CHAPTER - III

FINANCIAL ADMINISTRATION IN SRI VENKATESWARA UNIVERSITY

In this chapter, an attempt is made to study the significance of financial administration (FA) in an university institution. The issues highlighted include a brief description of the bodies of Sri Venkateswara University (SVU), the organisational structure of the finance division of SVU, the accounting system, process of budgeting, and audit practice.

1 Significance of financial management.

In the ancient universities of Takshasila, Nalanda, Kanchi and Vedapuri (Pondicherry), there might not have been many complications in financial management (FM) such as those faced by the universities of present day. The kings and rulers patronised them on behalf of the society and finance was not a major constraint in those days. In those days, there was no special arrangement for the salary of teachers who normally maintained themselves on personal earnings or on presents received from students, which was called 'Guru Dakshina'. Later on, during the Buddhist period, Takshasila and Nalanda started charging tuition fee from rich students to arrange funds for the maintenance of the institutions. Kings provided endowments in terms of land, buildings and scholarships to poor and deserving students. They encouraged meritorious scholars by presenting them gifts etc. However, there was no systematic source of finance for these institutions.

In the educational annals of India, 1813 is a landmark because the Charter Act was passed which stated "a sum of not less than one lakh of rupees in each year be set apart and applied to the revival and improvement of literature and the encouragement of the learned natives of India and for the
introduction and promotion of a knowledge of sciences among the inhabitants of the British territories in India". We may even consider the sum of money thus provided as a kind of grant ever sanctioned by the Britshers. In the twentieth century, universities are expanding fast due to explosion of knowledge and because of the advent of integrated chips and computers. Inspite of this tremendous growth in the number of universities, the thirst for and thrust on higher education are increasing rapidly. The universities have different sources of income. But the income thus generated is inadequate due to rapid expansion of the universities and spiraling inflation.

In India, when the first three universities viz., Madras, Bombay and Calcutta, were established in 1857, the main source of funds was either the Government or Private endowment created for private colleges and universities. The number of universities increased from 3 to 20 by 1947-48 and the number of students from 250 to 2,15,000. Naturally, the investment on higher education increased along with the levels of education. Later, when India became a sovereign Democratic Republic, a planning system was evolved and the funds provided to the universities were classified under two major heads, namely, plan and non-plan, from 1950-51. It has been frequently argued by experts in educational planning and finances that funds have been inadequate on the one hand and unevenly allocated on the other. The plan resources are utilised in the development and expansion of physical facilities such as construction of buildings for classrooms and laboratories, purchase of equipment for laboratories, acquisition of books for libraries, recreational activities and creation of facilities for other physical and academic needs. Non-plan outlay is utilised for the maintenance of existing infrastructure. The non-plan expenditure is about 80 per cent of the total expenditure.
FM is the backbone for the efficient development and growth of a university institution. It helps in independent functioning and is a shield against external criticism as well as undue interference from the Government. It is a necessity which creates a healthy atmosphere and a feeling of security in the university community. Though FM promotes internal security, yet it leads to certain working problems such as costs rising at a rapid rate while the growth rate of income remains almost steady. The financial constraints are being felt in almost all the universities in the country. There is a need to pay more attention to different aspects of FM of universities so that the quality of education justifies its cost. The resource position of governments and national priorities preclude the possibility of substantially increasing government assistance to universities. Probing and understanding of budgeting, accounting, auditing, development and maintenance of the university, deciding the composition and powers of authorities who formulate fiscal policies, grants-in-aid rules, criteria/formulae for fixation of grants-in-aid, optimal allocation of available funds among different activities and following a normative pattern of expenditure are the sine Quo non for proper planning of finances and their management.

FM is an integral part of overall management. Hence, the staff concerned with FM should have a professional outlook. This is because FM is not merely a matter of taking note of income and expenditure. It means that persons involved in this activity should carry out their activities in a planned manner. The central feature of financial policy is the proper use of funds. This process involves rational matching of advantages of potential use with the cost of alternate potential sources so as to achieve the broad financial goals, which an enterprise sets before itself. The art lies in using the funds as effectively as
possible, planning future operations, and controlling current performance and future development. In the functioning of any system, its constituents play a crucial role. In the case of the educational system, teachers, their recruitment, teaching material management and para-educational infrastructure are important to the efficient functioning of the system. The nature and extent of availability of funds and their management are key factors in the working of the university. The nature of agencies which provide funds, procedure through which funds are made available, the time period involved in obtaining funds, and the conditions which are imposed regarding their availability etc., significantly influence the working of the system. In addition, accounting, budgeting and auditing of this division are also discussed.

