

KASTURBA GANDHI AWASIYA BALIKA VIDYALAYA

(Implemented by the Uttar Pradesh Education for All Project Board)

I OVERVIEW

- 1.1 We by an agreement have been assigned to carry out the audit of the *Kasturba Gandhi Awasiya Balika Vidyalaya Project (herein after referred to as KGBV Project) implemented by the U.P. Education For All Project Board for the financial year 2006-07. The KGBV project is assisted Government of India and Government of UP. The State Project Office of the Board is managing this Kasturba Gandhi Awasiya Balika Vidyalaya Project with its wings spread over various districts of Uttar Pradesh at its 70 District Offices.*
- 1.2 *The KGBV Project has come into force from February'2005 and full-fledged operations have started from April'2005. The KGBV project financial statements have been compiled for the period 1st April 2006 to 31st March'2007.*

II OBJECTIVE OF THE AUDIT

- 1.1 *The objective is to provide an independent confirmation to the project management and to the various stakeholders on the accuracy of the project's financial statement, compliance with agreement covenants and satisfactory overall working of the financial management systems. Further, objective of the audit of the Programme Financial Statements (PFS) is to enable the auditor to express a professional opinion on the financial position of KGBV Project at the end of each fiscal year and of the funds received and*

expenditures incurred for the accounting year ended 31st March'2007, as reported by the PFS.

1.2 *We have covered the adequacy of the project financial management systems, including internal controls. This includes aspects such as adequacy and effectiveness of accounting, financial, and operational control and needs for revision; level of compliance with established policies, plans and procedures, reliability of accounting systems, data and financial reports, methods of remedying weak controls or creating them where there are non verification of assets and liabilities, and integrity, controls, security and effectiveness of the operation of the computerized system.*

1.3 *The various KGBV's at following districts allotted to us by the State Project Office, Lucknow: -*

- | | |
|-----------------------|------------------------------------|
| <i>1. Varanasi</i> | <i>11. Pratapgarh</i> |
| <i>2. Chandauli</i> | <i>12. Fatehpur</i> |
| <i>3. Ghazipur</i> | <i>13. Lucknow</i> |
| <i>4. Jaunpur</i> | <i>14. Unnao</i> |
| <i>5. Gorakhpur</i> | <i>15. Sitapur</i> |
| <i>6. Deoria</i> | <i>16. Hardoi</i> |
| <i>7. Maharajganj</i> | <i>17. Rai Bareilly</i> |
| <i>8. Kushinagar</i> | <i>18. Lakhimpur-Khiri</i> |
| <i>9. Allahabad</i> | <i>19. State Project Office at</i> |
| <i>10. Kaushambi</i> | <i>Lucknow</i> |

Other auditors have audited the KGBV's of remaining 52 districts. We have considered their Management Letters in framing this Management Letter.

III SCOPE OF THE AUDIT

The assignment is undertaken by us with below mentioned audit scope emphasizing primarily on whether:

- ✓ The audit was carried out in accordance with auditing standards generally accepted in India and standards as pronounced by The Institute of Chartered Accountants of India on Auditing and includes such test and controls that were necessary to conduct the audit.*
- ✓ All funds have been used in accordance with the conditions of the relevant financing agreements, with due attention to economy and efficiency and only for which the financing was provided.*
- ✓ Generally accepted accounting principles are followed by all entities that are authorized to incur expenditure under the Project.*
- ✓ Goods and services have been procured in accordance with the relevant financing agreement.*
- ✓ Adequate records have been maintained regarding assets created and acquired under the project.*
- ✓ The expenditures charged to the project are eligible expenditure and have been correctly classified.*
- ✓ That the civil works, goods and services financed have procured in accordance with the financing agreements and procurement guidelines of the Project.*

- ✓ *All necessary supporting documents, records and accounts have been kept in respect of all project ventures including expenditure reported in project management reports. Clear linkages exist between the books of accounts and report presented to the bank.*
- ✓ *The project's accounts have been prepared in accordance with consistently applied accounting standards and give a true and fair view of the financial situation of the project.*

IV RECORDS & STATEMENTS REVIEWED

The following books / records / documents were required and to the extent made available, were reviewed with regards to the SPO and District Offices by the audit team: -

- a. Cash book*
- b. Bank Book, Pass Books and its reconciliation statements.*
- c. General ledger*
 - a. Cheque issue / Receipt register*
 - b. TDS File*
 - c. Non Consumable register*
 - d. Consumable stock register*
 - e. Fixed Asset register*
 - f. Bank Statements / Pass Books*
 - g. Pay Bill Register*
 - h. Monthly Statement of Expenditures(SOEs)*
 - i. Supporting Vouchers*
 - j. Annual Work Plan & Budget*

