall be credited back to the agency account.

**7. VARIATION BETWEEN COST ESTIMATE (BUDGETARY) AND AWARDED PRICE**

While checking of procurement plan we found that in some of the cases there are variations exceeding 30% in budgetary cost estimates and final amount of awarded contracts. Details of these cases, are as follows :

<b>Date of Payment</b>	<b>Particulars</b>	<b>Estimate cost</b>	<b>Award Amount</b>	<b>Variation %</b>
20.06.2022	Amount Paid to Sanjeev Kumar Govt. Contractor for purchases of Double needle Machine Semi dry.	85000.00	236000.00	200%
20.06.2022	Amount Paid to Sanjeev Kumar Govt. Contractor for purchases of Button Sewing Machine lock stitch.	200000.00	440000.00	100%



**SKILLS STRENGTHENING FOR INDUSTRIAL VALUE ENHANCEMENT (STRIVE)**

**(WORLD BANK FUNDED PROJECT)**

**GOVT. INDUSTRIAL TRAINING INSTITUTE - SOLAN**

**INTERNAL AUDIT REPORT FOR THE PERIOD FROM 01.04.2022 TO 31.03.2023**

**PART – A BRIEF DETAIL OF THE AUDITEE AND AUDIT**

- |   |  |
|---|--|
| a. Name and address of the Auditee      | : Govt. Industrial Training Institute<br>Solan |
| b. Name of Auditors                     | : Agarwal A Kumar & Associates                 |
| c. Days of Audit                        | : 2  |
| d. Period covered in the previous audit | : April 01, 2021 to March 31,2022              |
| e. Period covered in the current audit  | : April 01, 2022 to March 31,2023              |

**PART – B**

**EXECUTIVE SUMMARY**

**(a) Objective of Audit**

We have conducted the Internal Audit of Govt. Industrial Training Institute Solan for the period from April 01, 2022 to March 31, 2023. We have carried out the audit in accordance with the standards on auditing promulgated by the Institute of Chartered Accountants of India and in accordance with the TOR as issued by the funding Agency International Development Association. It is the responsibility of the management to maintain the PFMS / PMIS as prescribe by the funding agency in cash system of accounting, fair and proper documentation, generation books and records, and the various Interim financial reports and annual statements, and to implement a proper internal control system commensurate with the size of the 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.





**(b) Methodology of Audit**

The Audit was conducted on the basis of the finalized Audit Program. After distribution of the audit work and responsibilities, the concerned staff performed their job and directly reported to Team Manager on daily basis. Internal Audit program was mainly focused on following areas:

- 1 An assessment of whether the Project Financial Statements have been prepared in accordance with consistently applied Accounting Standards of the Institute of Chartered Accountants of India and gives a true and fair view of the operations of the Project during the year and the financial position of the Project at the close of the fiscal year.
- 2 An assessment of the adequacy of the Project financial management systems including internal controls. The financial management system should include methods and records established to identify, assemble, analyze, classify, record and report on transactions and to maintain accountability for the related assets and liabilities.
- 3 That all project funds have been used in accordance with the conditions of the relevant financing agreement, with due attention to transparency, economy and efficiency and only for the purposes for which the financing was provided.
- 4 All necessary supporting documents, records and books/ statements of accounts have been maintained and all necessary supporting documents such as records, vouchers, bids etc. and books of accounts have been kept in respect of all project expenditures.
- 5 Identify the expenditure which are covered in accordance with the allocation described in "Operational Manual" under section 4 "Fiduciary Systems" para 4.1 " Financial Management" under sub para 4.2.3 "Eligible and Ineligible Procurement Expenditure " as eligible and segregate these from non-eligible items.
- 6 Clear linkages exist between the books of accounts maintained for the expenditures and reports presented for the expenditure incurred.
- 7 That test check and verification of the activities were conducted for the project as planned and that they were in line with the agreed loan agreement.
- 8 Verify the eligibility of expenditures for SoE disbursement and separately report upon ineligible expenditure claimed if any.

**(c) Status of implementation of the Public Financial Management System**

During audit we noted that "Public Financial Management System" has been implemented during period from April 01, 2022 to March 31, 2023.

(d) **Status of Compliance of previous audit report**

During audit we noted that the compliance of the observations of previous internal audit report have not been done.

(e) **Key areas of weakness**

During audit we noted that there were some key areas of weakness regarding procedural lapse for the period from April 01, 2022 to March 31, 2023, Details are given in part D.

**PART – C**

**COMPLIANCE OF PREVIOUS AUDIT REPORT**

During audit we noted that the compliance of the observations of previous internal audit report have not been done.

**1. DIFFERENCE BETWEEN EXPENDITURE BOOKED IN PFMS SOFTWARE AND ACTUAL EXPENDITURE INCURRED AS PER CASH BOOK**

During audit we noticed that there was difference between expenditure booked in PFMS Software and actual expenditure incurred as per cash book. The detail of PFMS reconciliation are mentioned below:

**PFMS reconciliation statement as on 31.03.2021 - FY – 2020-21)**

Sr. No.	Statement of Expenditure	Amount (Rs.)
1	Expenditure booked as per PFMS Statement From (01.04.2020 to 31.03.2021)	1619010.00
2	Actual Expenditure incurred as per cash book from (01.04.2020 to 31.03.2021)	1639425.22
	Difference	20415.22

**2. DIFFERENCE BETWEEN EXPENDITURE BOOKED IN PFMS SOFTWARE AND ACTUAL EXPENDITURE INCURRED AS PER CASH BOOK**

During audit we noticed that there was difference between expenditure booked in PFMS Software and actual expenditure incurred as per cash book. The detail of PFMS reconciliation are mentioned below:

**PFMS reconciliation statement as on 31.03.2022 - FY – 2021-22)**

Sr. No.	Statement of Expenditure	Amount (Rs.)
1	Expenditure booked as per PFMS Statement From (01.04.2021 to 31.03.2022)	6473066.00
2	Actual Expenditure incurred as per cash book from (01.04.2021 to 31.03.2022)	7139999.00
	Difference	666933.00

**3. NON LEVY OF LIQUIDATED DAMAGES**

On checking of procurement we found that expenditure incurred for purchase of Machinery & Equipments but supply was late provided by vendor or suppliers and No L.D. was deducted on payment of Vender & Supplier by Institute but As per Term & condition of contract liquidate damage should be charged for any delay in supply of goods and material. Liquidated Damages are charged at 0.5% of contract price per week after the stipulated date of delivery, subject to a maximum limit of 10% of contract price. Details are mentioned below:

Contract No.	Particulars	Date of Delivery as per Contract	Amount	Actual Date of Delivery	Delay
GEMC-51168774198212	Payment made to Rama Electrical & machinery	01.09.2021	79200.00	05.10.2021	34 Days
GEMC-5116877	Purchase of 2 seeter desk	30.08.2021	217190.00	09.09.2021	9 Days
GEMC-511687748859900	Purchase of Spot velding Machine	15.08.2021	109500.00	21.08.2021	6 days
GEMC-5116877	Purchase of tools	13.09.2021	435339.00	23.09.2021	11 days
GEMC-511687760339803	Purchase of Plasma air cutting machine	12.09.2021	102960.00	05.10.2021	24 days

**4. LABOUR CESS NOT DEDUCTED**

During audit we found that in one case Institute has payment made for civil works but labour cess not deducted on contractor payment, details is given below:

Name of Work	Name of Contractor	Date of LOA issued	Award Amount	Remarks
Welder trade mirror civil alteration and maintenance work in IT	Deepak Singh	24.08.2021	358536.00	Labour cess not deducted on payment

## PART – D

### SERIOUS OBSERVATIONS

During audit we found that there were some serious observations such as laps in internal control, system weakness etc. in following manner:

#### 1. DIFFERENCE BETWEEN EXPENDITURE BOOKED IN PFMS SOFTWARE AND ACTUAL EXPENDITURE INCURRED AS PER CASH BOOK

During audit we noticed that there was difference between expenditure booked in PFMS Software and actual expenditure incurred as per cash book. The detail of PFMS reconciliation are mentioned below:

##### PFMS reconciliation statement as on 31.03.2023 - FY – 2022-23)

Sr. No.	Statement of Expenditure	Amount (Rs.)
1	Expenditure booked as per PFMS Statement From (01.04.2022 to 31.03.2023)	6476121.00
2	Actual Expenditure incurred as per cash book from (01.04.2022 to 31.03.2023)	4177838.00
	Difference	2298283.00

#### 2. GST TDS DEDUCTED BY THE INSTITUTE ON TOTAL AMOUNT OF BILL

During audit we found that in some of the cases GST TDS was deducted by the Institute on total amount of bill instead of taxable value. Details of cases are given below:

Date	Particulars	Net Amount	GST TDS Deducted	GST TDS Should be deducted	Excess amount deducted
17.05.2022	ZeroTek Technology Pvt. Ltd.	371526.00	8768.00	7431.00	1337.00

25.06.2022	Data Sky Solution Pvt. Ltd.	381356.00	9000.00	7627.00	1373.00
27.10.2022	Asha Enterprises	836866.00	19750.00	16737.00	3013.00
14.02.2023	Satluj Document Company	379237.00	7585.00	8950.00	1365.00

### **3. INSTITUTE OPENED HOLDING ACCOUNT BUT NOT OPERATED FOR STATUTORY PAYMENTS**

During the audit we found that Institute has opened holding account as per NPIU instruction/ guideline but not operated for statutory payments till date.

