

Naveen R. K. Aggarwal & Co.

(Chartered Accountants)

63, 1st Floor, Central Market, Gill Road, Ludhiana – 141 003.

Phone : 0161-5096477, (M) 9872022700, E-mail : naveenaggarwal_ca@hotmail.com

INTERNAL AUDIT REPORT

ON

**IMPLEMENTATION OF ACCURAL BASED DOUBLE ENTRY SYSTEM OF
ACCOUNTING**

OF

MUNICIPAL CORPORATION, LUDHIANA

FOR THE FINANCIAL YEAR 2014-15

Internal Audit Report of MUNICIPAL CORPORATION, LUDHIANA for the financial year 2014-15.

Naveen R. K. Aggarwal & Co.

(Chartered Accountants)

63, 1st Floor, Central Market, Gill Road, Ludhiana - 141 003.
Phone : 0161-5096477, (M) 9872022700, E-mail : naveenaggarwal_ca@hotmail.com

SCOPE OF WORK:-

Presently, Municipal Corporation, Ludhiana is following single entry system of accounting in which no Income & Expenditure account is prepared on accrual basis and no trial balance and balance sheet are prepared.

Our firm was appointed as internal auditor in the month of March, 2017 for internal audit of the financial year 2014-15 and to compile the annual financial statements under the double entry system of accounting on accrual basis as mandated under AMRUT Scheme of the Govt. of India. Since, the required information was provided with very long delay, debit/credit balances are subject to confirmation from the departments concerned.

OPENING BALANCE SHEET :-

Since, no balance sheet is prepared by the Municipal Corporation at the any particular period of time till date, no details of assets and liabilities were available as on 01.04.2015. Even after repeated reminders for valuation of assets and liabilities as on 01.04.2015, complete information was not provided and most of the opening balances of fixed assets has been taken on the basis of opening balances provided for the financial year 2015-16. In some cases, no records were maintained so as to compute the opening balance of assets and liabilities, for which the tentative values have been taken in compilation of the balance sheet as on 31.03.2015 e.g. Earnest Money from Contractors, Security Contractors, Contractor wise outstanding amounts etc. . Difference arising after the balance sheet period will be adjusted with the Municipal Fund in the subsequent period.

AUDIT OBSERVATIONS :-

Sr. No.	Account Head	Audit Remarks
1.	Municipal Fund	Municipal Fund represents the balance outstanding in the capital account of the Municipal Corporation. It represents the balancing figure after deducting the total value of Liabilities of the Corporation from the total assets of the Corporation.
2.	Secured Loans	Municipal Corporation has taken loans from GLADA, HUDCO and Canara Bank and the same has been shown under Secured Loans and the same are subject to reconciliation.
3.	Grants	Grants are received from time to time from Central Govt., State Govt. and other Govt. Departments from time to time for different purposes. Grants has been shown under Reserve Fund/Capital Fund till the completion of asset for which grant has been received and after completion of the asset the same would be transferred to that asset.
4.	Current Liabilities -	Municipal Corporation deducts the security from the

Internal Audit Report of MUNICIPAL CORPORATION, LUDHIANA for the financial year 2014-15.

Naveen R. K. Aggarwal & Co.

(Chartered Accountants)

63, 1st Floor, Central Market, Gill Road, Ludhiana - 141 003.

Phone : 0161-5096477, (M) 9872022700, E-mail : naveenaggarwal_ca@hotmail.com

	Security Deposit from contractors	contractor bills at the time of payment and the same is deposited into the bank account (separately maintained for the security deposits) and payments are made from the same account after completion of the contract. No details of Security received from the contractors is there as on 01.04.2014 as no records have been maintained for the same.
5.	Current Liabilities - Earnest Money	Municipal Corporation receives the earnest money from the at the time of receipt of the tenders from contractors and other applicants. No details of earnest money received from the contractors/other applicants is there as on 01.04.2014 as no records have been maintained for the same.
6.	Current Liabilities - Contractors Liabilities	There is no mechanism of booking of contractor liabilities as and when the engineering branch submit the completion certificate (running bill or final bill) but the same is accounted for only at the time when the payment is made after pre audited by the audit department. We suggest that whenever the Invoice raised by the contractor/supplier, the same has to be informed to the accounts branch immediately so that the same is accounted for as per accrual system of accounting so that expense/depreciation is accounted for accordingly.
7.	Current Liabilities - Gratuity to Staff	Gratuity is accounted for on payment basis. No fund has been created to set aside the gratuity liability. No Actuarial Valuation is done in any year to ascertain the gratuity liability till date. We suggest that fund be created for the same and liability is set aside every year.
8.	Current Liabilities - Telephone & Electricity Payable	Telephone and Electricity has been accounted for on due basis, where the bills are periodically period.
9.	Sundry Debtors	Sundry Debtors represents pending demand on account of Water & Sewerage Tax Recoverable and Disposal Income Recoverable. The same are subject to reconciliation with the billing section. Due to complexity of reconciliation, it is advised to depute the required staff to reconcile the same at the earliest and to devise a system to reconcile the same in future.
10.	Cash Balance	As informed to us, no cash in hand is there as on 31.03.2015 as cash received is deposited on the same day of receipt.
11.	Bank Balance	Presently Bank receipt and payments are accounted for in the cash/bank book in a single account. Bank balances are subject to confirmation as opening bank reconciliation statement is not available as bank remains unreconciled for many years.
12.	Revenue Recognition	Revenue of Water & Sewerage And Disposal has been recognized on the basis of billing information received from

Internal Audit Report of MUNICIPAL CORPORATION, LUDHIANA for the financial year 2014-15.



Naveen R. K. Aggarwal & Co.

(Chartered Accountants)

63, 1st Floor, Central Market, Gill Road, Ludhiana - 141 003.

Phone : 0161-5096477, (M) 9872022700, E-mail : naveenaggarwal_ca@hotmail.com

		the billing section. All other income have been recognized on receipt basis. Property tax have also been recognized on receipt basis as there is no system of demand generation for the same. We suggest that proper demand register to be maintained for property tax so that the record of demand and collection is available and necessary steps could be taken for the recovery of pending demand.
13.	Expenses	Expenses have been recognized on accrual basis.
14.	Depreciation	No depreciation has been provided in the financial year 2014-15 as year wise purchase/construction/acquisition of some fixed assets has not been provided e.g. Water & Sewer Line, Disposal, Tubewell etc. where the exact date of installation/construction/acquisition is not provided. It has been proposed to provide depreciation from financial year 2018-19 onwards as the required information would be made available during that period.

For Naveen R.K. Aggarwal & Co.

Chartered Accountants

(Naveen Kumar Aggarwal)

Proprietor

Dated. 27.03.2018.

Internal Audit Report of MUNICIPAL CORPORATION, LUDHIANA for the financial year 2014-15.