2 University bodies

The vital bodies of SVU are discussed below.

2.1 The Academic Senate The Academic Senate (AS) is the supreme body in the organisational hierarchy of the SVU. On paper, the AS possesses an impressive list of powers. But, in practice, it is merely an approving authority and the real powers are vested in the Executive Council (EC). It is too large and the members are too diverse in origin to have any tenacity of purpose. It meets only a few times in a year for about a few hours each time. The agenda is usually long enough to prevent the proceedings from being thorough and exhaustive. Notwithstanding the powers vested in it, in essence, it is a ratifying, accepting, 'yes-saying' body. The AS acts on the recommendations of the EC. On the initiative of the EC, statutes are made or change, if any, inserted.
The members of the AS are drawn from academic bodies, financial institutions, administrative agencies etc. They have professional outlook, expertise etc. They are expected to give a purposeful direction to the proceedings in so far as FA is concerned. The powers of the AS are as follows: (i) It shall provide guidelines to the teachers and training to the students in such branches of learning as it thinks fit. It shall exercise general supervision over the academic policies and provide leadership for raising the standard and quality of education and research, (ii) consider the annual report and budget estimates prepared by the EC, (iii) make recommendations to the EC for the creation of posts of professors, readers, lecturers and other teaching posts and the duties and emoluments thereof, (iv) formulate, modify or revise schemes for the constitution or reconstitution of teaching departments, (v) advise the EC on all academic matters including control and management of libraries, (vi) appoint standing committees and to delegate its powers to them or to the Vice-Chancellor (VC) and execute any of the functions assigned to it by SVU Act, (vii) make recommendations to the EC for the recognition of teachers qualified to give instruction in affiliated and oriental colleges, (viii) make regulations relating to courses, examinations and the conditions on which students shall be admitted to examinations for the degrees of the university, and (ix) decide the conditions under which exemptions to the admission of students may be given.

2.2 The Executive Council. The EC is the principal executive body of SVU. Financial powers like creation of posts, approval of budget, management of property, administration of funds and formulation of statutes rest with the EC. The financial powers of the EC among other things include the following: (i) to hold, control and administer the property and funds of the university, (ii) to accept endowments, bequests, donations and transfer of property made to it,
(iii) to administer all funds at the disposal of the university for specific purpose, (iv) to fix up the emoluments of teachers and define their duties and the conditions of service, (v) to prescribe the fees to be charged for admission to examinations, degrees, diplomas and oriental titles, (vi) to charge and collect such tuition and other fees as may be prescribed by the ordinances for admission to courses of study in the colleges and institutions of the university, (vii) to prepare during each financial year the annual accounts of the preceding financial year and submit them to audit as the Government may direct before the end of the financial year. The accounts so audited shall be published in the Andhra Pradesh Gazette and copies thereof, together with copies of audit report, shall be submitted to the AS not later than two years from the end of the financial year for which the accounts relate and also to the Government, (viii) the EC shall prepare estimates before such date as may be prescribed by the statutes for the ensuing financial year along with annual accounts whether audited or not of the preceding financial year and submit the same to the AS. These estimates shall be considered by the AS at its annual meeting and the resolutions of the AS thereon shall be submitted to the Government for information, (ix) the EC shall prepare the annual report of the university and submit it to the AS on or before such date as may be prescribed by statutes. The report shall be considered by the AS at its next annual meeting. A copy of the report along with a copy of the resolution thereon, if any, of the AS shall be submitted to the state government for information, and (x) the EC may, for reasons to be recorded in writing, incur any expenditure for which no provision has been made in the budget or which is in excess of the amount provided in the budget. But the expenditure incurred shall be reported to the AS for approval at its next meeting.
2.3 **The Finance Committee:** The Finance Committee (FC) is a statutory body. It is a sub-committee of the EC. It has jurisdiction over all the financial matters of the university. The members of the FC include VC as Chairman and two members from the EC. One of them represents banking or accounting fields. The Finance Officer (FO) shall be the secretary of the FC. It examines the budget, annual accounts and audit report of the university. It fixes the limit for expenditure and considers new proposals for which no provisions are made in the budget. The FC plays a pivotal role in the allocation of funds, realisation of financial resources, liberation from financial constraints and maintaining a sound financial health. All the financial matters of the SVU are decided on the recommendations of the FC. As such, the composition of the FC matters considerably in the FM of the university. The FC can serve well if some of the heads of the departments are represented on it. The committee on model Act has recommended the representation of the state government on the FC. The FC has the following powers, (i) to examine the annual accounts and advise the EC thereon, (ii) to study the annual budget and advise the EC thereon, (iii) to review the financial position from time to time, (iv) to make recommendations to the EC on all the financial matters, and (v) to make recommendations to the EC on all proposals involving expenditure for which no provision has been made in the budget or which involve expenditure in excess of the amount provided in the budget.

