

Separate Audit Report on the Accounts of Indian Institute of Information Technology, Design and Manufacturing, Kurnool, for the year ended 31 March 2022

We have audited the attached Balance Sheet of the Indian Institute of Information Technology, Design and Manufacturing (IIITDM), Kurnool, as at 31 March 2022, Income & Expenditure Account and Receipts & Payments Account for the year ended on that date under Section 19(2) of the Comptroller & Auditor General's (Duties, Powers & Conditions of Service) Act, 1971. These financial statements are the responsibility of the Institute's Management. Our responsibility is to express an opinion on these financial statements based on our audit.

2. This Separate Audit Report contains the comments of the Comptroller & Auditor General of India (CAG) on the accounting treatment only with regard to classification, conformity with the best accounting practices, accounting standards and disclosure norms, etc. Audit observations on financial transactions with regard to compliance with the Law, Rules & Regulations (Propriety and Regularity) and efficiency-cum-performance aspects, etc., if any, are reported through Inspection Reports/CAG's Audit Reports separately.

3. We have conducted our audit in accordance with auditing standards generally accepted in India. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of financial statements. We believe that our audit provides a reasonable basis for our opinion.

4. Based on our audit, we report that:

- i.** We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit.
- ii.** The Balance Sheet, Income & Expenditure Account and Receipts & Payment Account dealt with by this report have been drawn up in the format of Financial Statements for Central Higher Educational Institutions prescribed by Govt. of India, Ministry of Education (MoE).

iii. In our opinion, proper books of accounts and other relevant records have been maintained by the Institute as required under Finance Bye-Law 31 of the Institute, in so far as it appears from our examination of such books.

iv. We further report that: o

A Balance Sheet:

A.1. Sources of Funds : ₹ 162.20 crore

A.1.1 Capital Fund/Corpus Fund : ₹ 83.74 crore/₹ 17.76 crore.

As per the Format of Financial Statements for Central Higher Educational Institutions prescribed by MoE, GOI, Schedule 1 under Sources of Funds shall include Corpus/Capital Fund which is akin to Capital, Share Capital or owners' (promoters') Funds. Where an Institute has a separate Corpus Fund as an Earmarked Fund, the heading in the Balance Sheet and in this schedule should be changed as "Capital Fund", to avoid confusion. The name "Corpus Fund" under Earmarked Funds may appropriately be changed to indicate the nature of the Fund.

However, in contravention to these stipulations, the Institute has shown a corpus fund under a Schedule 1A which is not as per the format. Further, the nature of this Corpus Fund, and its operation/accounting details and the accounting policy etc have not been disclosed in the notes on Accounts. In the absence of this disclosure, the Corpus Fund operated remained separate from the Capital Fund and liabilities were shown under Schedule 1 A not prescribed by the format resulting in lack of clarity about these liabilities amounting to ₹ 17.76 crore in the Balance sheet under Sources of Funds.

A.1.2 Current Liabilities and Provisions - ₹ 60.68 crore

As per the stipulation of the Format of Financial Statements for Central Higher Educational Institutions, under Schedule 23(Significant Accounting Policies), regarding Revenue Recognition, 'Fees from students (except Tuition Fees), Sale of Admission Forms, Royalty and Interest on Savings Bank account are accounted on cash basis. Tuition Fees collected separately for each semester is accounted for on accrual basis.

However, in contravention to this stipulation of the format, IIITDM Kurnool spelt out its accounting policy of Revenue Recognition under item 2 of Schedule 23 appended to financial statements wherein it was disclosed that 'All revenues and Expenses are

accounted on accrual basis including interest received on bank deposits and government grants except tuition and other fees received from students which is accounted on cash basis of accounting.’

Thus ‘Tuition Fees was also accounted for on cash basis of accounting instead of accrual basis of accounting as stipulated by the format.

