

**Municipal Corporation Amritsar**  
**Internal Audit Report on Double Entry Accounting System**  
**For the period 01.04.2014-31.03.2015**

## **1. BACKGROUND**

- 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 RESPONSIBILITY**

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 may deteriorate.

#### AUDIT OBSERVATIONS

SR. NO.	PARTICULARS	AUDIT OBSERVATIONS
1.	Corpus Fund	Reflects the balance of capital of corporation as on date 31.03.2015.
2.	Fixed Assets	The balance of fixed assets is as per the details provided
3.	Bank Balance	Bank balances are not reconciled with cash books provided by municipal corporation.
4.	Cash Book	Has been provided to us of General Department to convert single entry system to Double entry system.
5	Secured Loans	During the year, corporation has taken a loan from HUDCO.
6.	Debtors & Creditors	As cash system of accounting is being followed there are no debtors and creditors balances in books.
7.	Cash 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.
8.	Incomes	Income is recorded in cash book. <ol style="list-style-type: none"> <li>1. Tax revenue: Amounts received for the taxes levied by the Municipal Corporation as per the Municipal Act.</li> <li>2. Rental income: Amounts that are received from the let-out property of the civic body.</li> <li>3. Fees and User Charges: Amounts that are received from the public for providing any kind of service.</li> </ol>
9.	Expenditure	Expenditures are categorized differently as per the nature of expenditure. Most of the expenses are covered under these 4 heads: <ol style="list-style-type: none"> <li>1. Establishment Expenses</li> <li>2. Contingencies</li> <li>3. Committed Expenditure</li> <li>4. Non- Committed Expenditure</li> </ol>

- 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.

Liabilities

Balance Sheet for the period 01.04.2014 to 31.03.2015

Liabilities	Amount (Rs.)	Amount (Rs.in lakhs)	Assets	Amount (Rs.)	Amount (Rs.in lakhs)
<b>CORPUS FUND</b>			<b>FIXED ASSETS</b>		
Opening balance			Building Application	8,49,16,160.00	849.16
Add: Excess Of Income Over Expenditure	1,18,07,63,303.06		Street Watering	40,17,998.00	40.18
Add: Sales of land	75,21,13,092.76	20,134.46	Library	1,65,30,791.00	165.31
	8,05,69,297.00		Street Lighting	3,20,23,100.00	320.23
			Garden & land Scaping	17,09,03,422.00	1,709.03
<b>SECURED LOANS</b>			Fire Brigade	11,25,39,594.00	1,125.40
HUDCO Loan	2,07,65,487.00	207.65	Computer	14,41,467.00	14.41
			Contruction of Mpl. Building	2,15,90,483.00	215.90
<b>SUNDRY CREDITORS</b>			New Roads	1,39,39,665.00	139.40
Earnest Money	57,33,463.46	57.33	Old Roads	9,29,31,968.00	929.32
			New Drains	2,94,49,838.00	294.50
			New Streets	5,46,82,220.00	546.82
			Land Scaping & Park	2,17,21,705.00	217.22
			Cattle Poud	16,14,646.00	16.15
			New S/L Coconnection	3,79,26,228.00	379.26
			Machinery	1,31,58,229.00	131.58
			MPL. Bhawan	25,00,000.00	25.00
			BSUP	32,00,000.00	32.00
			<b>SUNDRY DEBTORS</b>		
			Contribution To WASS	1,22,76,94,815.00	12,276.95
			<b>CURRENT ASSETS &amp; LOANS &amp; ADVANCES</b>		
			<b>CASH &amp; BANK BALANCES</b>		
			Bank Balances	9,71,62,314.28	971.62