3 **Organisation of financial administration:**

As a complex corporate body, the powers of SVU are vested with the authorities as enshrined in its Act. The organisation of financial administration (FA) of SVU is depicted in chart 3.1. The powers of the various authorities
should be clearly known while analysing FA in SVU. Therefore, the authorities of the university are briefly presented below.

3.1 The Chancellor: The Governor of Andhra Pradesh (AP) shall be the Chancellor of SVU. He shall, by virtue of his office, be the head of the university. He shall, when present, preside over the convocation of SVU. He shall exercise such powers and perform such duties as may be conferred on or vested in him by or under the provisions of the SVU Act. The Chancellor may, by order, in writing, annul any proceedings of SVU which are not in conformity with the SVU Act, the statutes or the ordinances provided that before issuing any such order, he gives a notice calling upon SVU to show cause why such an order should not be issued. If any cause is shown within the time specified therefor in the said notice, the Chancellor shall consider the same.

3.2 The Vice-Chancellor: The VC is the most important functionary in the SVU administration. Being the administrative and executive head of SVU, VC plays a crucial role for the successful functioning of SVU. Subject to the provisions of sub-section (ii) of section 11 of the SVU Act, the VC shall hold office for a term of three years from the date of his appointment and shall be eligible for reappointment to that office for another term of three years in the manner provided in sub-section (i) of section 11 of the SVU Act. The following are the powers and duties of the VC: (i) he shall, by virtue of his office, be a member and Chairman of the EC and of the AS and shall preside over the convocation of SVU in the absence of the Chancellor, (ii) he shall be entitled to be present at any stage, at any meeting of any authority of SVU, but not to vote there at, unless he is a member of the authority concerned, (iii) he shall have the power to convene meetings of the EC and the AS, (iv) it shall be his duty
to see that the provisions of SVU Act, the statutes, the ordinances and regulations are duly observed and he may exercise all powers necessary for this purpose, (v) he shall have the power to sanction the temporary transfer of amounts from one fund to another. All such transfers shall be reported to the EC at its next meeting, (vi) he shall give effect to the decision of the SVU authorities in accordance with the powers conferred by or under the SVU Act, and (vii) he shall have such other powers as may be prescribed.

3.3 The Rector: There shall be a Rector who shall be appointed by the EC on the recommendations of the VC in such manner and on such terms and conditions as may be prescribed by the statutes from among the senior Professors. He shall exercise such powers and perform such duties as may be prescribed by the statutes. The following are the powers and duties of the Rector: (i) he shall, by virtue of his office, be the chairman of the Central Purchasing Committee of SVU, (ii) it shall be his duty to see that the academic schedule of SVU is maintained, (iii) it shall be his duty to conduct the examinations to various courses offered by SVU and to coordinate the activities related to the conducting of examinations and the publication of results, (iv) he shall be entitled to appoint the examiners to evaluate students, (v) he shall have the power to convene the meetings of Malpractices Committee, Grievance Redressal Committee, Quarters Allotment Committee, Hostels Committee, etc., (vi) he shall, by virtue of his office, be a member of the University Research Committee, Works and Building Committee, Academic Reforms Committee, Advisory Committee to admit students to various courses of study and research, EC, AS etc., (vii) he shall have the powers to oversee the reimbursement of medical expenses of staff, (viii) he shall preside over the
Cadre Rules Committee, and (ix) he shall have such powers as may be prescribed by the EC or those conferred under the SVU Act

3.4 The Registrar The Registrar shall be a whole-time paid officer of SVU appointed by the EC for a term of three years or less and on such terms and conditions as may be prescribed by the statutes, provided he does not continue in that office for more than six years. The EC may transfer him to a suitable position even before the completion of the term provided he is shown a position in SVU with the same emoluments. He shall act as secretary of the EC and as. He shall exercise the powers and perform the duties as detailed below:

