Municipal Corporation Amritsar
Internal Audit Report on Double Entry Accounting System
For the period 01.04.2015-31.03.2016

#### 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**

SR. NO.	PARTICULARS	AUDIT OBSERVATIONS
1.	Corpus Fund	Reflects the balance of capital of corporation as on date
2.	Fixed Assets	31.03.2016. The halance of fixed assets is as nor the details provided
3.	Bank Balance	The balance of fixed assets is as per the details provided  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	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	<ol> <li>Income is recorded in cash book.</li> <li>Tax revenue: Amounts received for the taxes levied by the Municipal Corporation as per the Municipal Act.</li> <li>Rental income: Amounts that are received from the let-out properly of the civic body.</li> <li>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:  1. Establishment Expenses 2. Contingencies 3. Committed Expenditure 4. Non- Committed Expenditure

- 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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,											1200.40	3 27 206 46			51.28 169 00		0.00	2,42,85,518 00	59,46,48,391,49	2.01.34 45 602 92	(No.III lakins)		Amount Amount
CURRENT ASSETS & LOANS & ADVANCES CASH & BANK BALANCES Bank Balances	SUNDRY DEBTORS Contribution To WASS	BSUP	MPL. Bhawan	Machinery	New S/L Coonnection	Cattle Poud	Land Scaping & Park	New Streets	New Drains	Old Roads	3.27 New Roads	Contruction of Mpl. Building	Computer	51.28 Fire Brigade		Street Lighting	26,323.80 Library		Building Application	FIXED ASSETS		ASSetS	Amount Acoust
1,27,43,618.77	1,71,28,79,127.00	32,00,000.00	55,00,000.00	1,42,91,308.00	4,14,15,747.00	21,10,684.00	2,17,21,705.00	6,78,76,932.00	3,59,41,099.00	11,10,51,883.00	1,50,60,301.00	2,52,03,767.00	20,68,875.00	14,63,16,596.00	22,57,94,263.00	5,42,76,021.00	1,99,87,003.00	40,17,998.00	11,63,78,050.00		(Rs.in lakhs)	Amount Amount	
127.44	17,128.79	32.00	55.00	142.91	414.16	21.11	217.22	678.77	359.41	1,110.52	150.60	252.04	20.69	1,463.17	2,257.94	542.76	199.87	40.18	1,163.78		ikhs)		

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Prepared & Complied by

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Prepared & Complied by For Rajesh Chadda & Associates Chartered Accountants

Chartered Accountants

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			59,46,48,391.49		To Excess Of Income Over Expenditure
			9,81,161.00 4,25,752.00 50,00,000.00		To Advertisement To Laying of New Water Supply To Dump Roads
			71,68,898.00	10,93,222.00 60,75,676.00	Non-Committed Expenditure To Old Drains Repair To Old Street repair To Strong Improvement
1,25,01,18,593.00		By Financial Assitance	13,21,89,777.00	2,23,78,877.00 36,71,605.00	To land Scaping/ parks/ water bills of stand posts To land Scaping/ parks mtc. To Others
38,49,41,019.49	25,71,065.00 16,31,38,989.00 1,00,00,000.00	BY Birth & Death By Reg. Of Unauthorise Colonies By Loans & Grants		9,44,27,824.00 45,34,990.00 71,76,481.00	To Electricity Bills of Street Lights To Electricity Bills of Mpl. Building / others To Maintance of Street lights To Mohalla Sudhar Committees
	2,41,630.00 16,59,691.24 34,28,410.00 18,75,23,566.25 1,963.00	By Swimming Pool & sports By Interest BY Others - RM 1 By Property Tax By Veterinary Fee	12,19,14,210.00	30,77,538.00 40,70,538.00 3,05,00,271.00	To Legal fees To Other (Misc.) Committed Expenditure
	17,848.00 17,848.00 3,480.00 10,97,186.00 77,891.00			19,56,270.00 10,71,751.00 19,86,969.00	To Neighorne Bills To Mtc of Street, Roads, Drains Etc. To Mtc of Water Supply & Swerage To Directorate Charges To Audit Fees
*	21,94,925.00 1,27,63,425.00 1,44,000.00 77,150.00	OTHERS  By Slaughter House Fee  By Scavenging Fee  By Composition Of Land  BY Composition of fee Health		7,74,915.00 1,66,331.00 6,67,35,679.00 1,10,74,448.00	To Stationery To Electricity bills oF Zonal Offices To Petrol Oil & Diesel To Vehicle Repair To Telephone Rille
32,92,14,630.50	4,35,06,992.00 2,43,47,082.00 2,29,33,782.50 64,59,350.00 45,12,514.00 8,00,27,247.00 1,08,89,662.00 1,13,03,291.00	By excise Duty By Advertisement By Building Application By Licence Fees u/s 343 By Labour Cess By Composition fees By Rent of Municipal Property By Service Tax BY Tehbazari	1,10,19,46,053.50	58,49,370.00 5,73,87,568.00 1,28,44,310.00 57,39,80,112.00 16,20,941.00 3,41,95,230.00 14,34,73,497.00 1,14,70,534.00	To General Octroi  To Tehbazari  To Health including removal disposal & drainage To Health Centre Vaccination To Municipal including prevention of malaria To Municipal Engineer & Supporting Satff To Police  Contingency
	63,57,391.00 11,74,22,180.00	By House Tax By Octroi		23,76,11,217.50 2,35,13,274 nn	To General Administration To House Tax To Tax On Vehicle, Animals & Doos
1	unt	Income	(Rs) Income	(Rs)	Establishment

Prepared & Complied by For Rajesh Chadda & Associates Charte ed Accountants Complied by Prop. \*

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