

Internal Finance Audit Report

Introduction

The purpose of this internal finance audit is to evaluate the effectiveness, efficiency, and compliance of financial operations within college. This report provides an in-depth analysis of financial controls, reporting accuracy, and risk management practices to ensure that financial objectives are being achieved in line with established policies and regulatory requirements.

Scope of the Audit

This audit covers the period from 01-07-2023 to 30-06-2024 and focuses on the following areas:

1. Financial controls and reporting accuracy.
2. Budgeting and financial planning processes.
3. Cash management and liquidity monitoring.
4. Compliance with financial regulations and standards.
5. Fraud detection and prevention measures.

Methodology

The audit was conducted using a combination of qualitative and quantitative methods, including:

- **Document Review:** Analysis of financial policies, procedures, records, and previous audit reports.
- **Interviews:** Discussions with finance personnel to understand current practices and identify potential gaps.
- **Process Walkthroughs:** Observation of key financial workflows to evaluate their efficiency and effectiveness.
- **Data Analysis:** Examination of financial statements, budgeting reports, and transaction logs.
- **Sampling:** Random sampling of financial transactions to test compliance and accuracy.

Key Findings

1. Financial Controls

- **Strengths:**
 - Accurate and timely preparation of financial statements.
 - Proper segregation of duties in most financial operations.
- **Weaknesses:**
 - Inconsistent reconciliation of accounts in certain departments.
 - Limited oversight in petty cash management.

2. Budgeting and Financial Planning


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- **Strengths:**
 - Comprehensive budget planning process with clear timelines.
 - Effective variance analysis conducted periodically.
- **Weaknesses:**
 - Over-reliance on historical data for budgeting, limiting flexibility.
 - Lack of regular updates to financial forecasts.

3. Cash Management

- **Strengths:**
 - Sufficient liquidity maintained to meet short-term obligations.
 - Strong policies for managing bank accounts and transactions.
- **Weaknesses:**
 - Instances of idle cash in low-interest accounts.
 - Delays in transferring funds between accounts, resulting in missed opportunities for returns.

4. Compliance

- **Strengths:**
 - Regular audits ensure adherence to financial regulations.
 - Adequate documentation of compliance-related activities.
- **Weaknesses:**
 - Occasional non-compliance with tax reporting deadlines.
 - Incomplete documentation for specific financial transactions.

5. Fraud Detection and Prevention

- **Strengths:**
 - Strong whistleblower policies in place.
 - Regular monitoring of high-risk transactions.
- **Weaknesses:**
 - Limited use of data analytics for fraud detection.
 - Insufficient training on fraud awareness for employees.

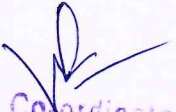
Recommendations

1. Strengthening Financial Controls

- Standardize the reconciliation process across all departments to ensure consistency.
- Implement automated reminders for payment approvals to avoid delays and penalties.
- Conduct quarterly reviews of petty cash accounts.

2. Enhancing Budgeting and Financial Planning

- Incorporate scenario analysis and real-time data into the budgeting process.
- Schedule quarterly updates to financial forecasts to reflect changing conditions.


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3. Optimizing Cash Management

- Transition idle cash into higher-yield investment accounts.
- Establish automated fund transfer mechanisms to improve efficiency.

4. Improving Compliance

- Develop a tax compliance calendar with automated alerts to meet deadlines.
- Strengthen documentation standards for all financial transactions.

5. Enhancing Fraud Detection and Prevention

- Invest in advanced data analytics tools to identify potential fraud patterns.
- Conduct regular fraud awareness training for all finance and accounting staff.



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**Internal Financial Audit Report for the Period from
01.04.2023 to 31.03.2024
Executive Summary**

(a) Objective of Audit

We have conducted the Internal Audit of Shri Ram College, Muzaffarnagar for the period from 01-04-2023 to 31-03-2024. Internal audits evaluate internal controls, including its governance and accounting processes. The audits ensure compliance with laws and regulations and help to maintain accurate and timely financial reporting and data collection. Our responsibility was to verify the books and accounts with standard procedures and to see whether 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.

(b) Methodology of Audit

The Audit work and responsibilities were distributed and the concerned staff performed their job and reported to the undersigned on daily basis. Internal Audit was mainly focused on the following areas:

1. An assessment of the adequacy of the ERP system whether it includes methods and records established to identify, analyze, classify, record and report on transactions and to maintain accountability for the related financial transactions.
2. Whether all necessary supporting documents, records and books/ statements of accounts have been maintained and all necessary supporting documents such as bills, vouchers etc and books of accounts have been maintained in respect of all expenditures.

3. Whether the clear linkages exist between the books of accounts and whether expenditures are maintained and reports presented for the expenditure incurred.

(C) Status of implementation of the financial Management System:

During Audit we noted that ERP system is in implementation for the Financial Year 2023-2024.

(D) Status of Compliance of previous audit report

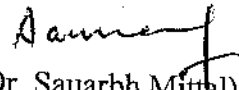
Internal Audit for the Financial Year 2022-2023 was found in compliance.

(E) Executive Summary, Suggestions and Recommendations

- a. It is suggested to have hard copies of each transactions of ERP.
- b. It is suggested that white slip attached with the admission forms is to be kept separate to avoid any mal practices in the amount.
- c. Account offices are advised to deposit fees collected daily at the central office except in case of emergency.
- d. No cash to be received in personal account from the student.
- e. Bar code of college's account should be placed at all the cash deposit's windows.
- f. All notes should be checked before issuing fee slip to the students.
- g. Imprest account should be deposit well in time.
- h. Any financial deficiency should be immediately informed to Director/ Principal.
- i. It is suggested to have proper records of all the bills and vouchers.
- j. It is suggested to file each financial document in file.
- k. It is suggested that power to cancel/ delete any entry of ERP must be centralised.
- l. It is suggested that all the payments must be approved by the authorized officer. In no case, no voucher of payment is left approved.
- m. Extra Discount in fees must be approved by the management.
- n. Entry in ERP must be carefully done.

- o. Any error in ERP should be immediately reported to ERP Manager.
- p. Extra cash windows should be opened at the time of rush.
- q. Scholarship form should be checked before final acceptance.
- r. Any short cash should immediately be reported to the authorities.
- s. Without No Dues, TC and Mark sheets should not be given.

Date-18-05-2024


(Dr. Saurabh Mittal)
Convener