(i) he shall be responsible for the proper collection of all examination and other fees due to SVU at the prescribed rates and for taking the necessary steps in proper time for the realisation of Government and other grants and all other dues due to SVU, (ii) he shall, each year, prepare in such a manner as may be decided from time to time and submit on 7th January each year or any other date as may be fixed by the EC, a budget containing detailed estimates of income and expenditure under the several main heads for the ensuing financial year for approval of the EC, (iii) he shall be responsible for the correct calculation of interest on fixed deposits and their proper realisation on due dates. He shall also watch the date or dates on which the deposits or securities will mature and intimate the fact to the EC sufficiently in advance so that the latter may decide on the best method of their disposal, (iv) a statement of surplus amounts, if any, should be submitted to the VC on or before the 20th of every month. Even if no adequate surplus exists in any month, a statement to that effect shall be submitted to the VC, (v) he shall be empowered to receive all payments to SVU, which shall be credited under proper heads of
accounts. He shall make all authorised payments including fees, salaries and allowances payable out of SVU funds, (vi) the accounts of SVU shall be kept by him under the directions of the EC and, (vii) no payment shall be made by him under any head of expenditure unless a sufficient balance of the amount sanctioned by the AS under that head is still available.

3.5 The Finance Officer. The FO shall be a whole-time officer of SVU appointed from out of a panel of three officers to be obtained from the State Government on such terms and conditions as may be prescribed by the rules made by the government in this connection. He shall be the employee of the Government and the salary, allowances, pension and other remuneration shall be paid in the first instance out of the consolidated fund of the State Government and later recovered from SVU. He shall maintain the accounts of SVU and advise it on all matters relating to income and expenditure. He shall be present at the meetings of the FC and participate in the discussions but shall not be entitled to vote.

4. Accounting system:

The major sources of funds to SVU are from Central and State Governments and as such the accounting system should be on the lines of government accounts, which are maintained on the single entry system. SVU being a non-profit making organisation, the commercial accounting system is not required for it. Registrar under the direction of the EC shall keep the accounts of SVU. The accounts have been divided into 10 broad units viz., (i) SVU College of Arts and Sciences, DDE and hostels, (ii) SVU College of Engineering, PG Centres, (iii) General account which includes university authorities and administration, transport, guest house, engineering department,
Chart – 31 Organisation of Financial Administration in the S V University

Vice-Chancellor

Registrar

Finance Officer

Consultant (Finance)  Advisor (Finance)  Deputy Registrar-I (Finance)  Deputy Registrar-II (Finance)

Assistant Administrative Officer-I  Assistant Administrative Officer-II  Assistant Administrative Officer-III  Assistant Administrative Officer-IV

A1  A2  A3  A4  A5  A6  A7  A8  A9  A10
press and publications, study centres, health centre etc, (iv) PF and other charges, (v) debt section, (vi) examination account, (vii) miscellaneous grants account, (viii) budget, (ix) sanction of loans, maintenance of quarters and canteen, and (x) adjustment bills pertaining to advances of all sections. The independent units will maintain all the books of original entry such as cash receipts book, cash payments book, unit-wise and department-wise registers, ledgers etc, as per the procedure laid down in SVU accounts manual. All receipts received in the office in any form shall not be utilised directly for expenditure of any kind on any account but shall be remitted intact into the bank on the next working day. Similarly, for the purpose of meeting the expenditure of the unit, every bill presented for payment shall first be examined before submission to the Registrar by the head of the accounting section concerned and he shall initial it in token of his having done so. In otherwords, the payment bill shall have the support of sanction order either issued by the VC or the Registrar, budget provision, if any, and authentication of proper utilisation etc. Then only the bill will be passed for payment. Thus, on the basis of books of accounts maintained, there shall be prepared, in respect of each account, every month an abstract progressive total of receipts and expenditure which will show the budget figures, the amounts realised or spent, as the case may be, up to the end of the month and the balance remaining to be realised or available for expenditure for the rest of the financial year. These statements will be submitted to the EC before the end of the succeeding month or as early as possible thereafter. The EC shall bring every item of expenditure under its direct control and see that no expenditure or liability is incurred without its previous sanction. This type of accounting facilitates SVU administration to have a more effective control over all the 10 accounting units in respect of both
the receipts and payments. Further, when the cash balances under several accounts have become larger than are necessary for the current expenditure, the surplus amounts should be withdrawn with the sanction of the EC and deposited in such manner as it may determine. Such deposits may be renewed whenever necessary with the permission of the VC. Similarly, permanent investments of unspent balances under any account may be made with the sanction of the EC. Thus, the pooling of accounts in savings account fetches interest on the minimum balance during the month. It also facilitates the keeping of funds in fixed deposit as and when there is a surplus amount. Consequently, SVU earns maximum interest on such surplus amount.