As per instruction / guideline of NPIU Letter no. F.No.1/(13)/PFMS/FCD/2020 date on 23<sup>rd</sup> March 2021, A Separate bank account (To be called Holding Account) shall be opened by the Institute for holding the tax/ statutory deductions. This holding account would be permitted to make payments outside of PFMS, through cheques or internet banking to effect the statutory payments with the challan details being captured simultaneously. The holding account will serve the purpose of holding tax/ duties/levies/fees/ municipal charges etc. of State Government, municipalities etc. which the Agencies need to process. The Holding account shall be opened preferably in the same bank as in the SNA/ ZBA account and maximum time for which money can be held in this account shall be fourteen days, after which the money shall be credited back to the agency account.

## **PART – E**

### **OTHER OBSERVATIONS**

#### **1. STATUS OF UTILISATION OF FUND**

During audit we found that fund received and utilized during audit period as below:

Opening Balance as on 01.04.2022	0.00
Fund received during the period from (01.04.2022 to 31.03.2023)	4177838.00
Expenditure incurred during the period (01.04.2022 to 31.03.2023)	4177838.00
Balance as per bank as on 31.03.2023	<u>0.00</u>

## 2. CHECKING OF OTHER PROCUREMENT SECTION

Sr. No.	Particulars	Compliance from auditors Yes/ No	Comment of auditor
1	Goods and services financed have been procured in accordance with the relevant financing agreement and procurement norms as laid out in the operations manual.	Yes	No comments
2	Procurement processes being followed at the it is and State Societies are as per procurement Guidelines under STRIVE project as per Para 4.2 of the OM	Yes	No comments
3	Any Procurement related complaints received and time taken in disposal of each such complaints and verifying that no contracts excluded from the program have been awarded.	No	There was no procurement related complaints are reflected on website
4	Publication of Annual/ Quarterly procurement plan on Institute / SPIU website.	Yes	Institute procurement plan is uploaded on the web site <a href="http://www.itisolan.org.in">www.itisolan.org.in</a> for the financial year 2022-23.
5	Selected Contractor/ Supplier/Service provider/ Consultant on World Banks list of temporarily suspended and debarred firms	No	No contract has been awarded to any firm by Institute, which is debarred by the World Bank.
6	Contract Award Notice (CAN) as per applicable format ( Competitive selection, Request for Quotations Direct selection are uploaded on website/ Public domain against of each of the completed procurement (applicable in case of LOA/contract issued)	Yes	No comments
7	Any other section/ weakness reviewed on procurement	Yes	During audit period some weakness found in procurement section that is already given in audit report Part -D.

**PART - F**

**EXECUTIVE SUMMARY AND SUGGESTIONS/RECOMMENDATIONS**

**1. DIFFERENCE BETWEEN EXPENDITURE BOOKED IN PFMS SOFTWARE AND ACTUAL EXPENDITURE INCURRED AS PER CASH BOOK**

During audit we noticed that there was difference between expenditure booked in PFMS Software and actual expenditure incurred as per cash book. The detail of PFMS reconciliation are mentioned below:

**PFMS reconciliation statement as on 31.03.2023 - FY – 2022-23)**

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1	Expenditure booked as per PFMS Statement From (01.04.2022 to 31.03.2023)	6476121.00
2	Actual Expenditure incurred as per cash book from (01.04.2022 to 31.03.2023)	4177838.00
	Difference	2298283.00

**2. GST TDS DEDUCTED BY THE INSTITUTE ON TOTAL AMOUNT OF BILL**

During audit we found that in some of the cases GST TDS was deducted by the Institute on total amount of bill instead of taxable value. Details of cases are given below:

Date	Particulars	Net Amount	GST TDS Deducted	GST TDS Should be deducted	Excess amount deducted
17.05.2022	ZeroTek Technology Pvt. Ltd.	371526.00	8768.00	7431.00	1337.00
25.06.2022	Data Sky Solution Pvt. Ltd.	381356.00	9000.00	7627.00	1373.00
27.10.2022	Asha Enterprises	836866.00	19750.00	16737.00	3013.00
14.02.2023	Satluj Dacument Company	379237.00	7585.00	8950.00	1365.00

**3. INSTITUTE OPENED HOLDING ACCOUNT BUT NOT OPERATED FOR STATUTORY PAYMENTS**

During the audit we found that Institute has opened holding account as per NPIU instruction/ guideline but not operated for statutory payments till date.

As per instruction / guideline of NPIU Letter no. F.No.1/(13)/PFMS/FCD/2020 date on 23<sup>rd</sup> March 2021, A Separate bank account (To be called Holding Account) shall be opened by the Institute for holding the tax/ statutory deductions. This holding account would be permitted to make payments outside of PFMS, through cheques or internet banking to effect the statutory payments with the challan details being captured simultaneously. The holding account will serve the purpose of holding tax/ duties/levies/fees/ municipal charges etc. of State Government, municipalities etc. which the Agencies need to process. The Holding account shall be opened preferably in the same bank as in the SNA/ ZBA account and maximum time for which money can be held in this account shall be fourteen days, after which the money shall be credited back to the agency account.





**SKILLS STRENGTHENING FOR INDUSTRIAL VALUE ENHANCEMENT (STRIVE)**

**(WORLD BANK FUNDED PROJECT)**

**GOVT. INDUSTRIAL TRAINING INSTITUTE WOMEN – NALAGARH**

**INTERNAL AUDIT REPORT FOR THE PERIOD FROM 01.04.2022 TO 31.03.2023**

**PART – A BRIEF DETAIL OF THE AUDITEE AND AUDIT**

- |   |   |
|---|---|
| a. Name and address of the Auditee      | : Govt. Industrial Training Institute<br>Women - Nalagarh |
| b. Name of Auditors                     | : Agarwal A Kumar & Associates                            |
| c. Days of Audit                        | : 2   |
| d. Period covered in the previous audit | : April 01, 2021 to March 31, 2022                        |
| e. Period covered in the current audit  | : April 01, 2022 to March 31, 2023                        |

**PART – B**

**EXECUTIVE SUMMARY**

**(a) Objective of Audit**

We have conducted the Internal Audit of Govt. Industrial Training Institute Women Nalagarh for the period from April 01, 2022 to March 31, 2023. We have carried out the audit in accordance with the standards on auditing promulgated by the Institute of Chartered Accountants of India and in accordance with the TOR as issued by the funding Agency International Development Association. It is the responsibility of the management to maintain the PFMS / PMIS as prescribe by the funding agency in cash system of accounting, fair and proper documentation, generation books and records, and the various Interim financial reports and annual statements, and to implement a proper internal control system commensurate with the size of the 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.



**(b) Methodology of Audit**

The Audit was conducted on the basis of the finalized Audit Program. After distribution of the audit work and responsibilities, the concerned staff performed their job and directly reported to Team Manager on daily basis. Internal Audit program was mainly focused on following areas:

- 1 An assessment of whether the Project Financial Statements have been prepared in accordance with consistently applied Accounting Standards of the Institute of Chartered Accountants of India and gives a true and fair view of the operations of the Project during the year and the financial position of the Project at the close of the fiscal year.
- 2 An assessment of the adequacy of the Project financial management systems including internal controls. The financial management system should include methods and records established to identify, assemble, analyze, classify, record and report on transactions and to maintain accountability for the related assets and liabilities.
- 3 That all project funds have been used in accordance with the conditions of the relevant financing agreement, with due attention to transparency, economy and efficiency and only for the purposes for which the financing was provided.
- 4 All necessary supporting documents, records and books/ statements of accounts have been maintained and all necessary supporting documents such as records, vouchers, bids etc. and books of accounts have been kept in respect of all project expenditures.
- 5 Identify the expenditure which are covered in accordance with the allocation described in "Operational Manual" under section 4 "Fiduciary Systems" para 4.1 "Financial Management" under sub para 4.2.3 "Eligible and Ineligible Procurement Expenditure" as eligible and segregate these from non-eligible items.
- 6 Clear linkages exist between the books of accounts maintained for the expenditures and reports presented for the expenditure incurred.
- 7 That test check and verification of the activities were conducted for the project as planned and that they were in line with the agreed loan agreement.
- 8 Verify the eligibility of expenditures for SoE disbursement and separately report upon ineligible expenditure claimed if any.

**(c) Status of implementation of the Public Financial Management System**

During audit we noted that "Public Financial Management System" has been implemented during period from April 01, 2022 to March 31, 2023.

(d) Status of Compliance of previous audit report

During audit we noted that the compliance of the observations of previous internal audit report have not been done.

(e) Key areas of weakness

During audit we noted that there were some key areas of weakness regarding procedural lapse for the period from April 01, 2022 to March 31, 2023, Details are given in part D.

PART - C

COMPLIANCE OF PREVIOUS AUDIT REPORT

During audit we noted that the compliance of the observations of previous internal audit report have not been done.

1. DIFFERENCE BETWEEN EXPENDITURE BOOKED IN PFMS SOFTWARE AND ACTUAL EXPENDITURE INCURRED AS PER CASH BOOK

During audit we noticed that there was difference between expenditure booked in PFMS Software and actual expenditure incurred as per cash book. The detail of PFMS reconciliation are mentioned below:

A. PFMS reconciliation statement as on 31.03.2021 - FY - 2020-21)

Sr. No.	Statement of Expenditure	Amount (Rs.)
1	Expenditure booked as per PFMS Statement From (01.04.2020 to 31.03.2021)	4515365.00
2	Actual Expenditure incurred as per cash book from (01.04.2020 to 31.03.2021)	3008551.22
	Difference	1506813.78

B. PFMS reconciliation statement as on 31.03.2022 - FY - 2021-22)

Sr. No.	Statement of Expenditure	Amount (Rs.)
1	Expenditure booked as per PFMS Statement From (01.04.2021 to 31.03.2022)	3956739.00
2	Actual Expenditure incurred as per cash book from (01.04.2021 to 31.03.2022)	2373490.00
	Difference	1583249.00

## **2. TDS NOT DEDUCTED- (FY 2020-21)**

On checking of TDS records we noted that institute has paid amount of Rs.35,400/- to Osaka consultancy but TDS was not deducted under section 194J of Income tax at the time of payment by Institute. detail is mentioned below:

<b>Date of Deducted</b>	<b>Particulars</b>	<b>Amount</b>	<b>TDS Should be deducted @ 10%</b>	<b>Observation</b>
12.03.2021	Amount Paid to Osaka consultancy for professional charges.	35,400/-	3,540/-	TDS was not deducted by Institute at the time of payment.