This led to non-accountal of ‘Tuition Fees’ amounting to ₹ 15,44,400 under Schedule 9 in the Income and Expenditure Account leading to overstatement of ‘Deficit’ and resultant understatement of Capital Fund by that extent. Consequently, the Current Assets (receivables) were also understated by an extent of ₹ 15.44 lakh

A.2 Application of Funds: ₹ 162.20 crore

A.2.1 – Fixed Assets: ₹ 88.86 crore

An amount of ₹ 43.05 crore was shown as Capital Work in Progress (CWIP) under Scedule4A plan appended to Balance Sheet. However, as per Form 65 furnished by CPWD, the expenditure incurred on works was ₹ 40.20 crore. Thus, excess presentation of CWIP an amount of ₹2.85 crore was made in the Balance Sheet under Assets . This discrepancy needs to be rectified. This resulted overstatement of CWIP and overstatement of Current Liabilities by ₹2.85 crore

A.2.2 Current Assets: ₹ 72.46 crore

An amount of ₹ 28.16 crore being the amount advanced and remaining unutilized with CPWD (as per Form 65) was not accounted for under Schedule 8 – Item 2 (a) advances to suppliers/contractors as stipulated by the Format of Financial Statements for Central Higher Educational Institutions. Instead, this was classified under Schedule 7 – Current Assets Item 2 – Sundry Debtors – 2C- CPWD Advance and that too for an amount of ₹ 21,94,02,259. This needs reconciliation and rectification. This resulted understatement of Current assets- advance to suppliers/contractor account and overstatement of sundry debtor CPWD advance by ₹21.94 crore and overstatement of Rs, 6.22 crore in Current Assets and Loan and advance, Deposits.

(ii) Value of closing stock of inventory was not accounted for under current assets as stipulated by the format of Financial Statements for Central Higher Educational Institutes. As a result, the entire closing stock of inventory is treated as revenue expense and debited into the Income and expenditure Account.

B. Income and Expenditure Account

B.1 Expenditure – ₹ 14.57 crore

Misclassification of Capital Expenditure as Capital Expenditure.

(i) Prior Period expenses charged incorrectly to Current year's Income and Expenditure Account:

As per the format of Financial Statements for Central Higher Educational Institutions prescribed by MoE, 'Prior Period Expenses' should be debited in the Income and Expenditure Account under Schedule 22.

However, in contravention to these stipulations of the format . the Institute had charged several Prior Period expenses to the respective heads of expenses under Current Year Income and Expenditure Account thereby inflating the current year expenses. The details are as under:

(Amount in ₹.)

Sl.No.	Details	Amount
1	Expenditure towards NPS contributions of previous years 2019-2021	5876370
2	Hostel Rent for the period March 2019 to January 2021	829787
3	Auditor's remuneration, Manpower services, Medical Expenses, Hostel expenses etc	1249315
	Total	7955472

C. Receipts and Payments Account

C.1 Receipts:

(ii) Due to incorrect accountal of Receipt and Payment Account on Accrual basis instead of on Cash Basis, an amount of ₹ 99,80,530 was shown as Interest received on Bank Deposits (vide Item VII) instead of an amount of ₹ 7,78,750 being the actual interest received. This needs rectification.

(iv) Opening balances were not shown in respect of Deposits in the Receipt & Payment Accounts which is against the stipulation of Format of Accounts prescribed by the Format of Financial Statements for Central Higher Educational Institutions,

D. General

(1) Despite being pointed out in the previous Audit Reports, 2019-20 and 2020-21, Retirement Benefits were not accounted for on Actuarial Valuation

(2) Capital Commitments against ongoing constructions works like Admn. Block, Kalam Hall of residency, etc were not disclosed in notes of accounts as stipulated in the Format of Financial Statements for Central Higher Educational Institutions.

(3) HDFC Bank Account bearing A/c No. 50100257542640 was not exhibited under Annexure A to Schedule 7: Current Assets in the Annual Accounts 2021-22 as well as under Closing Balance of R&P Account. This affected the assertion of completion in Balance Sheet.

(4) Format of Financial Statements for Central Higher Educational institutions stipulates for exhibition of fund wise balances of Earmarked/Endowment funds under Schedule 5A. However, this was not done in the Financial Statements of the Institute for the year 2021-22 which is contravention of the stipulation of the Format prescribed.