5 Budgeting

The only kind of financial planning which one can witness in many of the universities is the process of budgeting. Budgeting provides a planned approach to the expenditure and financing of various operations of the university in such a way as to effect greater economy in the utilisation of funds. Budgeting is a process which requires planning and analysis of programmes and activities which are characterised by their relation to some operational guidelines of the organisation and they show to what extent the theoretical knowledge of budget making is put to practical use in preparing the budget of those entrusted with the task of resource allocation. Thus, it is a means of central control of expenditure and accountability. It contains a statement of projected needs that require long-range, time-phased planning. As an executive tool, it may be used to evaluate viable alternatives and, perhaps, even performance. After adoption, it provides an internal work plan. It is the connecting link between the programme structure of an organisation and its
available resources, and it is the focus for organisation planning, encompassing goal setting, resource allocation, evaluation, review and revision of objectives.

The objectives of the university are reflected in the academic activities and other services required and the past actuals and estimates of future expenditure on these items are worked out in the budget. The University Grants Commission (UGC) suggested a model budget with the following major heads: Part-I maintenance grant account, Part-II plan account, Part-III earmarked special funds (ESF) account, and Part-IV debts, deposits and advances (DDA) account. The rationale underlying the model budget, in so far as one can see it from the prescribed format, appears to be that the universities receive their funds from various quarters like the state and central governments, the UGC, student fees etc. Certain Acts of universities have laid down that the funds the universities hold be kept separately in the university funds. Therefore, Part-I and Part-II will be concerned with university funds and the UGC funds respectively. Each part will have both receipts and expenditure. Both Part-I and Part-II are funded by the UGC but still, for accounting and control purposes, they are dealt separately under two different heads such as non-plan and plan accounts. Part-I is concerned with the day-to-day current maintenance and Part-II with the development programmes under plan schemes. Part-III deals with the funds provided for specific seminars, schemes and projects by various funding agencies. Part-IV is concerned with DDA heads.

In the books of accounts, all details relating to DDA would have been there but the universities might not have presented in the form of an accounting report viz the statement of receipts and payments of DDA, as there
might not have been any obligation on the part of the universities. These differences are due to the fact that these universities are influenced by practice and requirements of state government for the purpose of giving grant.

The Registrar prepares draft financial estimates indicating the various sources of income and estimated expenditure under different heads for the ensuing year and submits the same to the FC for recommendation. The EC has the option to revise or not to revise the estimates in the light of the recommendation of the FC. The estimates finally approved by the EC are submitted to the AS along with the annual accounts of the preceding financial year for its consideration at the annual meeting. The AS is authorised to suggest lowering the budget estimates or reallocation of amounts for different items. But it is not empowered to increase the total estimated expenditure beyond the total estimated receipts. Thereafter, these estimates are submitted to the state government along with the resolutions of the AS. Further, a specific resolution may be passed by the EC with regard to the sanctioning of new posts. This resolution will be appended to the statement A, which forms an annexure to the budget estimates (BEs). Since SVU depends heavily on the budgetary sanctions of the government of AP for a major part of its financial commitments, it prepares and finalises the budget sufficiently in advance of the preparation of budget by the state government. This enables the state government to consider the demands of the university favourably and sympathetically.

A major operational part of the budget is planned under Part-I maintenance grant account. Heads of departments or Deans of four schools estimate the expenditure of academic departments and submit the same to the
finance section, which centrally collects and vets to suit the level of funds expected or available. The expenditure planned for schools or departments or sections of administration or examinations or development or accounts is prepared at the respective units or centres of expenditure. The planning section, in consultation with the academic or administrative or finance section concerned, formulates budget for Part-II Plan account and Part-III ESF account. Finance section estimates the expenditure to be incurred under Part-IV DDA account. The SVU has drawn up a calendar for the preparation and submission of budget to the funding authorities. The details of the time budget adopted and currently followed by SVU are furnished in Table 3.1