## **3. TDS NOT DEDUCTED -( 2021-22)**

While checking we observed that in one case Institute has made payment to Niesbud Noida for capacity building programme on entrepreneurship development for principal senior faculty on 23.08.2021 to 27.08.2021 of Rs.70,800/- (23600/- per person) but TDS not deducted on payment.

## **4. NON LEVY OF LIQUIDATED DAMAGES**

On checking of procurement we found that expenditure incurred for purchase of Machinery & Equipments but supply was late provided by vendor or suppliers and No L.D. was deducted on payment of Vender & Supplier by Institute but As per Term & condition of contract liquidate damage should be charged for any delay in supply of goods and material. Liquidated Damages are charged at 0.5% of contract price per week after the stipulated date of delivery, subject to a maximum limit of 10% of contract price. Details are mentioned below:

<b>Contract No.</b>	<b>Invoice date</b>	<b>Particulars</b>	<b>Date of Delivery as per Contract</b>	<b>Amount</b>	<b>Actual Date of Delivery</b>	<b>Delay</b>
GEMC-5116877 0973326 8	14.08.2021	Purchase of Computerized single head multi needle embroidery machine	23.07.2021	1057000	16.08.2021	23 days

## PART – D

### SERIOUS OBSERVATIONS

During audit we found that there were some serious observations such as laps in internal control, system weakness etc. in following manner:

#### 1. PROCUREMENT MADE WITHOUT APPROVAL OF COMPETENT AUTHORITY

During the audit we found that in one case institute has made procurement but this item was not approved in procurement plan FY 2022-23 from Chairman of IMC and Institute Management committee. Detail of this procurement is given below:

Date of Payment	Invoice no.	Name of Supplier	Name of Work	Amount
08.12.2022	BN-0203-26.09.2022	Deepak Singh Govt. Contractor	Providing & Fixing the Aluminum & Glass Material	490622.00

#### Auditors' Comments

Copy of Ex- Post facto approval not attached with Reply

#### 2. VARIATION STATEMENT NOT PREPARED BY INSTITUTE

During the Checking of agreements and contracts we found that in one case work was allotted to Deepak Singh Govt. contractor for Providing & Fixing the Aluminum & Glass Material but there was some items in quantity bill of contractor which have variation above 25% of the BOQ given in contract but there was no variation statement was prepared by Institute. The Detail of this package is mentioned as under:

Item no.	Qty as per Agreement (Per Cubic meter)	Qty as per Executed in Bill of contractor (Per Cubic meter)	Difference	Rate	Difference in Amount
1	720.37	723.10	02.73	480.00	1310.40
2	40.00	18.51	21.49	875.00	18803.75
3	32.00	47.51	15.51	1105.00	17138.55

### Auditors' Comments

Copy of Ex- Post facto approval and variation statement not attached with Reply

### 3. DIFFERENCE BETWEEN EXPENDITURE BOOKED IN PFMS SOFTWARE AND ACTUAL EXPENDITURE INCURRED AS PER CASH BOOK

During audit we noticed that there was difference between expenditure booked in PFMS Software and actual expenditure incurred as per cash book. The detail of PFMS reconciliation are mentioned below:

#### PFMS reconciliation statement as on 31.03.2023 - FY – 2022-23)

Sr. No.	Statement of Expenditure	Amount (Rs.)
1	Expenditure booked as per PFMS Statement From (01.04.2022 to 31.03.2023)	5078102.00
2	Actual Expenditure incurred as per cash book from (01.04.2022 to 31.03.2023)	3073896.00
	Difference	2004206.00

### 4. DELAY IN DEPOSIT OF GST TDS

On checking of GST records we found that Institute has deducted the amount of GST TDS @ 2% under Section 51 of GST Act from vendor payments but these amounts were late deposited by Institute in their respective department. Details are given below:

Date of deducted	Particulars	Amount of GST TDS	Due date	Deposit date	Observations
05.05.2022	M/s Raaz Communication & New Era Network	7736.00	10.06.2022	27.07.2022	GST TDS amount was late deposited by Institute.
05.05.2022	M/s Promine Ind. Pvt Ltd.	8439.00	10.06.2022	27.07.2022	GST TDS amount was late deposited by Institute.

## **5. VARIATION BETWEEN COST ESTIMATE (BUDGETARY) AND AWARDED**

### **PRICE**

While checking of procurement plan we found that in some of the cases there are variations exceeding 30% in budgetary cost estimates and final amount of awarded contracts. Details of these cases, are as follows :

<b>Date of Payment</b>	<b>Particulars</b>	<b>Name of Item</b>	<b>Estimate Cost</b>	<b>Award Amount</b>	<b>Variation %</b>
27.03.2023	Hitech construction Pvt. Ltd.	Online Ups	90000.00	202979.00	110%
27.03.2023	Hitech construction Pvt. Ltd.	PVC Floor Mating	15000.00	98388	550%

### **Auditors' Comments**

Copy of Ex- Post facto approval not attached with Reply

## **6. INSTITUTE OPENED HOLDING ACCOUNT BUT NOT OPERATED FOR STATUTORY PAYMENTS**

During the audit we found that Institute has opened holding account as per NPIU instruction/ guideline but not operated for statutory payments till date.

As per instruction / guideline of NPIU Letter no. F.No.1/(13)/PFMS/FCD/2020 date on 23<sup>rd</sup> March 2021, A Separate bank account (To be called Holding Account) shall be opened by the Institute for holding the tax/ statutory deductions. This holding account would be permitted to make payments outside of PFMS, through cheques or internet banking to effect the statutory payments with the challan details being captured simultaneously. The holding account will serve the purpose of holding tax/ duties/levies/fees/ municipal charges etc. of State Government, municipalities etc. which the Agencies need to process. The Holding account shall be opened preferably in the same bank as in the SNA/ ZBA account and maximum time for which money can be held in this account shall be fourteen days, after which the money shall be credited back to the agency account.

## PART – E

### OTHER OBSERVATIONS

#### 1. STATUS OF UTILISATION OF FUND

During audit we found that fund received and utilized during audit period as below:

Opening Balance as on 01.04.2022	0.00
Fund received during the period from (01.04.2022 to 31.03.2023)	3073896.00
Expenditure incurred during the period (01.04.2022 to 31.03.2023)	3073896.00
Balance as per bank as on 31.03.2023	<u>0.00</u>

#### 2. CHECKING OF OTHER PROCUREMENT SECTION

Sr. No.	Particulars	Compliance from auditors Yes/ No	Comment of auditor
1	Goods and services financed have been procured in accordance with the relevant financing agreement and procurement norms as laid out in the operations manual.	Yes	No comments
2	Procurement processes being followed at the it is and State Societies are as per procurement Guidelines under STRIVE project as per Para 4.2 of the OM	Yes	No comments
3	Any Procurement related complaints received and time taken in disposal of each such complaints and verifying that no contracts excluded from the program have been awarded.	No	There was no procurement related complaints are reflected on website
4	Publication of Annual/ Quarterly procurement plan on Institute / SPIU website.	Yes	Institute procurement plan is uploaded on the web site <a href="http://www.itiwomen.nalagarh.edu.in">www.itiwomen.nalagarh.edu.in</a> for the financial year 2022-23.
5	Selected Contractor/ Supplier/Service provider/ Consultant on World Banks list of temporarily suspended and debarred firms	No	No contract has been awarded to any firm by Institute, which is debarred by the World Bank.



6	Contract Award Notice (CAN) as per applicable format ( Competitive selection, Request for Quotations Direct selection are uploaded on website/ Public domain against of each of the completed procurement (applicable in case of LOA/contract issued)	Yes	No comments
7	Any other section/ weakness reviewed on procurement	Yes	During audit period some weakness found in procurement section that is already given in audit report Part -D.

