

**Municipal Corporation Amritsar**  
**Internal Audit Report on Double Entry Accounting System**  
**For the period 01.04.2012-30.06.2012**

## 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.

### AUDIT OBSERVATIONS

SR. NO.	PARTICULARS	AUDIT OBSERVATIONS
1.	Corpus Fund	Reflects the balance of capital of corporation as on date 30.06.2012. Opening balance includes the opening balance of bank as per the statement provided by the management. No opening corpus provided by the municipal corporation
2.	Fixed Assets	No details of fixed assets as on 31.03.2012 have been provided to us by the Municipal Corporation.
3.	Bank Balance	Bank balances are not reconciled with cash books provided by municipal corporation.
4.	Cash Book	Has been provided to us to convert single entry system to Double entry system.
5	Secured Loans	It is clear from the records presented before us that the corporation has not taken any type of loan from government or from any other financial institution.
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. 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

		<p>let-out properly of the civic body.</p> <p>3. Fees and User Charges: Amounts that are received from the public for providing any kind of service.</p>
9.	Expenditure	<p>Expenditures are categorized differently as per the nature of expenditure. Most of the expenses are covered under these 4 heads:</p> <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>

**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.



