

ACCOUNTS DEPARTMENT
ACCRUAL BASED ACCOUNTS SECTION
PALIKA KENDRA : NEW DELHI

Subject: **Financial statements on double entry system of accounts
in accruals for the financial year 2006-07**

In compliance of orders of the Supreme Court of India, the Council vide Resolution No. 3(xii) dated 24.4.2002 approved for switching over from cash based accounts of accounting to double entry system of accounting on accruals. Accordingly the Accounts of the Council are being compiled and maintained on double entry system on accrual basis since 2004-05.

The work of compiling/ conversion of accounts from cash basis to double entry system on accruals is being done by M/s K B Chandna & Co. who have been assigned the work as per approval of the Council vide Resolution No.3(D-21) dated 25.11.2003. The balance sheet of NDMC is being compiled as per guide lines mentioned in the National Municipal Accounts Manual adopted by NDMC vide Resolution No. 15(D-13) dated 26.08.2005.

The Cash based accounts of NDMC have been audited by the Chief Auditor and approved by the Council vide Reso. No 12 (D-2) dated 20.08.2008, and these accounts have been forwarded to the accounting firm for conversion / compiling on accrual basis and preparing the balance-sheet for the financial year ending on 31.3.2007. After completing the compilation of various requisite records for double entry accounts and giving accrual effect to the transactions in our cash related records, the accounting firm submitted accounts and balance sheet for 2006-07 on 25.02.2009. The stipulated (revised) date of submission of accounts was 21.11.2008 but the accounts have been delayed because the working units of NDMC provided the necessary data late. The case for extension of time upto 25.02.2009 is being submitted separately together with sanction of expenditure for the item of work upto this stage.

Various steps adopted for conversion of the cash accounts to accrual accounts are as under:-

1. Incorporating the corresponding new chart of accounts to the approved accounts (cash based).
2. Accrual of the expenditure pertaining to previous year i.e. 2005-06.
3. Adjustment of receipt on accrual bases.
4. Accrual of Income relating to previous years.
5. Capturing of Opening balances of 2006-07 in r/o various assets i.e. fixed assets, current assets and current liabilities.

6. Prescribing new columns to insert accruals.
7. Up-dating the Asset Register.

The consolidated figures of accounts of 2006-07 prepared on cash basis have been taken as the base for conversion of accounts to double entry system based on accrual. The compiled data was rearranged in groups to suit the requirements of mercantile accounting and tallying the cash balance as per actual with the rearranged accounts, the opening balances relevant to various head of accounts have been incorporated. The working of NDMC is of complex nature where all the expenditures are incurred based on the approved budget provisions and no specific mention of the revenue/capital expenditure in respect of various head of accounts has been mentioned but the expenditure was incurred in respect of the various current assets and immovable assets. The accounts have been finalized after incorporating the opening balances and shifting of data to different schedules to give conventional basis for conversion of these accounts. The accruals in respect of expenditure pertaining to 2006-07 but cash disbursed during 2007-08 has also been incorporated.

The accounts submitted by the Consultants include the following:-

1. Basic consolidated ledger for 2006-2007.
2. Balance sheet as on 31.3.2007.
3. Income and Expenditure Accounts for the year 2006-07.
4. Schedules to Balance Sheet.
5. Schedules to Income and Expenditure Account.
6. Receipt and Payments Account for the year 2006-07.
7. Cash Flow Statement for the year ended 31.3.2007.
8. Financial ratio statement.
9. Notes to Accounts.
10. Statement for assets/infrastructure assets.

Basic consolidated ledger for 2006-2007 (Flag 'L') has been prepared on the basis of existing pattern of accounts being maintained on cash basis where each line in statement of accounts represent ledger (in linear form) for a particular type of transaction for the respective head of account of the particulars accounting unit.

The accounting heads used for drawing up these Financial Statements and the underlying accounts, ledgers etc. are as per National Municipal Accounts Manual which were brought out in Feb 2005 and adopted in NDMC.