## PART - F

### EXECUTIVE SUMMARY AND SUGGESTIONS/RECOMMENDATIONS

#### 1. PROCUREMENT MADE WITHOUT APPROVAL OF COMPETENT AUTHORITY

During the audit we found that in one case institute has made procurement but this item was not approved in procurement plan FY 2022-23 from Chairman of IMC and Institute Management committee. Detail of this procurement is given below:

Date of Payment	Invoice no.	Name of Supplier	Name of Work	Amount
08.12.2022	BN-0203-26.09.2022	Deepak Singh Govt. Contractor	Providing & Fixing the Aluminum & Glass Material	490622.00

#### Auditors' Comments

Copy of Ex- Post facto approval not attached with Reply

#### 2. VARIATION STATEMENT NOT PREPARED BY INSTITUTE

During the Checking of agreements and contracts we found that in one case work was allotted to Deepak Singh Govt. contractor for Providing & Fixing the Aluminum & Glass Material but there was some items in quantity bill of contractor which have variation above 25% of the BOQ given in contract but there was no variation statement was prepared by Institute. The Detail of this package is mentioned as under:

Item no.	Qty as per Agreement (Per Cubic meter)	Qty as per Executed in Bill of contractor (Per Cubic meter)	Difference	Rate	Difference in Amount
1	720.37	723.10	02.73	480.00	1310.40
2	40.00	18.51	21.49	875.00	18803.75
3	32.00	47.51	15.51	1105.00	17138.55

**Auditors' Comments**

Copy of Ex- Post facto approval and variation statement not attached with Reply

**3. DIFFERENCE BETWEEN EXPENDITURE BOOKED IN PFMS SOFTWARE AND ACTUAL EXPENDITURE INCURRED AS PER CASH BOOK**

During audit we noticed that there was difference between expenditure booked in PFMS Software and actual expenditure incurred as per cash book. The detail of PFMS reconciliation are mentioned below:

**PFMS reconciliation statement as on 31.03.2023 - FY – 2022-23)**

Sr.No.	Statement of Expenditure	Amount (Rs.)
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	Difference	2004206.00

**4. DELAY IN DEPOSIT OF GST TDS**

On checking of GST records we found that Institute has deducted the amount of GST TDS @ 2% under Section 51 of GST Act from vendor payments but these amounts were late deposited by Institute in their respective department. Details are given below:

Date of deducted	Particulars	Amount of GST TDS	Due date	Deposit date	Observations
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**5. VARIATION BETWEEN COST ESTIMATE (BUDGETARY) AND AWARDED PRICE**

While checking of procurement plan we found that in some of the cases there are variations exceeding 30% in budgetary cost estimates and final amount of awarded contracts. Details of these cases, are as follows :

Date of Payment	Particulars	Name of Item	Estimate Cost	Award Amount	Variation %
27.03.2023	Hitech construction Pvt. Ltd.	Online Ups	90000.00	202979.00	110%
27.03.2023	Hitech construction Pvt. Ltd.	PVC Floor Mating	15000.00	98388	550%

**Auditors' Comments**

Copy of Ex- Post facto approval not attached with Reply

**6. INSTITUTE OPENED HOLDING ACCOUNT BUT NOT OPERATED FOR STATUTORY PAYMENTS**

During the audit we found that Institute has opened holding account as per NPIU instruction/ guideline but not operated for statutory payments till date.

As per instruction / guideline of NPIU Letter no. F.No.1/(13)/PFMS/FCD/2020 date on 23<sup>rd</sup> March 2021, A Separate bank account (To be called Holding Account) shall be opened by the Institute for holding the tax/ statutory deductions. This holding account would be permitted to make payments outside of PFMS, through cheques or internet banking to effect the statutory

payments with the challan details being captured simultaneously. The holding account will serve the purpose of holding tax/ duties/levies/fees/ municipal charges etc. of State Government, municipalities etc. which the Agencies need to process. The Holding account shall be opened preferably in the same bank as in the SNA/ ZBA account and maximum time for which money can be held in this account shall be fourteen days, after which the money shall be credited back to the agency account.



**SKILLS STRENGTHENING FOR INDUSTRIAL VALUE ENHANCEMENT (STRIVE)**

**(WORLD BANK FUNDED PROJECT)**

**GOVT. MODEL INDUSTRIAL TRAINING INSTITUTE – NALAGARH**

**INTERNAL AUDIT REPORT FOR THE PERIOD FROM 01.04.2022 TO 31.03.2023**

**PART – A      BRIEF DETAIL OF THE AUDITEE AND AUDIT**

- |   |  |
|---|--|
| a. Name and address of the Auditee      | : Govt. Model Industrial Training Institute - Nalagarh |
| b. Name of Auditors                     | : Agarwal A Kumar & Associates                         |
| c. Days of Audit                        | : 2  |
| d. Period covered in the previous audit | : April 01, 2021 to March 31, 2022                     |
| e. Period covered in the current audit  | : April 01, 2022 to March 31, 2023                     |

**PART – B**

**EXECUTIVE SUMMARY**

**(a) Objective of Audit**

We have conducted the Internal Audit of Govt. Model Industrial Training Institute Nalagarh for the period from April 01, 2022 to March 31, 2023. We have carried out the audit in accordance with the standards on auditing promulgated by the Institute of Chartered Accountants of India and in accordance with the TOR as issued by the funding Agency International Development Association. It is the responsibility of the management to maintain the PFMS / PMIS as prescribe by the funding agency in cash system of accounting, fair and proper documentation, generation books and records, and the various Interim financial reports and annual statements, and to implement a proper internal control system commensurate with the size of the 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.



**(b) Methodology of Audit**

The Audit was conducted on the basis of the finalized Audit Program. After distribution of the audit work and responsibilities, the concerned staff performed their job and directly reported to Team Manager on daily basis. Internal Audit program was mainly focused on following areas:

- 1 An assessment of whether the Project Financial Statements have been prepared in accordance with consistently applied Accounting Standards of the Institute of Chartered Accountants of India and gives a true and fair view of the operations of the Project during the year and the financial position of the Project at the close of the fiscal year.
- 2 An assessment of the adequacy of the Project financial management systems including internal controls. The financial management system should include methods and records established to identify, assemble, analyze, classify, record and report on transactions and to maintain accountability for the related assets and liabilities.
- 3 That all project funds have been used in accordance with the conditions of the relevant financing agreement, with due attention to transparency, economy and efficiency and only for the purposes for which the financing was provided.
- 4 All necessary supporting documents, records and books/ statements of accounts have been maintained and all necessary supporting documents such as records, vouchers, bids etc. and books of accounts have been kept in respect of all project expenditures.
- 5 Identify the expenditure which are covered in accordance with the allocation described in "Operational Manual" under section 4 "Fiduciary Systems" para 4.1 " Financial Management" under sub para 4.2.3 "Eligible and Ineligible Procurement Expenditure" as eligible and segregate these from non-eligible items.
- 6 Clear linkages exist between the books of accounts maintained for the expenditures and reports presented for the expenditure incurred.
- 7 That test check and verification of the activities were conducted for the project as planned and that they were in line with the agreed loan agreement.
- 8 Verify the eligibility of expenditures for SoE disbursement and separately report upon ineligible expenditure claimed if any.

**(c) Status of implementation of the Public Financial Management System**

During audit we noted that "Public Financial Management System" has been implemented during period from April 01, 2022 to March 31, 2023.

**(d) Status of Compliance of previous audit report**

During audit we noted that the compliance of the observations of previous internal audit report have not been done.

**(e) Key areas of weakness**

During audit we noted that there were some key areas of weakness regarding procedural lapse for the period from April 01, 2022 to March 31, 2023, Details are given in part D.

**PART – C**

**COMPLIANCE OF PREVIOUS AUDIT REPORT**

During audit we noted that the compliance of the observations of previous internal audit report have not been done.

**1. DIFFERENCE BETWEEN EXPENDITURE BOOKED IN PFMS SOFTWARE AND ACTUAL EXPENDITURE INCURRED AS PER CASH BOOK-(FY – 2020-21)**

During audit we noticed that there was difference between expenditure booked in PFMS Software and actual expenditure incurred as per cash book. The detail of PFMS reconciliation are mentioned below:

**PFMS reconciliation statement as on 31.03.2021 – (FY – 2020-21)**

Sr. No.	Statement of Expenditure	Amount (Rs.)
1	Expenditure booked as per PFMS Statement From (01.04.2020 to 31.03.2021)	2860380.00
2	Actual Expenditure incurred as per cash book from (01.04.2020 to 31.03.2021)	2790130.72
	Difference	70249.28

**2. DIFFERENCE BETWEEN EXPENDITURE BOOKED IN PFMS SOFTWARE AND ACTUAL EXPENDITURE INCURRED AS PER CASH BOOK-(FY – 2021-22)**

During audit we noticed that there was difference between expenditure booked in PFMS Software and actual expenditure incurred as per cash book. The detail of PFMS reconciliation are mentioned below:

**PFMS reconciliation statement as on 31.03.2022 - FY – 2021-22)**

Sr.No.	Statement of Expenditure	Amount (Rs.)
1	Expenditure booked as per PFMS Statement From (01.04.2021 to 31.03.2022)	2901180.00
	Current Year (2022-2023) expenditure booked	490000.00
	Balance	2411180.00
2	Actual Expenditure incurred as per cash book from (01.04.2021 to 31.03.2022)	2409815.00
	Difference	1365.00

**3. NON LEVY OF LIQUIDATED DAMAGES**

On checking of procurement we found that expenditure incurred for purchase of Machinery & Equipments but supply was late provided by vendor or suppliers and No L.D. was deducted on payment of Vender & Supplier by Institute but As per Term & condition of contract liquidate damage should be charged for any delay in supply of goods and material. Liquidated Damages are charged at 0.5% of contract price per week after the stipulated date of delivery, subject to a maximum limit of 10% of contract price. Details are mentioned below:

Contract No.	Particulars	Date of Delivery as per Contract	Amount	Actual Date of Delivery	Delay
GEMC-51168772 2145135	Amount Paid to Satluj Document company for purchases of Plotter.	16.12.2020	2,49,900/-	20.01.2021	35 Days
GEMC-51168773 9554433	Payment made to Varpar International Pvt. Ltd for Procurement of Steel Desk Under Strive	26.04.2021	158592.00	09.05.2021	13 Days



#### **4. LABOUR CESS NOT DEDUCTED IN PAYMENT OF CONTRACTOR**

While checking of civil work payment we observed that in one case Institute has made Payment to contractor without deducted labour cess in contractor bill. The detail of this case is mentioned below:

<b>Date</b>	<b>Name of Contractor</b>	<b>Amount</b>	<b>Labour cess should be deducted @ 1%</b>	<b>Observation</b>
16.11.2020	Shri Deepak Singh Govt. contractor	1,13,966/-	1,140/-	Payment made to Shri Deepak Singh Govt. contractor for civil work but Labour cess was not deducted in the payment of contractor bill by Institute.