(5) Review of the Bank Statements/Corpus Fixed deposits disclosed that an amount of ₹ 8,13,116 was actually the amount towards Interest accrued. However, as seen from the Schedule 8: Loans, Advances and Deposits vide Sl.No.6 Income Accrued an amount of ₹37,75,067 (₹29,97,967 + ₹26,984 + ₹7,50,116 pertain to Accrued interest on other FDs, accrued interest on Saving Bank Account and interest accrued on Corpus Fixed Deposits respectively) was included. This needs reconciliation.

(6) Sl No. 8 under Significant Accounting Policies stated that the Closing Balances of Capital and Corpus Fund to end of March 2022 was ₹ 40.69 crores and ₹ 17.76 crores respectively. However, Audit noticed that Schedule 1 figures indicated that the Closing balances of Capital Fund and Corpus fund to end of March 2022 was 83.74 crores and ₹ 17.76 crores. The Discrepancy pertaining to Capital Fund amount needs rectification.

(7) Three Arbitration Awards were passed under Section 31(5) of the Arbitration and Conciliation Act 1996 and the amounts were payable to the Claimants. However, the fact of the Passing of the Awards/Details of the payments made etc. was also not disclosed to the Notes on Accounts

(8) Ministry of Education Format of Accounts provides for compilation of Balance Sheet, Income and Expenditure and Receipt and Payment Account for NPS and GPF Fund. However, Audit observed that the Institute had not compiled separate Balance Sheet, Income and Expenditure and Receipt and Payment Account for NPS and GPF Fund as prescribed under MoE Format of Accounts.

(9) The Fact of allotment of land 'Free of Cost' was not indicated in the Notes to Accounts.

(10) Fact of waiver of statutory fees by Govt. of Andhra Pradesh was not disclosed in the Notes on Accounts.

C. Grants-in-aid:

Out of grant-in-aid of ₹ 116.97 crore (Opening balance as on 01/04/2021: ₹ 42.36¹ crore + ₹74.61² crore received during the year), the organization could utilise a sum of ₹ 58.74³ crore (Revenue ₹10.33⁴ crore + Capital of ₹ 48.41⁵ crore) leaving a balance of ₹58.23⁶ crore as unutilized grant as on 31 March 2022.

Observations on grants-in-aid:

(i) The following variations were seen in the Grants-in-aid as depicted in the concerned Accounts/Schedules of Annual Financial Statements for the year 2021-22.

Receipt of Grants-in-aid during 2021-22

Details	Receipts and Payments	I&E	Schedule 3C	Schedule 10
Capital	642786000	-	746099319	746099319
Revenue	103313319	103313319		
Total	653099319		746099319	746099319

However the reasons for variation was not forthcoming from the Notes on Accounts.

v. Subject to our observations in the preceding paragraphs, we report that the Balance Sheet, Income & Expenditure Account and Receipts & Payment Account dealt with by this Report are in agreement with the books of accounts.

¹ ₹42,35,95,512As per Draft SAR for year ended on 31/03/2021

² ₹ 74,60,99319 (₹ 64,27,86,000(Capital)+10,33,13,319(Revenue)

³ ₹ 58,74,34,965

⁴ ₹ 10,33,13,319 (as per Sch. 3(c) & 10)

⁵ ₹ 48,41,21,646 as per Sch. 3(c) & 10)

⁶ ₹ 58,22,59,866

vi. In our opinion and to the best of our information and according to the explanations given to us, the said financial statements read together with the Accounting Policies and Notes on Accounts and subject to the significant matters stated above and other matters mentioned in the Annexure to this Audit Report, give a true and fair view in conformity with accounting principles generally accepted in India:

a. In so far as it relates to the Balance Sheet, of the state of affairs of Indian Institute of Information Technology, Design and Manufacturing, Kurnool, as at 31 March 2022; and

b. In so far as it relates to Income & Expenditure Account of the *Deficit* for the year ended on that date.

हस्ताक्षरित
Director General of Audit (Central)