Balance-sheet :

Liabilities : Flag "B-1"

Liabilities of NDMC are inclusive of New Delhi Municipal Reserve Fund & Surplus, grants, contribution for specific purposes, Loans, Current liabilities

and provisions. **Total liabilities including the Reserves totaling Rs.19,91,49,96,893.13 have been worked out at Rs35,65,47,60,865.99.**

Assets Flag 'B-2'

This statement includes fixed assets of NDMC(accounted for nominal value of Rs.1 for each block of asset) capital work in progress, current assets, including stock in hand, sundry debtors, cash and bank balances.

Total Assets have been worked out at Rs.35,65,47,60,865.99

The above includes the following :

Fixed assets (including land, Buildings, Roads and Bridges, Sewerage and drainage, vehicles etc.) taken at nominal value of Re 1 per block and created thereafter works out to Rs.38,73,09,169.00(Net) Capital Work in Progress Rs.155,01,60,279.70 and Investment in banks Rs.27,81,80,00,000/- as Principal Amount and Rs 198,12,79,140.70 being the accrued interest has also been shown as the amount invested.

Schedules to Balance Sheets :

These schedules are the details of balances incorporated in the balance sheet. The figures in the schedules have been grouped as per nature of the transaction and also as described in the NMAM and NDMC Accounts Manual. The sub group included in the schedule are mainly as per new chart of account. Schedule No.01 to B-22 have been assigned to various categories of transaction have been assigned as per guidelines of the Manual. The schedule No. B 1 to B-10 represent the transaction pertinent to various liabilities of the New Delhi Municipal Council and B 11 to B-20 represent the various types of assets held by NDMC.

Income & Expenditure Statement :- 'I'

It comprises of details of Income category-wise i.e. Tax revenue, Assigned Revenue, Rental Income, Fee and User Charges, Sale and hire charges, Revenue Grants, Income from Internet and other Income.

The receipts from deposit works mentioned in budget of NDMC, has been excluded from the Income expenditure account and grouped into Liabilities accounts.. The amount of demands raised i.e. bills issued, in respect of Property Tax, Electricity Water charges, Licence fee in respect of Commercial Shops. Buildings, Parking Lots etc. have been taken as the income and the amounts received, as shown in the budget estimates has been taken as the amounts receivables. Similarly income from investment also includes amounts accrued but not due for realization. The interest received during the year and shown in budget estimates of 2006-07 has been bifurcated to the prior period receivables and receivable for the current year i.e. 2006-2007. **Total Income on accrual Basis has been worked out to Rs.1229,00,44,960.26**

The expenditure as per Income & Expenditure account has been categorized as Establishment Expenses, Administrative Expenses, Operation

and Maintenance, Interest and Finance charges, Programme Expenses Revenue Grants, Provision & Write Off, Misc. Expenses Depreciation.

As per accrual accounts the expenditure incurred on works in progress has been excluded from the expenditure statement as mentioned in the budget of NDMC and has been included in the balance sheet, as assets under Capital Work in Progress. The amount pertaining to transfer to various depreciation funds has been excluded from the Expenditure Account of cash basis. This amount is shown as expenditure in the Budget Estimates of NDMC. However, this amount has been shown as transfer to Reserve Funds/Segments after working out gross surplus of income over expenditure.

A sum of Rs.148,15,92,515/- has been shown as expenditure for provisions towards doubtful receivable for Property Tax, E/Water Charges, Licence Fee, Fee for Parking Lots. A sum of Rs.257,34,391.06 has been charged to expenditure as depreciations on Plant & Machinery, Vehicles, Office Equipment, Furniture and other fixed assets.

After considering the above items of Income and Expenditure the Gross surplus of income over expenditure has been worked out to Rs.392,05,34,290.46. A sum of Rs.251,49,00,000/- has been transferred from the gross ^{surplus} profit to Various reserve funds/earmarked funds and the net surplus carried over to Municipal Fund works out to Rs.140,56,34,290.46.