#### **5. TDS NOT DEDUCTED**

While checking we observed that in one case Institute has made payment to Niesbud Noida for capacity building programme on entrepreneurship development for principal senior faculty on 23.08.2021 to 27.08.2021 of Rs.94,400/- (23600/- per person) but TDS not deducted on payment.

### **PART – D**

#### **SERIOUS OBSERVATIONS**

During audit we found that there were some serious observations such as laps in internal control, system weakness etc. in following manner:

##### **1. TDS AMOUNT DEDUCTED TWICE FROM PFMS PORTAL**

During the checking of TDS records we found that while Institute has generating the PPA for making the payment to vendor than TDS amount was deducted twice from PFMS Portal but actually TDS amount was deposited once in the bank through IMC only and balance amount was lying in the SNA account but Now there is a difference between the funds reflected on PFMS Portal & Lying in the SNA account The details are mentioned as under:

Name of ITI	Account no.	Date	Amount of TDS deducted Twice from PFMS Portal
Govt. Model ITINalagarh	792320110000271	27.04.2022	8330.00

## **2. EXPENDITURE EXCEEDED AGAINST SANCTIONED BUDGET**

While checking of Books of accounts we observed that Institute has incurred the expenditure exceeded against sanctioned budget amount, details are mentioned below:

Date of Payment	Particulars	Budget Amount	Award Amount	Excess Expenditure	Remarks
18.06.2022	Amount Paid to Mr.Anup Chand for purchases of Unbranded two seater class room Desking/ Seating Intergrated Desk cum Seating.	92000.00	95979.00	3979.00	Expenditure exceeded against sanctioned budget Amount

## **3. TDS NOT DEDUCTED**

On checking of TDS records we noted that Institute has paid amount of Rs.82,500/- to CIPET VTC Baddi but TDS was not deducted under section 194J of Income tax at the time of payment by Institute. details are mentioned below:

Date of Deducted	Particulars	Amount	TDS Should be deducted @ 10%	Observation
18.06.2022	Amount Paid to CIPET VTC Baddi for fees of Skill up gradation Tanning program on programming & Operation of CNC Lathe.	82,500/-	8,250/-	TDS was not deducted by Institute at the time of payment.

**4. DIFFERENCE BETWEEN EXPENDITURE BOOKED IN PFMS SOFTWARE AND ACTUAL EXPENDITURE INCURRED AS PER CASH BOOK-(FY – 2022-23)**

During audit we noticed that there was difference between expenditure booked in PFMS Software and actual expenditure incurred as per cash book. The detail of PFMS reconciliation are mentioned below:

**PFMS reconciliation statement as on 31.03.2023 - FY – 2022-23)**

Sr. No.	Statement of Expenditure	Amount (Rs.)
1	Expenditure booked as per PFMS Statement From (01.04.2022 to 31.03.2023)	4333490.00
2	Actual Expenditure incurred as per cash book from (01.04.2022 to 31.03.2023)	2593245.00
	Difference	1740245.00

**5. INSTITUTE OPENED HOLDING ACCOUNT BUT NOT OPERATED FOR STATUTORY PAYMENTS**

During the audit we found that Institute has opened holding account as per NPIU instruction/ guideline but not operated for statutory payments till date.

As per instruction / guideline of NPIU Letter no. F.No.1/(13)/PFMS/FCD/2020 date on 23<sup>rd</sup> March 2021, A Separate bank account (To be called Holding Account) shall be opened by the Institute for holding the tax/ statutory deductions. This holding account would be permitted to make payments outside of PFMS, through cheques or internet banking to effect the statutory payments with the challan details being captured simultaneously. The holding account will serve the purpose of holding tax/ duties/levies/fees/ municipal charges etc. of State Government, municipalities etc. which the Agencies need to process. The Holding account shall be opened preferably in the same bank as in the SNA/ ZBA account and maximum time for which money can be held in this account shall be fourteen days, after which the money shall be credited back to the agency account.

## PART - E

### OTHER OBSERVATIONS

#### 1. STATUS OF UTILISATION OF FUND

During audit we found that fund received and utilized during audit period as below:

Opening Balance as on 01.04.2022	0.00
Fund received during the period from (01.04.2022 to 31.03.2023)	2593245.00
Expenditure incurred during the period (01.04.2022 to 31.03.2023)	2593245.00
Balance as per bank as on 31.03.2023	<u>0.00</u>

#### 2. CHECKING OF OTHER PROCUREMENT SECTION

Sr. No.	Particulars	Compliance from auditors Yes/ No	Comment of auditor
1	Goods and services financed have been procured in accordance with the relevant financing agreement and procurement norms as laid out in the operations manual.	Yes	No comments
2	Procurement processes being followed at the it is and State Societies are as per procurement Guidelines under STRIVE project as per Para 4.2 of the OM	Yes	No comments
3	Any Procurement related complaints received and time taken in disposal of each such complaints and verifying that no contracts excluded from the program have been awarded.	No	There was no procurement related complaints are reflected on website
4	Publication of Annual/ Quarterly procurement plan on Institute / SPIU website.	Yes	Institute procurement plan is uploaded on the web site <a href="http://www.modelitinalagarh.edu.in">www.modelitinalagarh.edu.in</a> for the financial year 2022-23.
5	Selected Contractor/ Supplier/Service provider/ Consultant on World Banks list of temporarily suspended and debarred firms	No	No contract has been awarded to any firm by Institute, which is debarred by the World Bank.

6	Contract Award Notice (CAN) as per applicable format ( Competitive selection, Request for Quotations Direct selection are uploaded on website/ Public domain against of each of the completed procurement (applicable in case of LOA/contract issued)	Yes	No comments
7	Any other section/ weakness reviewed on procurement	Yes	During audit period some weakness found in procurement section that is already given in audit report Part -D.

**PART - F**

**EXECUTIVE SUMMARY AND SUGGESTIONS/RECOMMENDATIONS**

**1. TDS AMOUNT DEDUCTED TWICE FROM PFMS PORTAL**

During the checking of TDS records we found that while Institute has generating the PPA for making the payment to vendor than TDS amount was deducted twice from PFMS Portal but actually TDS amount was deposited once in the bank through IMC only and balance amount was lying in the SNA account but Now there is a difference between the funds reflected on PFMS Portal & Lying in the SNA account The details are mentioned as under:

Name of ITI	Account no.	Date	Amount of TDS deducted Twice from PFMS Portal
Govt. Model ITINalagarh	792320110000271	27.04.2022	8330.00

**2. EXPENDITURE EXCEEDED AGAINST SANCTIONED BUDGET**

While checking of Books of accounts we observed that Institute has incurred the expenditure exceeded against sanctioned budget amount, details are mentioned below:

Date of Payment	Particulars	Budget Amount	Award Amount	Excess Expenditure	Remarks
18.06.2022	Amount Paid to Mr.Anup Chand for purchases of Unbranded two seater class room Desking/ Seating Intergrated Desk cum Seating.	92000.00	95979.00	3979.00	Expenditure exceeded against sanctioned budget Amount

### **3. TDS NOT DEDUCTED**

On checking of TDS records we noted that Institute has paid amount of Rs.82,500/- to CIPET VTC Baddi but TDS was not deducted under section 194J of Income tax at the time of payment by Institute. details are mentioned below:

Date of Deducted	Particulars	Amount	TDS Should be deducted @ 10%	Observation
18.06.2022	Amount Paid to CIPET VTC Baddi for fees of Skill up gradation Tanning program on programming & Operation of CNC Lathe.	82,500/-	8,250/-	TDS was not deducted by Institute at the time of payment.

### **4. DIFFERENCE BETWEEN EXPENDITURE BOOKED IN PFMS SOFTWARE AND ACTUAL EXPENDITURE INCURRED AS PER CASH BOOK-(FY – 2022-23)**

During audit we noticed that there was difference between expenditure booked in PFMS Software and actual expenditure incurred as per cash book. The detail of PFMS reconciliation are mentioned below:

**PFMS reconciliation statement as on 31.03.2023 - FY – 2022-23)**

Sr. No.	Statement of Expenditure	Amount (Rs.)
1	Expenditure booked as per PFMS Statement From (01.04.2022 to 31.03.2023)	4333490.00
2	Actual Expenditure incurred as per cash book from (01.04.2022 to 31.03.2023)	2593245.00
	Difference	1740245.00

**5. INSTITUTE OPENED HOLDING ACCOUNT BUT NOT OPERATED FOR STATUTORY PAYMENTS**

During the audit we found that Institute has opened holding account as per NPIU instruction/ guideline but not operated for statutory payments till date.

As per instruction / guideline of NPIU Letter no. F.No.1/(13)/PFMS/FCD/2020 date on 23<sup>rd</sup> March 2021, A Separate bank account (To be called Holding Account) shall be opened by the Institute for holding the tax/ statutory deductions. This holding account would be permitted to make payments outside of PFMS, through cheques or internet banking to effect the statutory payments with the challan details being captured simultaneously. The holding account will serve the purpose of holding tax/ duties/levies/fees/ municipal charges etc. of State Government, municipalities etc. which the Agencies need to process. The Holding account shall be opened preferably in the same bank as in the SNA/ ZBA account and maximum time for which money can be held in this account shall be fourteen days, after which the money shall be credited back to the agency account.