Table 3.1 Calendar for the Preparation of Budget Estimates in SVU

<table>
<thead>
<tr>
<th>Period</th>
<th>Events</th>
</tr>
</thead>
<tbody>
<tr>
<td>August</td>
<td>Circular to Heads of departments to send budget proposals</td>
</tr>
<tr>
<td>Early September</td>
<td>Receipt of budget proposals</td>
</tr>
<tr>
<td>Last week of</td>
<td>Preliminary discussion of FO with the VC</td>
</tr>
<tr>
<td>September</td>
<td></td>
</tr>
<tr>
<td>October</td>
<td>Discussion with Heads of departments by the Dean, the FO</td>
</tr>
<tr>
<td></td>
<td>and the Registrar indicating overall limitations</td>
</tr>
<tr>
<td>November</td>
<td>Formulation of budget estimates and revised estimates for</td>
</tr>
<tr>
<td></td>
<td>the current year</td>
</tr>
<tr>
<td>December</td>
<td>Submission of budget estimates and revised estimates to the</td>
</tr>
<tr>
<td></td>
<td>VC</td>
</tr>
<tr>
<td>February</td>
<td>Submission of budget to FC and EC</td>
</tr>
<tr>
<td>March</td>
<td>Presentation of budget to the AS and later to the state</td>
</tr>
<tr>
<td></td>
<td>government</td>
</tr>
</tbody>
</table>

Source: Compiled from the relevant records of SVU, Tirupati

The systematic procedure of preparing the budget has led to better rapport between the finance section and the other departments. At the same
time, it has also been very useful in sorting out the various financial problems of SVU. In practice, when the circular is sent to heads of departments (HODs), the assistants prepare the BEs and revised estimates (REs) in consultation with their HOD who sends the same to the finance section. The finance section consolidates all the statements after vetting each proposal to suit the level of funds expected.

The FO also prepares a statement called appropriation account of the actual expenditure of SVU during the first six months of the present financial year as compared with budget provision for that period and presents it to the FC and EC. After the approval of BE's, a circular is sent to HODs indicating the provision made for their respective departments and directing them to go ahead with utilization of funds upto 50 per cent. If the final provision by the UGC is clearly known, further circular is sent to spend the balance of allocation. The UGC should endeavour to intimate firm allocation sufficiently in advance in realistic terms and university should apply modern management techniques to improve the efficiency and effectiveness of the organisation. This could be done by periodic review of BEs and actual expenditure by devising appropriate control mechanisms which should be reviewed and the feedback given to the departments indicating corrective measures. Generally, there are four columns in a budget document. For example, the budget for 1995-96 contains (i) actuals for 1993-94, (ii) budget estimates for 1994-95, (iii) revised estimates for 1994-95, and (iv) budget estimates for 1995-96. For each part of account, there are two aspects viz., receipts and payments. In its first few pages, the budget provides a summary of the receipts and payments under all parts.
6 Auditing

Audit is an aid to management. It serves as a mirror reflecting the state of affairs of the institution with special reference to its finance and accounts. The chief orientation of audit is not to unearth mistakes for penalizing but to verify and ensure that the accounts are rendered with reference to relevant rules and regulations and reflect the true position of the state of affairs of the institution. Audit is not an inquisition and its mission is not one of fault finding. Detection of mistakes is only incidental to the official examination of accounts by auditors. The auditor is not only entitled but bound to enquire into unlawful payments and if need be, to disallow them. Such a revelation would tend to create an attitude in the persons responsible not to go wrong. It urges them to do better.

The accounts of the SVU are audited by the Director, Local Fund Audit (LFA), Government of AP. In terms of section 21 of the SVU Act, 1974, as amended from time to time, the EC shall prepare during each financial year the annual accounts of the preceding financial year and submit them to audit as the state government may direct, before the end of the financial year. The accounts so audited shall be published in the AP Gazette and copies thereof, together with copies of audit report, shall be submitted to the Secretary, Ministry of Finance, Government of AP, Secretary, Ministry of Education, Government of AP, Director, LFA, Hyderabad and Regional Deputy Director, LFA, Kurnool, not later than two years from the end of the financial year to which the accounts pertain.