20,399.45

20,399.45

Prepared & Compiled by  
For Rajesh Chadda & Associates  
Chartered Accountants



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Expenditure		Income & Expenditure for the period 01.04.2014 to 31.03.2015	
	Amount (Rs)	Amount (Rs)	Amount (Rs)
<b>Establishment</b>			
To General Administration	22,38,65,657.00		
To House Tax	3,07,38,335.00		
To Tax On Vehicle, Animals & Dogs	15,46,810.00		
To General Octroi	6,67,45,472.00		
To Tehbazari	1,51,83,599.00		
To Health including removal disposal & drainage	66,64,78,387.00		
To Health Centre Vaccination	12,43,386.00		
To Municipal including prevention of malaria	3,63,50,189.00		
To Municipal Engineer & Supporting Staff	14,91,25,942.00		
To Service Tax	66,959.00		
To Police	95,27,958.00		
		1,20,08,72,694.00	
<b>Contingency</b>			
To Stationery	10,43,796.00		
To Electricity bills of Zonal Offices	3,81,312.00		
To Petrol Oil & Diesel	7,92,77,754.00		
To Vehicle Repair	3,33,21,152.00		
To Telephone Bills	6,67,911.00		
To Mic of Street, Roads, Drains Etc.	14,98,498.00		
To Mic of Water Supply & Sewerage	2,30,96,251.00		
To Directorate Charges			
To Audit Fees	66,00,000.00		
To Legal fees	37,25,448.00		
To Other (Misc.)	3,55,11,888.00		
		18,51,24,010.00	
<b>Committed Expenditure</b>			
To Electricity Bills of Street Lights	10,69,99,797.00		
To Electricity Bills of Mpl. Building / others	65,41,614.00		
To Maintenance of Street lights	2,75,72,949.00		
To Mohalla Sudhar Committees	1,30,436.00		
To land Scaping/ parks/ water bills of stand posts	1,70,29,936.00		
To land Scaping/ parks mtc.	1,32,91,826.00		
To Others		17,15,66,558.00	
			By Financial Assistance
<b>Non-Committed Expenditure</b>			
To Old Drains Repair	1,21,29,025.00		
To Old Street repair	1,54,72,540.00		
To Slump Improvement	18,72,160.00		
To Election Charges		2,94,73,725.00	
To Election Charges		2,00,000.00	
To Advertisement		36,30,668.00	
To Laying of New Water Supply		1,29,56,275.00	
To Excess Of Income Over Expenditure		75,21,13,092.76	
			2,35,59,37,022.76
			2,35,59,37,022.76

Income	Amount (Rs)
By House Tax	2,47,16,238.00
By Fire Cess	2,76,065.00
By Octroi	8,43,44,869.00
By Excise Duty	7,72,22,226.00
By Advertisement	12,59,965.00
By Building Application	3,14,07,010.00
By Licence Fees v/s 343	49,35,058.00
By Labour Cess	43,64,666.00
By Composition fees	5,88,31,147.00
By Rent of Municipal Property	1,40,82,824.00
By Service Tax	78,250.00
By Tehbazari	1,12,11,742.00
	31,27,30,060.00

OTHERS	Amount (Rs)
By Slaughter House Fee	23,31,928.00
By Scavenging Fee	1,21,98,145.00
By Composition Of Land	1,10,700.00
By Composition of fee Health	92,407.00
By Medical dispensaries fee	31,167.00
By Library	6,240.00
By Road Cutting	48,90,275.00
By Cattle Pound	1,170.00
By MNZ Hospital	83,612.00
By Swimming Pool & sports	1,49,140.00
By Auction Of Wood	37,01,690.00
By Interest	2,59,62,841.63
By Others - RM 1	29,13,808.00
By Property Tax	14,90,91,275.13
By Veterinary Fee	58,607.00
By Birth & Death	18,49,760.00
By Reg. Of Unauthorise Colonies	10,10,65,891.00
By Loans & Grants	47,02,48,723.00
	77,47,87,379.76
	1,26,84,19,583.00

Prepared & Signed by  
For Rajesh Chadda & Associates  
Chartered Accountants  
Rajesh Chadda  
Proprietor