**SKILLS STRENGTHENING FOR INDUSTRIAL VALUE ENHANCEMENT (STRIVE)**

**(WORLD BANK FUNDED PROJECT)**

**IMC OF GOVT. INDUSTRIAL TRAINING INSTITUTE (PWD) - SUNDERNAGAR**

**INTERNAL AUDIT REPORT FOR THE PERIOD FROM 01.04.2022 TO 31.03.2023**

**PART – A BRIEF DETAIL OF THE AUDITEE AND AUDIT**

- a. Name and address of the Auditee : IMC of Govt. Industrial Training Institute  
(PWD) Sundernagar
- b. Name of Auditors : Agarwal A Kumar & Associates
- c. Days of Audit : 2
- d. Period covered in the previous audit : April 01, 2021 to March 31, 2022
- e. Period covered in the current audit : April 01, 2022 to March 31, 2023

**PART – B**

**EXECUTIVE SUMMARY**

**(a) Objective of Audit**

We have conducted the Internal Audit of IMC of Govt. Industrial Training Institute (PWD) Sundernagar for the period from April 01, 2022 to March 31, 2023. We have carried out the audit in accordance with the standards on auditing promulgated by the Institute of Chartered Accountants of India and in accordance with the TOR as issued by the funding Agency International Development Association. It is the responsibility of the management to maintain the PFMS / PMIS as prescribe by the funding agency in cash system of accounting, fair and proper documentation, generation books and records, and the various Interim financial reports and annual statements, and to implement a proper internal control system commensurate with the size of the 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.





**(b) Methodology of Audit**

The Audit was conducted on the basis of the finalized Audit Program. After distribution of the audit work and responsibilities, the concerned staff performed their job and directly reported to Team Manager on daily basis. Internal Audit program was mainly focused on following areas:

- 1 An assessment of whether the Project Financial Statements have been prepared in accordance with consistently applied Accounting Standards of the Institute of Chartered Accountants of India and gives a true and fair view of the operations of the Project during the year and the financial position of the Project at the close of the financial year.
- 2 An assessment of the adequacy of the Project financial management systems including internal controls. The financial management system should include methods and records established to identify, assemble, analyze, classify, record and report on transactions and to maintain accountability for the related assets and liabilities.
- 3 That all project funds have been used in accordance with the conditions of the relevant financing agreement, with due attention to transparency, economy and efficiency and only for the purposes for which the financing was provided.
- 4 All necessary supporting documents, records and books/ statements of accounts have been maintained and all necessary supporting documents such as records, vouchers, bids etc. and books of accounts have been kept in respect of all project expenditures.
- 5 Identify the expenditure which are covered in accordance with the allocation described in "Operational Manual" under section 4 "Fiduciary Systems" para 4.1 " Financial Management" under sub para 4.2.3 "Eligible and Ineligible Procurement Expenditure" as eligible and segregate these from non-eligible items.
- 6 Clear linkages exist between the books of accounts maintained for the expenditures and reports presented for the expenditure incurred.
- 7 That test check and verification of the activities were conducted for the project as planned and that they were in line with the agreed loan agreement.
- 8 Verify the eligibility of expenditures for SoE disbursement and separately report upon ineligible expenditure claimed if any.

**(c) Status of implementation of the Public Financial Management System**

During audit we noted that "Public Financial Management System" has been implemented during period from April 01, 2022 to March 31, 2023.

**(d) Status of Compliance of previous audit report**

During audit we noted that the compliance of the observations of previous internal audit report have not been done.

**(e) Key areas of weakness**

During audit we noted that there were some key areas of weakness regarding procedural Lapse for the period from April 01, 2022 to March 31, 2023, Details are given in part D.

**PART – C**

**COMPLIANCE OF PREVIOUS AUDIT REPORT**

During audit we noted that the compliance of the observations of previous internal audit report have not been done.

**1. CHECKING OF OUTSTANDING ADVANCES**

During the checking of ledger, we noted that advance was given to HPSIDC Ltd. for civil work but it was not adjusted till 31<sup>st</sup> March 2023. Detail is given below:

<b>Date of given</b>	<b>Particulars</b>	<b>Outstanding Amount on 31.03.2023 (Rs)</b>	<b>Observations</b>
19.01.2021	Advance given to HPSIDC Ltd. For Construction of washing station for MMV workshop & construction Pit for Wheel Alignment machine	6,48,400.00	Advance amount was not adjusted till 31 <sup>st</sup> March 2023

**2. NON LEVY OF LIQUIDATED DAMAGES**

On checking of procurement we found that expenditure incurred for purchase of Machinery & Equipments but supply was late provided by vendor or suppliers and No L.D. was deducted on payment of Vender & Supplier by Institute but As per Term & condition of contract liquidate damage should be charged for any delay in supply of goods and material. Liquidated Damages are charged at 0.5% of contract price per week after the stipulated date of delivery, subject to a maximum limit of 10% of contract price. Details are mentioned below:

Contract No.	P.O. Date	Particulars	Date of Delivery as per Contract	Amount	Actual Date of Delivery	Delay
GEMC-51168775 0347566	04.01.2021	Amount Paid to M/s Asha Enterprises for purchases of Interactive Panels.	19.01.2021	4,99,000	29.01.2021	10 Days

**3. DIFFERENCE BETWEEN EXPENDITURE BOOKED IN PFMS SOFTWARE AND ACTUAL EXPENDITURE INCURRED AS PER CASH BOOK**

During audit we noticed that there was difference between expenditure booked in PFMS Software and actual expenditure incurred as per cash book. The detail of PFMS reconciliation are mentioned below:

**PFMS reconciliation statement as on 31.03.2021 - FY – 2020-21)**

Sr. No.	Statement of Expenditure	Amount (Rs.)
1	Expenditure booked as per PFMS Statement From (01.04.2020 to 31.03.2021)	5300600.00
2	Actual Expenditure incurred as per cash book from (01.04.2020 to 31.03.2021)	4307416.26
	Difference	993183.74

**4. TDS NOT DEDUCTED**

On checking of TDS records we noted that institute has given advance of Rs.6,48,400/- to HPSEDC Ltd. For civil work but deducted TDS was not deducted at the time of payment by Institute. Detail is mentioned below:

Date of Payment	Particulars	Amount	TDS Should be deducted @ 2%	Observation
19.01.2021	Amount Paid to HPSEDC Ltd. For civil work.	6,48,400/-	12,968/-	TDS was not deducted by Institute at the time of payment.

**PART – D**

**SERIOUS OBSERVATIONS**

During audit we found that there were some serious observations such as laps in internal control, system weakness etc. in following manner:

**1. INVOICE / BILL NOT FOUND**

During the audit we found that Institute has made payment to HPSEDC, Shimla on estimate Performa but Invoice / Bill not found with payment voucher, detail is mentioned below:

<b>Date of Payment</b>	<b>Particulars</b>	<b>Amount</b>	<b>Observation</b>
05.03.2022	Amount paid to H.P. State Electronics Development Corporation Ltd. Shimla for purchases of CCTV Camera 16 No,s	3,14,282/-	Invoice / Bill not found with payment voucher at the time of audit.

**2. DIFFERENCE BETWEEN EXPENDITURE BOOKED IN PFMS SOFTWARE AND ACTUAL EXPENDITURE INCURRED AS PER CASH BOOK**

During audit we noticed that there was difference between expenditure booked in PFMS Software and actual expenditure incurred as per cash book. The detail of PFMS reconciliation are mentioned below:

**PFMS reconciliation statement as on 31.03.2023 - FY – 2022-23)**

<b>Sr. No.</b>	<b>Statement of Expenditure</b>	<b>Amount (Rs.)</b>
1	Expenditure booked as per PFMS Statement From (01.04.2022 to 31.03.2023)	4434718.00
2	Actual Expenditure incurred as per cash book from (01.04.2022 to 31.03.2023)	4369205.00
	Difference	65513.00

**3. INSTITUTE OPENED HOLDING ACCOUNT BUT NOT OPERATED FOR STATUTORY PAYMENTS**

During the audit we found that Institute has opened holding account as per NPIU instruction/ guideline but not operated for statutory payments till date.

As per instruction / guideline of NPIU Letter no. F.No.1/(13)/PFMS/PCD/2020 date on 23<sup>rd</sup> March 2021, A Separate bank account (To be called Holding Account) shall be opened by the Institute for holding the tax/ statutory deductions. This holding account would be permitted to make payments outside of PFMS, through cheques or internet banking to effect the statutory payments with the challan details being captured simultaneously. The holding account will serve the purpose of holding tax/ duties/levies/fees/ municipal charges etc. of State Government, municipalities etc. which the Agencies need to process. The Holding account shall be opened preferably in the same bank as in the SNA/ ZBA account and maximum time for which money can be held in this account shall be fourteen days, after which the money shall be credited back to the agency account.

**4. TDS AMOUNT DEDUCTED TWICE FROM PFMS PORTAL**

During the checking of TDS records we found that while Institute has generating the PPA for making the payment to vendor than TDS amount was deducted twice from PFMS Portal but actually TDS amount was deposited once in the bank through IMC only and balance amount was lying in the SNA account but Now there is a difference between the funds reflected on PFMS Portal & Lying in the SNA account The details are mentioned as under:

Name of ITI	Account no.	Date	Amount of TDS deducted Twice from PFMS Portal
Govt. ITI (PWD) Sunder nagar	792020110000337	03.03.2022	10654.00
Govt. ITI (PWD) Sunder nagar	792020110000337	23.06.2022	9830.00
Govt. ITI (PWD) Sunder nagar	792020110000337	27.07.2022	33752.00
Govt. ITI (PWD) Sunder nagar	792020110000337	01.08.2022	21931.00

## **5. DELAY IN PAYMENT TO VENDOR / SUPPLIER**

During the audit we found that Institute has late payment made to vendor Asha Enterprises after one year four months from date of billing, The detail of this payment is given below:

<b>Date of Bill</b>	<b>Bill No.</b>	<b>Particulars</b>	<b>Date of Payment</b>	<b>Amount</b>	<b>Observations</b>
20.02.2021	348	M/s Asha Enterprises	23.06.2022	1,29,422/-	Institute has made payment to vendor M/s Asha Enterprises of Rs.1,29,422/- for purchases of Motor Mechanic machinery after one year four months from date of billing

### **Auditors Comments**

Copy of permission granted to supplier for extension of time to complete the supply and installation of machinery was not attached with reply.