The audit in SVU commences in the month of March for the accounts pertaining to the previous financial year. The Registrar will submit, on behalf
of the SVU, the books such as cash receipts book, cash payments book, vouchers, rough posting register, detailed posting register, advances register, objections book, allotment-cum-sanction-cum-payment register, despatch register of all accounts and audit establishment register which contains the details of salary of the staff of the SVU to the Audit Officer. The audit mainly consists of the examination of receipts and expenditure and its sanctions. It involves the scrutiny of expenditure classified as capital and revenue. The audit department checks every payment voucher with necessary sanction order released either by the VC or the Registrar. It examines whether the expenditure is met out of the budgeted provision or not. It also ensures that a proper utilisation certificate has been enclosed with the voucher. It also verifies the receipts with the bank books and whether they are remitted into the bank on the next working day. The SVU has divided its accounts for audit purpose into 37 different heads. To name a few viz, General, SVUCAS, SVUCE, transportation, advances, debts, provident fund, campus school, junior college, computer centre, PG Centres, SVUL, Press etc. As such, it should not be difficult for the Director of LFA to arrange for early audit and for the SVU to submit the accounts so audited to the AS during the year succeeding to the one to which the accounts relate. Further, the time allowed for preparation of accounts of the previous year is 12 months before submission to audit. The Registrar shall dispose of all audit notes which contain the objection of a formal nature. All audit reports shall be submitted under the direction of the VC by the Registrar with his remarks and explanations to the EC for action. The audit notes and further correspondence received from the audit department should be considered each time by the EC before replies to them are sent. All the suggestions of the audit department to improve the finances of the SVU and the
system of accounting and any request to obtain the sanction of the higher authority to any item of expenditure or to place before the authorities any irregularities, unauthorised or excess payments may be placed before that body in such a manner as the VC may direct as early as possible and orders are to be taken before replies are sent. It is, therefore, suggested that audit should help, guide and advise the SVU to correct financial transactions. This will go a long way in improving the financial management in the SVU.

There were as many as 1,329 audit objections spread over Rs 1,406.50 lakhs during 1987-96 (see Table 3.2). The maximum number of audit objections were found in 1992 (233) while the minimum in 1987 (50). In terms of amount, it was the highest in 1990 (Rs 697.64 lakhs) whereas the lowest in

<table>
<thead>
<tr>
<th>Year</th>
<th>Number of objections</th>
<th>Amount (Rs lakhs)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1987</td>
<td>50</td>
<td>24.45</td>
</tr>
<tr>
<td>1988</td>
<td>63</td>
<td>15.24</td>
</tr>
<tr>
<td>1989</td>
<td>53</td>
<td>52.80</td>
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<tr>
<td>1990</td>
<td>116</td>
<td>697.64</td>
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<td>1991</td>
<td>219</td>
<td>17.43</td>
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<tr>
<td>1992</td>
<td>233</td>
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<td>1993</td>
<td>124</td>
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</tr>
<tr>
<td>1994</td>
<td>156</td>
<td>106.31</td>
</tr>
<tr>
<td>1995</td>
<td>131</td>
<td>73.24</td>
</tr>
<tr>
<td>1996</td>
<td>184</td>
<td>94.67</td>
</tr>
<tr>
<td>Total</td>
<td>1,329</td>
<td>1,406.50</td>
</tr>
</tbody>
</table>

Source: Relevant Audit Reports of SVU, Tirupati.
1988 (Rs 15 24 lakhs) This indicates that serious irregularities involving huge sums of money are not given their due share of attention. The malady is deep rooted and calls for deterrent action. In regard to lapses, where dishonest intents are established, strong deterrent actions are called for. The higher the level of the official, the stronger and firmer should be the action taken against him. The value of audit depends much on the intensity of interest envinced by the authorities concerned to settle the audit objections to the satisfaction of audit. It should be realised by the SVU authorities that the objective of both the authorities and audit is in effect the same viz., safeguarding economy and ensuring efficiency and propriety in public finance. As such, this desired result can, therefore, be best attained by establishing mutual understanding and cooperation. Some of the irregularities noticed by LFA department in the course of audit of SVU are stated below.

6.1 Bank reconciliation statement. The SVU has not prepared bank reconciliation statements for the last several years. The non-preparation of it renders bank balances at any point of time uncertain which handicaps FM Action would need to be taken to rectify the defects, reconcile the figures and arrive at correct balances.

6.2 Self-generating receipts. Inspite of repeated adverse remarks in audit reports during the period of study, no proper action was initiated to realise rent from quarters, mileage rates of vehicles which were fixed long ago were not revised for private trips, and there was no corresponding increase in printing charges of SVU inspite of an increase in the cost of inputs.

6.3 Examination account. It was also observed that the entries in the receipts side of the cash book were made only with the credit advices sent by
banks. This procedure is not correct. The recording of these entries should be based on original challans sent by candidates to SVU and should be verified later with reference to credit advice. On account of adoption of faulty procedure of writing up of receipt side of cash book of examinations account, the correctness of amount remitted to the credit of SVU could not be checked. Therefore, immediate action has to be initiated to prepare receipts side of the cash book of examinations account as per the original challans sent by the concerned and these have to be checked with respect to credit advice sent by the bank.

6.4 Computer centre: While auditing the accounts of computer centre, it was found that a number of persons who used the centre did not pay the utilisation charges. The accumulated dues till 1996 were Rs 46,780. These dues must be recovered from the persons concerned and credited to the SVU account.

