

## **ITEM NO. 07 (O-7)**

1. **Name of the subject/project**

Audit Comments on Financial Statements for the year ending March 2006 prepared on Accrual Basis.

2. **Name of the Department /Departments concerned**

Office of the Chief Auditor

3. **Brief history of the subject/project**

As per Council Resolution No. 3(xii) dated 24.04.2002, NDMC decided to switch over to Accrual Based Double Entry System of accounting with effect from the year 2004-05. Accrual Based Financial Statements for the year 2005-06 based on conversion of Single Entry Accounts into Accrual Based Entry Accounts were received in the office of Chief Auditor for examination in September, 2008. The same were audited and report sent to Financial Advisor in December 2008 for his comments/observations. As these accounts have far reaching implications, audit was conducted under section 59 of NDMC Act, 1994. The said section envisages that Chief Auditor shall report to the Chairperson any material impropriety or irregularities which he may at any time observe in the accounts of the Council. As contemplated in the Act, audit comments on Financial Statements for the year ended March 2006 prepared on Accrual Basis Double Entry Accounts are submitted for information of the Council.

4. **Detailed proposal on the subject/project**

Audit Comments on Financial Statements for the year ending March 2006 prepared on Accrual Based Double Entry Accounts are **enclosed as a separate booklet**. The highlights are detailed below:

- i) Balance Sheet for the year 2005-06 has been prepared by converting the accounts already prepared in G-4 format prescribed under Punjab Municipal Act based on single entry system of accounts and not from the vouchers as envisaged in National Municipal Accounts Manual.
- ii) In absence of complete physical verification of assets there were material discrepancies in numbers of fixed assets.
- iii) In most of the cases for the assets pertaining to period prior to 2004-05, the value of assets has been taken at Re.1 for each asset in contravention of accounting principles.
- iv) Age-wise analysis of outstanding arrears of revenue due against the revenue earning Departments was not done by the Accounts Department. Resultantly, authenticity of sundry debtors reflected in the Balance Sheet could not be vouched for.
- v) A huge amount of Rs.826.25 crore has been shown as provision for Bad and Doubtful Debts without any supporting documents and appropriate disclosures in Accounts.
- vi) Depreciation was less charged by Rs.64.51 lakh resulting in overstatement of New Delhi Municipal Fund and Fixed Assets both.
- vii) Government dues on account of CESS charges amounting to Rs.5.39 crores were not paid as per the accounts for the year 2005-06.
- viii) Capital Works in progress were not reflected correctly as certain works though completed were still depicted as on going.

ix) Cash and bank balance increased from Rs.65.71 crore in 2004-05 to Rs.82.36 crore in 2005-06. The closing balance of 2005-06 included Rs.29.27 crore on account of cheques in hand and Rs.53.04 crore on account of balance with the bank.

5. **Financial implications of the proposed project/subject**

Nil

6. **Implementation schedule with timelines for each stage including internal processing**

Not Applicable

7. **Comments of the Finance Department on the subject**

Not Applicable, since Draft Agenda Item incorporates Comments on Financial Statements for the year ending March 2006 prepared on Accrual Basis as part of Statutory Audit Function envisaged in NDMC Act, 1994

8. **Comments of the Department on comments of Finance Department**

Not Applicable

9. **Legal implication of the subject/project**

Nil

10. **Details of previous Council Resolutions, existing laws of Parliament and Assembly on the subject**

Till date one Agenda Item has been laid in the Council on Audit Comments on Financial Statement/Double Entry Accounts. The detail of previous Council Resolution is as under:-

<b>S.No.</b>	<b>Resolution Number and date</b>	<b>Particulars</b>
1.	Item No.9(01) dated 28.04.08	Audit Comments on Financial Statements(Double Entry) for the year ending March 2005

11. **Comments of the Law Department on the subject/project**

Not Applicable, since Draft Agenda Item incorporates Comments on Financial Statements for the year ending March 2006 prepared on Accrual Basis as part of Statutory Audit Function envisaged in NDMC Act, 1994

12. **Comments of the Department on the comments of Law Department**

Not Applicable

13. **Certification by the Department that all Central Vigilance Commission (CVC) guidelines have been followed while processing the case**

Not Applicable

14. **Recommendation**

The Audit Comments on Financial Statements for the year ending March 2006 prepared on Accrual Basis may be presented to the Council.

15. **Draft Resolution**

Resolved by the Council that information regarding Audit Comments on Financial Statements for the year ending March 2006 prepared on Accrual Basis as reported by the Chief Auditor is noted. The Department is advised to carry out the necessary improvements in the Financial Statements for the subsequent years.

#### **COUNCIL'S DECISION**

Resolved by the Council that information regarding Audit Comments on Financial Statement for the year ending March 2006, prepared on Accrual Basis, is noted. The Department is further advised to carry out necessary improvements in the Financial Statements for the subsequent years.