## **PART – E**

### **OTHER OBSERVATIONS**

#### **1. STATUS OF UTILISATION OF FUND**

During audit we found that fund received and utilized during audit period as below:

Opening Balance as on 01.04.2022	0.00
Fund received during the period from (01.04.2022 to 31.03.2023)	4369205.00
Expenditure incurred during the period (01.04.2022 to 31.03.2023)	4369205.00
Balance as per bank as on 31.03.2023	<u>0.00</u>

#### **2. CHECKING OF OTHER PROCUREMENT SECTION**

<b>Sr. No.</b>	<b>Particulars</b>	<b>Compliance from auditors Yes/ No</b>	<b>Comment of auditor</b>
1	Goods and services financed have been procured in accordance with the relevant financing agreement and procurement norms as laid out in the operations manual.	Yes	No comments

2	Procurement processes being followed at the it is and State Societies are as per procurement Guidelines under STRIVE project as per Para 4.2 of the OM	Yes	No comments
3	Any Procurement related complaints received and time taken in disposal of each such complaints and verifying that no contracts excluded from the program have been awarded.	No	There was no procurement related complaints are reflected on website
4	Publication of Annual/ Quarterly procurement plan on Institute / SPIU website.	Yes	Institute procurement plan is uploaded on the web site <a href="http://www.Himachaliti/sundemagar.in">www.Himachaliti/sundemagar.in</a> for the financial year 2022-23.
5	Selected Contractor/ Supplier/Service provider/ Consultant on World Banks list of temporarily suspended and debarred firms	No	No contract has been awarded to any firm by Institute, which is debarred by the World Bank.
6	Contract Award Notice (CAN) as per applicable format ( Competitive selection, Request for Quotations Direct selection are uploaded on website/ Public domain against of each of the completed procurement (applicable in case of LOA/contract issued)	Yes	No comments
7	Any other section/ weakness reviewed on procurement	Yes	During audit period some weakness found in procurement section that is already given in audit report Part -D.

## **PART - F**

### **EXECUTIVE SUMMARY AND SUGGESTIONS/RECOMMENDATIONS**

#### **1. INVOICE / BILL NOT FOUND**

During the audit we found that Institute has payment made to HPSEDC, Shimla on estimate Performa but Invoice / Bill not found with payment voucher, detail is mentioned below:

Date of Payment	Particulars	Amount	Observation
05.03.2022	Amount paid to H.P. State Electronics Development Corporation Ltd. Shimla for purchases of CCTV Camera 16 No,s	3,14,282/-	Invoice / Bill not found with payment voucher at the time of audit.

**2. DIFFERENCE BETWEEN EXPENDITURE BOOKED IN PFMS SOFTWARE AND ACTUAL EXPENDITURE INCURRED AS PER CASH BOOK**

During audit we noticed that there was difference between expenditure booked in PFMS Software and actual expenditure incurred as per cash book. The detail of PFMS reconciliation are mentioned below:

**PFMS reconciliation statement as on 31.03.2023 - FY – 2022-23)**

Sr. No.	Statement of Expenditure	Amount (Rs.)
1	Expenditure booked as per PFMS Statement From (01.04.2022 to 31.03.2023)	4434718.00
2	Actual Expenditure incurred as per cash book from (01.04.2022 to 31.03.2023)	4369205.00
	Difference	65513.00

**3. INSTITUTE OPENED HOLDING ACCOUNT BUT NOT OPERATED FOR STATUTORY PAYMENTS**

During the audit we found that Institute has opened holding account as per NPIU instruction/ guideline but not operated for statutory payments till date.

As per instruction / guideline of NPIU Letter no. F.No.1/(13)/PFMS/FCD/2020 date on 23<sup>rd</sup> March 2021, A Separate bank account (To be called Holding Account) shall be opened by the Institute for holding the tax/ statutory deductions. This holding account would be permitted to make payments outside of PFMS, through cheques or internet banking to effect the statutory payments with the challan details being captured simultaneously. The holding account will serve the purpose of holding tax/ duties/levies/fees/ municipal charges etc. of State Government, municipalities etc. which the Agencies need to process. The Holding account shall be opened preferably in the same bank as in the SNA/ ZBA account and maximum time for which money can be held in this account shall be fourteen days, after which the money shall be credited back to the agency account.



#### **4. TDS AMOUNT DEDUCTED TWICE FROM PFMS PORTAL**

During the checking of TDS records we found that while Institute has generating the PPA for making the payment to vendor than TDS amount was deducted twice from PFMS Portal but actually TDS amount was deposited once in the bank through IMC only and balance amount was lying in the SNA account but Now there is a difference between the funds reflected on PFMS Portal & Lying in the SNA account The details are mentioned as under:

Name of ITI	Account no.	Date	Amount of TDS deducted Twice from PFMS Portal
Govt. ITI (PWD) Sundernagar	792020110000337	03.03.2022	10654.00
Govt. ITI (PWD) Sundernagar	792020110000337	23.06.2022	9830.00
Govt. ITI (PWD) Sundernagar	792020110000337	27.07.2022	33752.00
Govt. ITI (PWD) Sundernagar	792020110000337	01.08.2022	21931.00

#### **5. DELAY IN PAYMENT TO VENDOR / SUPPLIER**

During the audit we found that Institute has late payment made to vendor Asha Enterprises after one year four months from date of billing. The detail of this payment is given below:

Date of Bill	Bill No.	Particulars	Date of Payment	Amount	Observations
20.02.2021	348	M/s Asha Enterprises	23.06.2022	1,29,422/-	Institute has made payment to vendor M/s Asha Enterprises of Rs.1,29,422/- for purchases of Motor Mechanic machinery after one year four months from date of billing

#### **Auditors Comments**

Copy of permission granted to supplier for extension of time to complete the supply and installation of machinery was not attached with reply.



**SKILLS STRENGTHENING FOR INDUSTRIAL VALUE ENHANCEMENT (STRIVE)**

**(WORLD BANK FUNDED PROJECT)**

**STATE PROJECT IMPLIMENT UNIT - SUNDERNAGAR**

**INTERNAL AUDIT REPORT FOR THE PERIOD FROM 01.04.2022 TO 31.03.2023**

**PART – A BRIEF DETAIL OF THE AUDITEE AND AUDIT**

- |   |   |
|---|---|
| a. Name and address of the Auditee      | : State Project Implement Unit<br>Sundernagar |
| b. Name of Auditors                     | : Agarwal A Kumar & Associates                |
| c. Days of Audit                        | : 2   |
| d. Period covered in the previous audit | : April 01, 2021 to March 31, 2022            |
| e. Period covered in the current audit  | : April 01, 2022 to March 31, 2023            |

**PART – B**

**EXECUTIVE SUMMARY**

**(a) Objective of Audit**

We have conducted the Internal Audit of State Project Implement Unit- Sundernagar for the period from April 01, 2022 to March 31, 2023. We have carried out the audit in accordance with the standards on auditing promulgated by the Institute of Chartered Accountants of India and in accordance with the TOR as issued by the funding Agency International Development Association. It is the responsibility of the management to maintain the PFMS / PMIS as prescribe by the funding agency in cash system of accounting, fair and proper documentation, generation books and records, and the various Interim financial reports and annual statements, and to implement a proper internal control system commensurate with the size of the 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.



**(b) Methodology of Audit**

The Audit was conducted on the basis of the finalized Audit Program. After distribution of the audit work and responsibilities, the concerned staff performed their job and directly reported to Team Manager on daily basis. Internal Audit program was mainly focused on following areas:

- 1 An assessment of whether the Project Financial Statements have been prepared in accordance with consistently applied Accounting Standards of the Institute of Chartered Accountants of India and gives a true and fair view of the operations of the Project during the year and the financial position of the Project at the close of the financial year.
- 2 An assessment of the adequacy of the Project financial management systems including internal controls. The financial management system should include methods and records established to identify, assemble, analyze, classify, record and report on transactions and to maintain accountability for the related assets and liabilities.
- 3 That all project funds have been used in accordance with the conditions of the relevant financing agreement, with due attention to transparency, economy and efficiency and only for the purposes for which the financing was provided.
- 4 All necessary supporting documents, records and books/ statements of accounts have been maintained and all necessary supporting documents such as records, vouchers, bids etc. and books of accounts have been kept in respect of all project expenditures.
- 5 Identify the expenditure which are covered in accordance with the allocation described in "Operational Manual" under section 4 "Fiduciary Systems" para 4.1 " Financial Management" under sub para 4.2.3 "Eligible and Ineligible Procurement Expenditure" as eligible and segregate these from non-eligible items.
- 6 Clear linkages exist between the books of accounts maintained for the expenditures and reports presented for the expenditure incurred.
- 7 That test check and verification of the activities were conducted for the project as planned and that they were in line with the agreed loan agreement.
- 8 Verify the eligibility of expenditures for SoE disbursement and separately report upon ineligible expenditure claimed if any.