V COVERAGE OF MANAGEMENT LETTER

Our Management Letter is an extension of our Audit Reports and contains material observations and comments on the following areas: -

- 1.1 Comments and observations on the accounting records, systems and internal controls*
- 1.2 Comments on specific deficiencies and areas of weaknesses in systems and internal control mechanism and recommendations for its improvements.*
- 1.3 Report on degree of compliance of each of the financial covenants of the financing agreement and give comments, if any on internal and external matters affecting such compliance;*
- 1.4 Comments on the matters that have come to the attention during the audit which might have a significant impact on the implementation of the Project and*
- 1.5 Comments on any matters, which we considers pertinent to the attention of the Management.*

VI OUR OBSERVATIONS

1) Financial Accounting System

- ◆ *AT SPO and Districts, project is now following Double Entry Accounting System on cash basis; however, few KGBV's of the project are following the single entry cash basis of accounting as in the State Government Office. Project Management has initiated the system of implementation of Double Entry Accounting Systems at the remaining KGBV's also.*
- ◆ *It is appreciated that ledgers and Trial Balances are being prepared on monthly basis but the system of regular maintenance of ledgers and trial balances needs further improvement.*
- ◆ *Efforts have been made for reconciliation of Bank accounts by the KGBV's. However, it is observed that at some KGBV's, Bank Accounts are not reconciled yet. We suggest that Management should ensure proper reconciliation of its bank accounts at each KGBV level at monthly intervals and should advise the respective accountants to make necessary rectification entries accordingly.*
- ◆ *Funds to various KGBV's are transferred by SPO through DIETS / DPO's. It is observed that such funds were released to respective KGBV's with some delays and therefore as on 31st March'2007, the funds transferred from SPO amounting to Rs. 237.81 Lacs, have not been transferred to the accounts of the respective KGBV's till 31st March'2007.*

◆ ***Awasiya School Buildings***

- *Payments made to construction agencies for the construction of the school buildings are capitalized at the time of release of payments as against the capitalization of the same after completion of the Construction of School's Buildings. The technical completion reports and Utilisation Certificates should be obtained before capitalization of the same.*
- *An Advance Register for payments made to various construction Agencies and their regular audited accounts should be obtained for the adjustments of the same, which shall help the project management for proper monitoring of the construction of various school buildings.*

2) *Financial Reporting by KGBV's*

- ◆ *It is observed that at few KGBV's, SOE reports are not compiled from the ledgers and trial balances. System of preparing SOE's reports and its clear linkage with books of accounts needs to be improved. SOE should be prepared on the basis of books of accounts.*

3) *Physical Verification of Fixed Assets*

- ◆ *Physical verification and accounting of assets procured/received by District Units has not been done at various units. Further, fixed assets be coded with identification numbers and entered in a fixed assets register, which should contain the following information.*

a) *Description of assets*

- b) *Date of Purchase*
- c) *Purchase Cost*
- d) *Identification No.*
- e) *Location of Assets*

- ◆ *Physical verification of all the fixed assets should be done once in a year by these units and documented.*
- ◆ *Internal controls relating to consumables items like Beddings, Course books, stationeries and teaching materials needs to be strengthened.*

4) Procurement procedure

- ◆ *Procurement procedure and norms have been outlined for the procurement of various goods and services.*
- ◆ *In few cases, deviation from procurement procedure was observed. For example, non-obtaining of competitive quotation in excess of purchase/procurement of Rs 2500.00. Tenders for purchases above Rs 15000.00 have not been obtained in some of the cases.*
- ◆ *While auditing the records of Kasturba Gandhi Balika Vidyalayas, we have noted concentration of purchases, which is against the norms of procurement procedure. For example, a specific firm has been awarded mess/fooding contract in DIET as well as the Kasturba Gandhi Balika Vidyalayas, which should be avoided.*

5) Financial Records

- ◆ *Cash Book/ Bank Book is being maintained at KGBV's. Receipt and payment entries are recorded in this book. There is a need to preserve*

voucher guard file to safe guard supporting vouchers for each and every receipt and payment entries. This will ensure availability of supporting vouchers for verification of expenditures.

6) Compliance of last year's audit reports

- ◆ *Subject to our comments and suggestions made elsewhere in this report, we have reviewed the status of the compliances of the previous audit reports. The audit reports of the previous year are being complied with.*

DHAWAN & MADAN
Chartered Accountants

Place: Lucknow
Dated:

(P.K DHAWAN)
Partner
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