6.5 Payment of taxes: During 1995, an amount of Rs 2.02 lakhs was paid towards property tax to the Tirupati municipality. The demand notice from the municipality and payment voucher (receipt) were not produced for audit. Further, a list or register of quarters and buildings of SVU was not prepared and produced for audit scrutiny. The property tax for each building was not shown separately.

6.6 Stock register: While auditing the accounts of Directorate of Distance Education (DDE) for 1994-95, it was observed that the register of stock of materials was not maintained and produced for audit. It was stated that the register was not maintained since 1988-89. As the value of materials of all the courses amount to some lakhs of rupees, there is an urgent need to maintain
the register. The number of copies of study material prepared for each course during the period of study was also not furnished for audit. In the absence of the same, there is a lot of scope for misuse of study material which could result in a loss to SVU.

6.7 Press. SVU Press is not in the practice of maintaining proforma accounts. In the absence of the same, the exact value of work turned out by the press could not be properly ascertained. While performing the jobs for other units of SVU, credit and debit advices are also not prepared and, thereby, the work turned out by the press is not reflected in its accounts. In the absence of credit and debit advices, it is not possible to check whether the press is self-supporting or not. There is an urgent need to maintain proforma accounts, so that the work turned out by the press in terms of value is reflected in the accounts. Then it would be possible to know whether the press is self-supporting or not.

6.8 Scholarships. The cash book of scholarships was improperly maintained. The totals on the receipts and payments side of the cash book were not tallied and the balances were not arrived at either monthly or periodical intervals. This irregularity is being continued for the past several years without totalling the transactions and arriving at the closing balances at the end of each year. As a result of this, closing balance could not be reconciled with the balance of bank pass book. Effective steps should be introduced to close cash book every month and, at the end of the year, it should be reconciled with the balance of bank pass book duly rectifying the defects as pointed out.
6.9 Others The following inconsistencies were noticed in the maintenance of registers. The daily fee collection (DFC) register was drawn up by duly entering the daily collection of fee. But month-wise totals were not made and month-wise abstract was not prepared and exhibited in the register at the end of each financial year. The term fee (TF) register was maintained but the postings made in the register were not totalled. They did not tally with the DFC register. Action should be taken to strike off totals in this register and to ensure that they tally with DFC register. Then they should be produced for audit. The demand, collection and balance (DCB) statement was not prepared and tallied with the DFC and TF registers inspite of this defect being repeatedly pointed out in audit reports almost continuously during the period of study. In the absence of proper DCB statement, the correctness of fee collected and fee foregone in respect of Scheduled Castes, Scheduled Tribes, Backward Castes and Economically poor students etc., could not be verified in audit. This is the reason why the arrears of tuition and other fees are not being recovered by SVU till the audit people themselves calculate the arrears figure by preparing DCB statements. Failure to prepare DCB statements in time by SVU and depending on audit party to prepare DCB statements for the period relating to two to three years ago renders the exercise futile and ineffective. It is necessary on the part of the SVU to give standing instruction to the authorities concerned to prepare DCB statements at the end of each year in time and to take stringent action if they fail to do so. Such steps would reveal the fees in arrears. Then action can be initiated for recovery of fee in the succeeding year itself.
7 Funds

SVU shall have a general fund to which receipts shall be credited. (i) This general fund includes income from fees and endowments, (ii) contributions or grants which may be made by the Government on such conditions as they may impose, and (iii) other contributions or grants. SVU shall have such other funds and maintain such accounts as the EC may determine on the recommendation of the FC. SVU shall not, without the prior approval of the Government, divert earmarked funds for other purposes or upgrade any post or revise the scales of pay of its staff or implement any scheme which involves any matching contribution from the Government or create a post or posts resulting in a recurring liability to the Government either immediately or in future. In the case of temporary appointments to fill up the vacancies, the EC authorises the creation and filling up of posts of teachers for a period not exceeding one year. But any such post or posts shall not be continued or created afresh for any period beyond the said period of one year without the prior approval of the State Government.

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1 Cited in C P S Chauhan, Higher Education in India, Ashish Publishing House, New Delhi, 1990

2 B D Bhat and J C Agarwal, Educational Documents in India (1813-1968), New Delhi, Arya Book Depot, 1969, p 1

3 C P S Chauhan, (1990), op.cit., p 37


5 C B Padmanabhan, Financial Management In Education, New Delhi, Select Books, 1984, p 112