**(c) Status of implementation of the Public Financial Management System**

During audit we noted that "Public Financial Management System" has been implemented during period from April 01, 2022 to March 31, 2023.

**(d) Status of Compliance of previous audit report**

During audit we noted that the compliance of the observations of previous internal audit report have not been done.

**(e) Key areas of weakness**

During audit we noted that there were some key areas of weakness regarding procedural Lapse for the period from April 01, 2022 to March 31, 2023, Details are given in part D.

**PART – C**

**COMPLIANCE OF PREVIOUS AUDIT REPORT**

During audit we noted that the compliance of the observations of previous internal audit report have not been done.

**1. INVOICE / BILL NOT FOUND**

During the audit we found that Institute has made payment to HPSEDC, Shimla on estimate Performa but Invoice / Bill not found with payment voucher, detail is mentioned below:

<b>Date of Payment</b>	<b>Particulars</b>	<b>Amount</b>	<b>Observation</b>
05.07.2021	Amount paid to H.P. State Electronics Development Corporation Ltd. Shimla for purchases of Dell Laptops	12,11,200/-	Invoice / Bill not found with payment voucher at the time of audit.

**PART – D**

**SERIOUS OBSERVATIONS**

During audit we found that there were some serious observations such as laps in internal control, system weakness etc. in following manner:

**1. CHECKING OF OUTSTANDING ADVANCES**

During the checking of ledger, we noted that advances were given to contractors / Vendors But these advances were not adjusted till 31<sup>st</sup> March 2023. Details are given below:

<b>Date of given</b>	<b>Particulars</b>	<b>Outstanding Amount on 31.03.2023 (Rs)</b>	<b>Observations</b>
28.12.2021	Himurja Ltd. For Installation of Solar power Plant in Ten Govt. ITI,s	1,00,00,000.00	Advance amount was not adjusted till 31 <sup>st</sup> March 2023
31.01.2023	Himurja Ltd. Dharamsala For Installation of Solar power Plant in Govt. ITI Dharamshala.	16,53,750.00	Advance amount was not adjusted till 31 <sup>st</sup> March 2023

## **2. INVOICE / BILL NOT FOUND**

During the audit we found that Institute has made some payment for training programs but Invoice / Bill not found with payment voucher in the record, Detail are mentioned below:

<b>Date of Sanction Order</b>	<b>Particulars</b>	<b>Amount</b>	<b>Observation</b>
07.01.2023	Amount paid for 5 days Training Program on Basic Service Techniques and Behaviour Etiquettes for Govt. it is Staff (25 No.) at IHM Kufri w.e.f. 09.05.2022 to 13.05.2022.	1,58,125/-	Invoice / Bill not found with payment voucher at the time of audit.
07.01.2023	Amount paid for 6 days Training Program conducted for class IV employees (24 No.) at IHM Hamirpur w.e.f. 04.04.2022 to 09.04.2022.	3,22,707/-	Invoice / Bill not found with payment voucher at the time of audit.

## **3. RS. 1,61,836/- BANK INTEREST RECEIVED BY SPIU FROM SNA ACCOUNT BUT NOT DEPOSITED INTO MINISTRY OF SKILL DEVELOPMENT & ENTREPRENEURSHIP ACCOUNT**

On Checking of bank records we noted that State Project Implement Unit- Sundernagar has received bank interest from SNA saving account but amount of Rs.1,61,836/- was pending for deposit into Ministry of Skill Development & Entrepreneurship account till date of audit. Detail is mentioned below:

Date	Particulars	Amount
01.08.2022	Bank Interest received form SNA saving account	591712.41
02.11.2022	Bank Interest received form SNA saving account	65436.66
01.02.2023	Bank Interest received form SNA saving account	96398.74
	Total Bank Interest amount received during FY 2022-23 from SNA account	753547.81
<b>Less:</b>	Total Bank Interest amount deposited during FY 2022-23 into Ministry of Skill Development & Entrepreneurship account by SPIU	591712.00
	Total Balance amount of Bank Interest for deposit during FY 2022-23 into Ministry of Skill Development & Entrepreneurship account	161835.81

**Auditors' Comment**

Compliance has been done

**4. TDS NOT DEDUCTED**

On checking of TDS records we noted that SPIU has paid to CIPET Baddi and CDAC Mohali for training fees but TDS was not deducted under section 194J of Income tax at the time of payment by Institute. Details are mentioned below:

Date of Deducted	Invoice no.	Particulars	Amount	TDS Should be deducted @ 10%	Observation
19.01.2023	CDAC(M)/2022-23/16	Amount Paid to CDAC Mohali for Training fees	96,000/-	9,600/-	TDS was not deducted by Institute at the time of payment.
19.01.2023	CIPET-Baddi/PI/2021-22/20	Amount Paid to CIPET Baddi for Training fees	80,000/-	8,000/-	TDS was not deducted by Institute at the time of payment.
19.01.2023	CIPET-Baddi/PI/2022-23/01	Amount Paid to CIPET Baddi for Training fees	32,000/-	3,200/-	TDS was not deducted by Institute at the time of payment.

#### **5. GST TDS NOT DEDUCTED**

During the audit we found that amount was paid for supply of goods or services but GST TDS @ 2% Under Section 51 of GST Act not deducted at the time of payment. Detail is given below:

<b>Date</b>	<b>Particulars</b>	<b>Total Amount</b>	<b>GST TDS Should be deducted</b>	<b>Observations</b>
15.02.2023	Amount paid to HPSEDC Ltd. for Installation of Video conferencing system in 62 ITIs locations.	1,41,88,886/-	2,83,778/-	Payment made without deducted of GST TDS.

#### **Auditors' Comment**

Compliance has been done

#### **6. NO IDENTIFICATION MARK SHOWN ON THE FIXED ASSETS**

We checked the Fixed Assets Register and found that consumable and non consumable items were shown in same register. Further we have checked the physically fixed assets and noted that there were no identification of mark shown on the some Fixed Assets.

#### **Recommendation**

We recommend that As per "Operational Manual" under section 4" para 4.1.3.4 "page no. 320 Each asset must be physically marked with a number, where in such number must be recorded along with the Asset Location in the Asset Register.

### **PART – E**

#### **OTHER OBSERVATIONS**

##### **1. STATUS OF UTILISATION OF FUND**

During audit we found that fund received and utilized during audit period as below:

Opening Balance as on 01.04.2022	45025031.00
Fund received during the period from (01.04.2022 to 31.03.2023)	41996000.00
Bank Interest received during the period from (01.04.2022 to 31.03.2023)	753547.81
<b>Total Fund</b>	<b>87774578.81</b>
Expenditure incurred during the period (01.04.2022 to 31.03.2023)	84261776.46
Balance as per bank as on 31.03.2023	<u>3512802.35.</u>

### 3. CHECKING OF OTHER PROCUREMENT SECTION

Sr. No.	Particulars	Compliance from auditors Yes/ No	Comment of auditor
1	Goods and services financed have been procured in accordance with the relevant financing agreement and procurement norms as laid out in the operations manual.	Yes	No comments
2	Procurement processes being followed at the it is and State Societies are as per procurement Guidelines under STRIVE project as per Para 4.2 of the OM	Yes	No comments
3	Any Procurement related complaints received and time taken in disposal of each such complaints and verifying that no contracts excluded from the program have been awarded.	No	There was no procurement related complaints are reflected on website.
4	Publication of Annual/ Quarterly procurement plan on Institute / SPIU website.	Yes	SPIU procurement plan is uploaded on the web site <a href="https://techedu.hp.gov.in">www.https://techedu.hp.gov.in</a> for the financial year 2022-23.
5	Selected Contractor/ Supplier/Service provider/ Consultant on World Banks list of temporarily suspended and debarred firms	No	No contract has been awarded to any firm by Institute, which is debarred by the World Bank.
6	Contract Award Notice (CAN) as per applicable format ( Competitive selection, Request for Quotations Direct selection are uploaded on website/ Public domain against of each of the completed procurement (applicable in case of LOA/contract issued)	Yes	No comments
7	Any other section/ weakness reviewed on procurement	Yes	During audit period some weakness found in procurement section that is already given in audit report Part -D.



**PART - F**

**EXECUTIVE SUMMARY AND SUGGESTIONS/RECOMMENDATIONS**

**1. CHECKING OF OUTSTANDING ADVANCES**

During the checking of ledger, we noted that advances were given to contractors / Vendors but advances were not adjusted till 31<sup>st</sup> March 2023. Details are given below:

<b>Date of given</b>	<b>Particulars</b>	<b>Outstanding Amount on 31.03.2023 (Rs)</b>	<b>Observations</b>
28.12.2021	Himurja Ltd. For Installation of Solar power Plant in Ten Govt. ITI,s	1,00,00,000.00	Advance amount was not adjusted till 31 <sup>st</sup> March 2023
31.01.2023	Himurja Ltd. Dharamsala For Installation of Solar power Plant in Govt. ITI Dharamshala.	16,53,750.00	Advance amount was not adjusted till 31 <sup>st</sup> March 2023

**2. INVOICE / BILL NOT FOUND**

During the audit we found that Institute has some payment made for training programs but Invoice / Bill not found with payment voucher in the record, Detail are mentioned below:

<b>Date of Sanction Order</b>	<b>Particulars</b>	<b>Amount</b>	<b>Observation</b>
07.01.2023	Amount paid for 5 days Training Program on Basic Service Techniques and Behaviour Etiquettes for Govt. it is Staff (25 No.) at IHM Kufri w.e.f. 09.05.2022 to 13.05.2022.	1,58,125/-	Invoice / Bill not found with payment voucher at the time of audit.
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**Auditors' Comment**

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