Municipal Corporation Amritsar
Internal Audit Report on Double Entry Accounting System
For the period 01.04.2013-31.03.2014

1. BACKGROUD

- 1.1 Municipal Corporation prepared its accounts on manual basis which are further based on single entry accounting system. This is an integrated system that comprises General Cash book, Classified, Establishment check register, Demand collection registers, Contractor ledger etc.
- 1.2 Now Municipal Corporation has started to convert its single-entry system to double entry system using computerised environment and TALLY 9 ERP Software.

2. SCOPE AND OBJECTIVES

2.1 Scope of our Audit assignment is to evaluate the double entry accounting system with a view to delivering reasonable assurances to the Authority over the adequacy of this system. Further to review the nature of income and expenses that they are properly accounted for. To find out discrepancies so that Double entry accounting system can be properly implemented.

3. MANAGEMENT'S RESPONIBILITY

The Management is responsible for:

- 3.1 Completeness and accuracy of the underlying data and complete disclosure of all the material and relevant information to the accountant.
- 3.2 Maintaining adequate accounting & other records, internal controls, selecting and applying appropriate accounting policies
- 3.3 Preparation and presentation of the financial statements in accordance with the applicable laws and regulations.
- 3.4 Establishing controls to safeguard the assets of the entity and preventing and detecting frauds or other irregularities.
- 3.5 Establishing controls for ensuring that the activities of the entity are carried out in accordance with the applicable laws & regulations, preventing and detecting any non-compliance.

4. INTERNAL AUDIT

Audit procedures performed are designed to evaluate the adequacy, efficiency and effectiveness of the department's governing principles, risk management and control processes. Discussions were held with the management and staff members. Audit work was conducted on the basis of enquiry, observations and verifications of the supporting documentation and identified processes. It is an inherent limitation that accounting and internal control system cannot provide management with conclusive evidence that objectives are reached due to the following reasons:

- 4.1 There is a potential human error due to carelessness distraction, mistakes of judgement and misunderstanding of the instructions.
- 4.2 The possibility that a person responsible for exercising an internal control could abuse that responsibility.

- 4.3 The possibility of circumvention of internal controls through the collusion of a member of management or an employee inside or an outside entity.
- 4.4 The possibility that the procedure may become inadequate due to change in conditions and compliance with the procedure many deteriorate.

AUDIT OBSERVATIONS

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	AUDIT OBSERVATIONS
rpus Fund	Reflects the balance of capital of corporation as on date 31.03.2014.
ed Assets	
	The balance of fixed assets is as per the details provided
	Bank balances are not reconciled with cash books provided by municipal corporation.
sh Book	Has been provided to us of General Department to convert
cured	single entry system to Double entry system.
	It is clear from the records presented before us that the
a115	corporation has not taken any type of loan from government or from any other financial institution.
btors &	As cash system of accounting is being followed there are no
editors	debtors and creditors balances in books.
sh Balance	There is no balance of cash in hand as the amount collected
	is deposited into the bank account on day to day basis, for
	bank holidays it is deposited on following working day and
	all the payments are routed through banking channels.
omes	Income is recorded in cash book.
	1. Tax revenue: Amounts received for the taxes levied
	by the Municipal Corporation as per the Municipal
	Act.
	Rental income: Amounts that are received from the let-out properly of the civic body.
	3. Fees and User Charges: Amounts that are received
	from the public for providing any kind of service.
enditure	Expenditures are categorized differently as per the nature of
	expenditure. Most of the expenses are covered under these
	4 heads:
	1. Establishment Expenses
	2. Contingencies
	3. Committed Expenditure
	4. Non- Committed Expenditure
	ed Assets nk Balance sh Book cured ans btors & editors sh Balance omes

CONCLUSION:

- Pre-audit system is being followed by Municipal Corporation. Data in cash book are recorded after being duly audited and examined by the person(s) appointed by the state government.
- Cash system of accounting is being followed
- Comments by management would be noted and the steps taken to rectify deficiencies will be evaluated during the next audit or a follow up audit
- Our internal audit is entirely based on the records provided by Municipal Corporation.
 - The scope of internal audit was restricted to the records produced before us.

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CORPUS FUND	Amount (Rs.)	e Sheet for the perion Amount (Rs.in lakhs)	d 01.04.2013 to 31.03.2014 Assets	Amount (Rs.)	Amount (Rs.in lakhs)
Opening balance Add: Excess Of Income Over Expenditure Add: Sales of land UNDRY CREDITORS arnest Money	61.84.69,586.72 53,11,40,581.34 3,11,53,135.00 91,85,324.46	11,807.63 91.85	Street Lighting Garden & land Scaping Fire Brigade	5,01,18,582.00 35,19,266.00 1,08,49,548.00 2,04,91,020.00 10,55,02,644.00 6,61,15,420.00 7,05,249.00 92,26,473.00 1,74,84,947.00 2,35,41,746.00 2,17,21,705.00 16,14,646.00 2,33,29,072.00 97,42,240.00 32,00,000.00	501.1 35.1 108.5 204.8 1,055.6 661.7.6 63.1 92.2 174.8 150.4 235.4 217.2 16.1.2 33.2 97.4
			SUNDRY DEBTORS Contribution To WASS	73,37,54,158.00	7,337.5
			CURRENT ASSETS & LOANS & ADVANCES CASH & BANK BALANCES Bank Balances	6,76,73,152.52	676.7

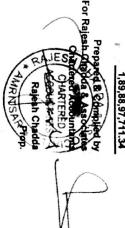
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Prepared & Complied by
For Rajesh Chadda & Associates
Chartered Accountants

Rajesh Chadda

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