

**Municipal Corporation Patiala**

**Internal Audit report on Double Entry Accounting System**

**For the years Ended 31<sup>st</sup> march 2014,2015 & 2016**

**1. BACKGROUND**

1.1 Municipal Corporation Prepares 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 register, Demand collection registers, contractors' ledgers etc.

1.2 Now Municipal Corporation has started to convert its single-entry system to double entry system using computerized environment and TALLY. 9 ERP Software. Income & Expenditure figures represent actual figures as per available records, whereas no proper records have been maintained for accounting of Assets & Liabilities.


**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 assurance to the authority over the adequacy of this system, to review the nature of income and expenses whether they are properly accounted for, to find out the discrepancies so that Double entry accounting system can be properly implemented.

**AUDIT OBSERVATIONS**

**1. MUNICIPAL FUND**

It reflects the difference of Total Assets & Total Liabilities of the corporation as on date, because there are no proper records wherein assets & liabilities are recorded.

  
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## 2. SECURED LOANS

It is clear from the records presented before us that the corporation has not taken any type of Secured loan from any Financial institution.

## 3. UNSECURED LOANS

Unsecured Loans represent amount received from Improvement Trust, Patiala taken on Interest & from PUDA, Patiala free of interest.

## 4. CURRENT LIABILITIES

Earnest Money Amount outstanding in this account represent the amount received from various contractors and creditors as earnest before allocation of contracts and this amount is refundable after the completion of allocated works and if work is not allocated to any contractor than it is refunded after application for refund made by contractor and creditors.

Contactors' Liabilities include securities received from contractors which are refundable after a due time from satisfactory completion of work. Creditors for Expenses are accounted on payment basis.

## SUGGESTED IMROVEMENTS

Creditors should be recorded on the basis of accrual of expenditure i.e. when the amount is due or the bill is presented for the payment whichever is earlier, Expenditure should be recorded on that date.

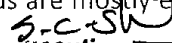
## 5. PROVISIONS


Provisions are made for the expenditure which are incurred in the current Financial Year But are payable in following financial years. Expenses of the following nature are provided for-

- I. Electricity Expenses
- II. Telephone Expenses

## 6. FIXED ASSESTS

There are no registers maintained for Fixed assets. Figures in balance sheet regarding fixed assets are taken as provided by the corporation, which as explained to us are mostly estimates & without any valuation by the civil engineer or qualified

  
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valuer. Dates of additions & sales of assets was not provided to us, leading to incorrect charging of depreciation.

Depreciation on Fixed assets is provided on straight line method basis and life of asset provided by the office.

#### SUGGESTED IMPROVEMENT

Fixed assets Register should be maintained showing opening balances, additions & sales with dates and closing balances, so that Fixed Assets can be properly accounted for in the books & accurate depreciation could be charged thereon.

#### 7. INVESTMENT

As per the information provided to us, there are no investment in Govt. securities or in any Financial instrument as on balance sheet dates.

#### 8. CURRENT ASSETS :

##### STOCK-IN-HAND

Adjustments for stock-in-hand are not made in the books of accounts, as no information was provided for the stock of Street Light Material, Sanitation Material etc.

##### SUNDRY DEBTORS

It Includes the amount outstanding as receivable from public as their dues for water and sewerage bills, Rent, The bazari & house tax.


##### SUGGESTED IMPROVEMENTS

Provisions should be made for the amount which are receivable but are bad or doubtful in nature.

##### CASH & BANK BALANCES

There is no balance of cash in hand as the amount collected is deposited into the bank accounts on day to day basis, for bank holidays it is deposited in following working day and all the payments are routed through banking channels.

Bank Balances are reconciled with the bank on a monthly basis.

  
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9. INCOME :

Incomes are categorized differently as per the nature of income. Most of the income are covered under Tax Revenue & Non Tax. Tax revenue includes amounts received for the Taxes levied by the municipal corporation as per the Municipal Act. Fees and User Charges represent amounts that are received from the public for providing any kind of service.

10. EXPENDITURE :

Expenditures are also categorized differently as per the nature of expenditure. Most of the expenses are covered under these 4 heads-

- i. Committed Expenses
- ii. Non Committed Expenses
- iii. Contingent Expenses
- iv. Other/ General Expenses

CONCLUSION

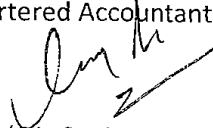
Comments by the management would be noted and the steps will be taken to rectify the deficiencies found in evaluation during the next audit or a follow-up audit.

Our Internal Audit is entirely based on the records provided by Municipal Corporation.

For Sanjay Ramkali & Associates

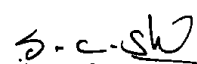
Chartered Accountants



  
(CA. Sanjay Gupta)

Prop.

23<sup>rd</sup> March, 2017

  
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