

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

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 31.03.2016.
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	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"> 1. Tax revenue: Amounts received for the taxes levied by the Municipal Corporation as per the Municipal Act. 2. Rental income: Amounts that are received from the let-out property of the civic body. 3. Fees and User Charges: Amounts that are received from the public for providing any kind of service.
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"> 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.

Balance Sheet for the period 01.04.2015 to 31.03.2016

	Amount (Rs.)	Amount (Rs. in lakhs)	Assets	Amount (Rs.)	Amount (Rs. in lakhs)
CORPUS FUND			FIXED ASSETS		
Opening balance	2,01,34,45,692.82		Building Application	11,63,78,050.00	1,163.78
Add: Excess Of Income Over Expenditure	59,46,48,391.49		Street Watering	40,17,998.00	40.18
Add: Sales of land	2,42,85,518.00		Library	1,99,87,003.00	199.87
		26,323.80	Street Lighting	5,42,76,021.00	542.76
SECURED LOANS			Garden & land Scaping	22,57,94,263.00	2,257.94
HUDCO Loan	51,28,169.00		Fire Brigade	14,63,16,596.00	1,463.17
			Computer	20,68,875.00	20.69
SUNDRY CREDITORS			Construction of Mpl. Building	2,52,03,767.00	252.04
Earnest Money	3,27,206.46		New Roads	1,50,60,301.00	150.60
			Old Roads	11,10,51,883.00	1,110.52
			New Drains	3,59,41,099.00	359.41
			New Streets	6,78,76,932.00	678.77
			Land Scaping & Park	2,17,21,705.00	217.22
			Cattle Poud	21,10,684.00	21.11
			New S/L Connection	4,14,15,747.00	414.16
			Machinery	1,42,91,308.00	142.91
			MPL. Bhawan	55,00,000.00	55.00
			BSUP	32,00,000.00	32.00
			SUNDRY DEBTORS		
			Contribution To WASS	1,71,28,79,127.00	17,128.79
			CURRENT ASSETS & LOANS & ADVANCES		
			CASH & BANK BALANCES		
			Bank Balances	1,27,43,618.77	127.44

26,378.35

26,378.35

Prepared & Compiled by
For Rajesh Chadha & Associates
Chartered Accountants



