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DATED: MAR 19, 2018

TO
MUNICIPAL CORPORATION
PATHANKOT

Sub: Internal audit report for the period from 1st Apr 2016 to 31st March 2017.

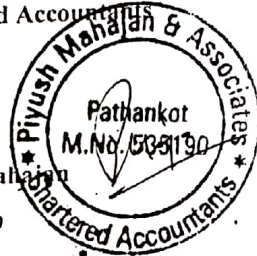
We have conducted internal audit of Municipal Corporation Pathankot for Financial year ending as on 31.03.2017 & we are highlighting certain points in this regard in the report. The Scope of the internal audit was checking the efficiency & effectiveness of the internal controls and verification of related records. Further we have given recommendations for rectifying / strengthening the same as follows:

We believe that the given recommendations shall improve the existing controls. Further we hope that these recommendations are implemented as early as possible. We thank the management for their cooperation in conduct of this audit. Should there be any clarifications the management is free to revert to us.

Thanking you

For Piyush Mahajan & Associates

Chartered Accountants



Piyush Mahajan

Prop

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INTERNAL AUDIT REPORT FOR THE PERIOD 1st Apr 2016 to 31st March 2017.

To
MUNICIPAL CORPORATION
PATHANKOT

We have audited the vouchers and records of MUNICIPAL CORPORATION, PATHANKOT at offices for the period 01.04.2016 to 31.03.2017. While carrying out the internal audit we have given emphasis on introducing systems and procedures to enable the Municipal Corporation carry on the operations in a smooth way with better internal control systems. However the clerical errors which were rectified then and there during the course of our audit and other matters, which in our opinion are not material, have not been dealt with in this report. All transactions, assets and liabilities relevant to the period of review have been recorded.

The following are various areas where more emphasis is laid out for the purpose of verification :

1. Cash Collection & Bank Arrangements :

Income received through the bank and at each cash office is adequately recorded. Cash and records of receipts are passed promptly to the treasury. All cash / bank transfers are adequately recorded and witnessed. Payments from/to bank accounts are adequately controlled. All income streams are reviewed at least quarterly. Bank account reconciliations are undertaken regularly. The recorded transactions, assets and liabilities have been properly classified and recorded in the organization's financial records.

2. Income and Debtor Arrangements:

All income and debtors relevant to the period of review have been recorded. The same have been taken into books of account as provided and verified by the management. Source documents used for tax calculations are adequate and properly authenticated. All income has been raised in accordance with established laws and regulations. Taxes raised are done in accordance with relevant statutory provisions. Outstanding debtors are periodically verified to source records to ensure the debt remains valid.



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3. Payroll and Expense Arrangements:

All payments relevant to the period of review have been recorded. All recorded payments, and transactions to which they relate, actually occurred and were relevant to the period of review. All payments are in accordance with relevant legislation and other specific requirements. The deductions from payroll (e.g. income tax, provident fund, Gratuity) have been calculated in accordance with existing legislation.

4. Inventory and Fixed Assets Arrangements:

As corporation does not deal with any products, implied there from closing stock has been taken as Nil. All Fixed Assets are held securely. Fixed Assets are periodically verified to ensure they exist. **However, the no impairment or depreciation have been provided for the same.** Differences are properly investigated. Fixed Assets are periodically verified. Asset verification considers the present state and usefulness of the asset against its present value and ensures the asset's valuation is in accordance with the legislation. However, certain Vouchers could not found in the records.

5. Status of Statutory Compliances

We have discussed with the accountant in regard to statutory compliances which are applicable to the Urban Local Bodies like TDS, Commercial Tax, Labour Welfare Cess, Royalty etc. It is noticed that provisions TDS is not being complied with properly. However, there are certain pensioners whose TDS is liable to be deducted, but not being deducted. Certain TDS challans that should have been deposited under Section 194J are deposited under Section 194C. ULBs staff are not well aware about the statutory compliances in respect of provisions of EPF and not regular in return filling, which may lead a huge revenue loss to the ULBs in the future.

6. Knowing other Processes:

Other than above mentioned things, we have discussed about various things which are as below:

- Process of Advance to contractor and their refund
- Process of employee advance and their refund
- Grants allocation and their use



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7. Others

There are various aspects which we covered and dealt with while conducting Internal Audit of Municipal Corporation, Pathankot, a few of which are listed below :-

- Covered payments related to contracted works, purchase advances refund of all kind of work related deposits, Consultancy fees and contingent bill of ULB according to the rules and regulation as per Municipal Corporation Act 1956 Municipal Accounts manual & Rules;
- Ensured that in each payment the terms & conditions of tenders and rate offers should be according to procurement law and policies.
- Ensured that expenditure incurred is within the Budget provision allocated to particular head.
- Inquired & listed the fixed deposit and other funds currently available & whether in Nationalized banks/Approved financial institution earning maximum interest.
- Ensured that all the expenditure i.e. Construction work, Material procurement, Diesel, Petrol, Grease, Vehicle bill, house rent etc. are cover under pre-audit.
- All recurring expenditures like establishment, electricity, telephone, etc are advised for payment after pre-audit.
- Ensured that all revenue receipts should be pre audited and entry have been reconciled with bank & cash book.
- Ensured that all the sanctioned advances cover under pre-audited and then advised for payment to disbursement officer.
- Ensured that all kind of tax deductions are deducted from the payment as applicable and deposited properly.

For Piyush Mahajan & Associates.

Chartered Accountants

Piyush Mahajan

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