

Municipal Corporation Amritsar
Internal Audit Report on Double Entry Accounting System
For the period 01.04.2016-31.03.2017

- **BACKGROUND**

- 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.
- Now Municipal Corporation has started to convert its single-entry system to double entry system using computerised environment and TALLY 9 ERP Software.

- **SCOPE AND OBJECTIVES**

- 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.

- **MANAGEMENT'S RESPONSIBILITY**

The Management is responsible for:

- Completeness and accuracy of the underlying data and complete disclosure of all the material and relevant information to the accountant.
- Maintaining adequate accounting & other records, internal controls, selecting and applying appropriate accounting policies
- Preparation and presentation of the financial statements in accordance with the applicable laws and regulations.
- Establishing controls to safeguard the assets of the entity and preventing and detecting frauds or other irregularities.

- 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.

- **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:

- There is a potential human error due to carelessness distraction, mistakes of judgement and misunderstanding of the instructions.
- The possibility that a person responsible for exercising an internal control could abuse that responsibility.
- The possibility of circumvention of internal controls through the collusion of a member of management or an employee inside or an outside entity.
- 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 31.03.2017.
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.	Debtors & Creditors	As cash system of accounting is being followed there are no debtors and creditors balances in books.

6.	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.
7.	Incomes	<p>Income is recorded in cash book.</p> <ul style="list-style-type: none"> • 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 property of the civic body. • Fees and User Charges: Amounts that are received from the public for providing any kind of service.
8.	Expenditure	<p>Expenditures are categorized differently as per the nature of expenditure. Most of the expenses are covered under these 4 heads:</p> <ul style="list-style-type: none"> • Establishment Expenses • Contingencies • Committed Expenditure • Non- Committed Expenditure

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.

Expenditure	Amount (Rs)	Income & Expenditure for the year ended 31.03.2017	Income	Amount (Rs)	Amount (Rs)
Establishment					
To General Administration	266,528,881.00		By House Tax	1,449,572.00	
To House Tax	33,932,541.00		By Octroi	15,039,967.00	
To Tax On Vehicle, Animals & Dogs	2,131,578.00		By Excise Duty	170,133,625.00	
To General Octroi	66,154,983.00		By Advertisement	59,884,326.00	
To Tehbazari	17,094,531.00		By Building Application	16,011,428.00	
To Health including removal disposal & drain	665,556,921.00		By Licence Fees us 343	6,688,510.00	
To Health Centre Vaccination	1,806,653.00		By Labour Cess	8,340,626.00	
To Municipal including prevention of malaria	40,862,095.00		By Composition fees	80,558,241.00	
To Municipal Engineer & Supporting Staff	170,986,543.00		By Rent of Municipal Property	8,324,557.00	
To Building Application	36,728,437.00		By Service Tax	930,722.00	
To Garden & land Scaping	72,686,047.00		By Tehbazari	5,075,075.00	
To Police	13,025,808.00		By Tax On Vehicles	289,140.00	
To Others (service provider)	32,172,960.00				372,725,789.00
To Library	5,025,313.00		OTHERS		
To Street Lighting	11,148,371.00		By Slaughter House Fee	1,484,869.00	
To Mohalla Sudhar Committees	10,999,449.00		By Scavenging Fee	12,721,605.00	
To Fire Brigade	44,333,037.00		By Composition Of Land	67,300.00	
To Cattle Pound	38,413.00	1,491,212,661.00	By Composition of fee Health	121,894.00	
			By Medical dispensaries fee	16,529.00	
			By Library	2,500.00	
			By NNZ Hospital	69,853.00	
Contingency			By Swimming Pool & sports	293,020.00	
To Stationery	1,026,251.00		By Interest	11,083,585.00	
To Electricity bills of Zonal Offices	175,309.00		By Others - RM 1	3,787,664.00	
To Petrol Oil & Diesel	72,507,506.00		By Property Tax	168,984,297.00	
To Vehicle Repair	12,415,347.00		By Veterinary Fee	1,795.00	
To Telephone Bills	774,285.00		By Birth & Death	809,345.00	
To Mtc of Street, Roads, Drains Etc.	1,384,345.00		By Excess Payment Made to HUDCO	6,261,070.50	
To Mtc of Water Supply & Sewerage	3,646,316.00				205,705,326.50
To Directorate Charges	1,500,000.00				1,353,524,640.00
To Audit Fees	1,000,000.00				
To Legal fees	3,360,155.00				
To Other (Misc.)	9,578,901.00	107,370,415.00			
Committed Expenditure					
To Electricity Bills of Street Lights	58,166,640.00				
To Electricity Bills of Mpl. Building / others	4,996,408.00				
To Maintenance of Street lights	4,382,489.00				
To Land Scaping/ parks/ water bills of stand	22,851,429.00				
To land Scaping/ parks mtc.	3,749,771.00	94,146,737.00			
Non-Committed Expenditure					
To Old Drains Repair	224,222.00				
To Old Street repair	6,999,916.00				
To Return of Registration of Unauthorised C	628,761.00				
To Advertisement		7,852,899.00			
To Laying of New Water Supply		2,556,821.00			
To Loans & Frants (Spl North Grant)		2,623,537.00			
		6,000,000.00			
To Road Cutting		27,147.00			
To Excess Of Income Over Expenditure					
		220,165,538.50			
		1,931,955,755.50			

1,931,955,755.50

Prepared & Compiled
For Rajesh Chadda & Associates
Chartered Accountants
Rajesh Chadda
Prop.



