

WHITE PAPER ON IMPROVEMENT IN FINANCES & ACCOUNTING:

At the Finance Committee meeting held on 14-07-22, it was proposed that a white paper be prepared by the Finance Officer and placed for approval at the next meeting of the Finance Committee to be placed on record the steps taken, under the direction of the Vice Chancellor, Dr. Karisiddappa, during his tenure of six years, to put VTU back on financial self sufficiency and create sufficient confidence to run the university administration. This Finance Committee had placed on record, its deep appreciation and gratefulness for the leadership provided by him in augmenting the finances and bringing the university to its normal functioning, thus, earning the gratitude of all concerned at the University and State level.

It would be necessary to briefly recall the protracted litigation and the harsh/coercive recovery measures taken by the Income Tax (IT) Department during the FYs; 2015-16 and 2016-17. The IT Department denied the exemption u/s 10(23C) of the IT Act on the grounds that "VTU is not wholly or substantially funded by the State/Central Govt." and the assessments were framed accordingly for the assessment years, 2004-05 to 2014-15 demanding payment of taxes. The University contested the assessments before the Appellate Authorities and also before the Hon'ble Jurisdictional High Court of Karnataka, without success. The matter attained finality when the appeal of the University was dismissed by the Hon'ble Supreme Court in Civil Appeal in its order dated, 22-04-2016. The penalties u/s 271(1)(c) of the Income Tax Act, 1961 were also levied on the University for the assessment years, 2004-05 to 2008-09, which were disputed and the appeals were pending before the First Appellate Authority i.e., Commissioner of Income Tax (Appeals) during the FY; 2016-17 and 2017-18.

Consequently, the IT Department initiated coercive recovery process raising around Rs. 567.78 crores (excluding interest payable) of demand. The bank accounts of the University were placed under attachment and the University could not operate/draw any amount from any of its bank accounts. The entire functioning of the University was affected and the University was facing the following problems:

- i. The IT Department recovered about Rs.441 crore from the various bank accounts of the University invoking section 226(3) of the Income Tax Act, 1961. The attachments on the bank accounts were continuing as the balance amount was to be recovered. There were no funds to pay even the salaries to the employees.



- ii. The University could not pay remuneration to the examiners and as a result, the evaluation of the examination papers was coming to a standstill.
- iii. The delay in conduct of the examination and evaluation was affecting the affiliated colleges and also the future of more than 3,50,000 students studying in various colleges under the University was at stake.
- iv. The IT Department recovered about Rs.450 crores from the various bank accounts of the University invoking section 226(3) of the Income Tax Act, 1961. The attachments on the bank accounts were continuing as the balance amount was to be recovered. In this view, it was considered necessary and appropriate to make provisions for immediate and future expenses required for smooth functioning of the University

What was at stake was the existence of the University itself and its reputation as a premier Institution in the state of Karnataka. It is common knowledge that several colleges were moving away from the University applying for autonomous status and if the conduct of the examinations, evaluations and announcement of results were to be delayed, the University would have faced embarrassing situation and the affiliated colleges/the students would have lost confidence in the academic excellence of the University.

The University could not operate/draw amount from any of its Bank Accounts. It's entire functioning was affected. Even the payment of salaries to its employees and remuneration to the evaluators of examination, could not be made, thus affecting the staff as also the affiliated colleges and the students of VTU. The precarious financial position of the University came to be reported in prominent newspapers during Deepavali festival season in 2016 stating that the University was not able to pay the salaries of its staff terming it as "*Kattale Deepavali*" for VTU. This depiction in the newspapers aptly mirrored the financial state of affairs of the University

Under these circumstances, the University was granted the overdraft facility of Rs 10.00 crore, in order to pay the salaries of staff and meet the day-to-day expenses. Prior to 2016-17, the whole Exam System was outsourced in VTU. But it was decided to terminate this contract and develop an in house system, for both security and economical reasons. Hence scanners and other necessary hardware



had to be immediately procured from the scratch. Now the whole process is Inhouse

Also there were other procurement and tender related issues in 2016 that had to be solved and streamlined. This was done after following proper procedures and obtaining approvals of Statutory Authorities.

The following practices have been put in place to ensure that financial discipline is maintained since the last six years.

- 1) All receipts are remitted mandatorily online through payment gateway
- 2) Almost 80% of the payments are online. All payments are only through instrument and not debit notes that were in practice.
- 3) All procedures and rules as per VTU statutes, related to procurement are being strictly adhered to
- 4) Involvement of all sections and Departments in the preparation of budget as per KBM.
- 5) After approval of budget in FC & EC, preparation & approval of Annual Action Plan.
- 6) Control of Expenditure as per approved Budget provision and action plan Re-appropriation, Budget variance approvals are obtained whenever necessary
- 7) The Accounts & Financial statements of NASD, Dandeli, were prepared right from its inception in 2019, after obtaining necessary approvals in statutory committees and submitted to the Government. (NASD had commenced functioning since 2015-16). The operation of these bank accounts of NASD, Dandeli was also restructured as per VTU norms.
- 8) Disbursement of Salaries of VTU staff on the last day of every month. Salary bills prepared in software.
- 9) Settlement of old claims done after following due procedures & obtaining sanctions/approvals.
- 10) Creation of six Benefit Funds (Student, Staff, teachers, Medical, Entrepreneurship and Research & Development) in 2017 for the benefit of University to be operated as per approved Guidelines.



- 11) Investment in policies related to payment of Retirement benefits like Gratuity, EL encashment, Pension fund and Health Insurance for teaching & non-teaching staff of VTU.
- 12) Streamlining of preparation of vouchers and detailed exhibition of budget heads.
- 13) Assets and Liability register/documents created in University.
- 14) Quarterly monitoring of Demand, Collection, Balance (DCB).

List of improvements made in accounting and financial reporting

1. Approval and adoption of written Accounting policies from the year 2020-2021.
2. Adoption of Grouped trail balances and comparative financial statements which is more informative and helpful for the stake holders
3. Regularization of Hescrom deposits and confirmations
4. TDS and statutory payment cheques written once a month instead of writing cheque for every deduction made. Timely remittance of all statutory deductions.
5. Comprehensive notes to accounts including the status of legal cases pending before the courts against VTU
6. Maintenance of DCB in software
7. Settlement of various long pending advances and appropriate classification of Advances, Deposits that were wrongly classified previously
8. Reconciliation of all receipts of VTU & proper classification of receipts & expenditure.
9. Data entry in software on day to day basis instead of delayed data entry
10. Audit query replies submitted on priority and quick follow-up for clarification of the matter to tax authorities
11. Statutory compliances provided before the due dates and minimizing the disputes
12. Fixed assets reconciliation from the year 1998-99 to till date including the Building and other assets in various Regional offices and Dandeli.



13. Bifurcation of land and Building values based on the documents available and providing of depreciation from the year 1998-99 till date and stabilizing the data relating to Fixed assets.
14. Merging of NASD, Dandeli accounts along with VTU books from the year 2020-2021.
15. Improvements in reports of Busy software and getting additional reports to help in minimizing the manual work
16. Improvement in filing system by filing all related vouchers in one place on day basis instead of filing separately
17. Various bank accounts operated out of finance control in VTU like in PHD section and others brought under the control of finance section
18. Stopping of revalidating of cheques to avoid duplicating entries and problem of stale cheques
19. Removal of certain long standing items from the Balance sheet after thorough verification as per rules and procedure after approval in statutory committees
20. Age wise schedules for sundry debtors and follow up with co ordinating departments
21. Following all the applicable accounting Standards VTU like Pre paid expenses, Prior period expenses and making Provisions for all major expenses.
22. Started to follow accrual system of accounting instead of hybrid system of accounting that is some cash and some accrual accounting.
23. Reconciliation of major grant account and matching them with corresponding Bank accounts.

Hence, the university has been able to maintain financial stability in managing the receipts and expenditure in the last six years. Stringent financial measures have been followed to balance receipts and expenditure. Though there is decrease in receipts due to various reasons such as colleges with highest intake going out as private varsities, more number of colleges getting autonomy and decrease in the number of students admitted to affiliated colleges, the expenditure has increased for salaries and infrastructure creation. VTU had taken measures to safeguard its receipts and judiciously utilize the same towards activities to increase its credibility.



Due to computerization and automation put in place there is control over inflow and outflow of resources. Anticipating future income to the University the authorities have also formed corpus fund, Benefit funds and assets.

With a good policy, and by following financial codes and rules, the University has maintained financial stability by precise and effective usage of funds, and is also working towards the futuristic goal set, that is to become financially self-sustaining University.


Finance Officer
Visvesvaraya Technological University,
"Jnana Sangam" Campus,
Belagavi-590 016.