The receipt and payment account, the cash flow statement and the statement of financial ratio for the year 2006-07 have been prepared and are annexed to the accounts.

At the same time some assets /liabilities income or expenditure might have escaped notice and remained out of the accounts. But that does not detract from the values of these accounts as a true and fair presentation of the affairs of the Council for the relevant year i.e. 2006-07. Therefore, the following aspects of this project needs further attention in the ensuing years:

- i) Re-verification of fixed assets, listed so far, their location and integration with GIS data base
- ii) Addition to the list of assets that may have escaped notice during the on going efforts as and when a transaction in relation, thereto, arises.
- iii) Valuation of fixed and other assets on a fair and rational basis
- iv) Proper accounting of assets created/ being created through BOT mode and its valuation
- v) More accurate computation of depreciation on fixed assets.
- vi) Age wise classification of NDMC dues in arrears on account of Tax as well as Non Tax Revenue and provisioning there against.

Schedule to Income/Expenditure Account. Flag 'K'

The detail of income and expenditure accounts has been maintained in various schedules named as schedules to income/expenditure. These schedules contain the consolidated amount under various types of income/expenditure and are based on the figures grouped in consolidated ledger.

These schedules are based on the pattern mentioned in NDMC Accounting manual. The schedule I-1 to I-9 represent various types of income where as I-10 to I-19 represent the expenditure and I-20 represents the transfer to various reserve funds/segments.

Significant Accounting Policies : These are the policies which are to be followed by NDMC while preparing the Accounts/financial Statements.

Notes to Accounts :- Contains the specific disclosures of transactions where the accounting policies could not be carried on.

Statement of fixed assets /Infrastructure Assets:- These are the details of assets under moveable-immovable category and has been compiled as per following type of Assets:-

FA-1	LAND
FA-2	BUILD UP PROPERTY
FA-3	VEHICLES
FA-4	ROADS
FA-5	LAMPOST & LUMINARY FITTINGS
FA-6	DUSTBIN & DHALLAOS
FA-7	DRAINS
FA-8	SEWERAGE & LAVATORY BLOCKS
FA-9	PUBLIC TOILET
FA-10	FURNITURE & FITTINGS
FA-11	PLANT & MACHINERY
FA-12	TRANSFORMERS & SWITCHGEARS
FA-13	ELECTRICAL CABLES
FA-14	BRIDGES & CULVERTS
FA-15	TREES & PLANTS

The cash based accounts for the year 2006-07 have already been approved by the Council after audit by the Chief Auditor.

The Financial Statements of NDMC for the period ending 31.03.2007 along with the underlying accounts ledgers for the year 2006-07 including Balance sheet of NDMC as on 31.3.2007 are submitted for considerations and approval of the Chairperson so that accounts may, thereafter, be submitted to the Chief Auditor, NDMC for carrying out audit and certification of accounts on the basis of provisions in the NDMC Accounts Manual based on the National Municipal Accounts Manual.

DK
13/3/09
(Dinesh Kumar)
Jr.Accounts Officer

SP Datta
13/3
(S P Datta)
A.O.(ABAS)

S K Choudhry
13/3/09
(S K Choudhry)
Jt. C A O-II

CAO.

Financial Statement based on Accrual based double entry accounting system for the year 2006-07, placed alongside, is put up for the approval of Chairman pls. Ratan Kumar 13.03.09

Contd on next page -

FA

The notes on forepages and above man

Kindly be perused. We have included the Receipt & Payment Account, the Cash flow statement and the statement of financial ratios for the first time.

Submitted for approval please.

Munish M
13.03.

~~Chairperson~~

~~[Signature]~~
13.3.09

No. 1018 IPS/FAID/2008
Dated: 13/03/09

~~FA~~

3
13.03.

CAO
JF CAO-II

No. 1556 PS/2008
Date 13/3

The accounts on Double Entry Accounting for the year 2006-07 has been approved by Chairman. dt 13.3.2009. The same is now forwarded to Chief Auditor for further necessary action please.

R-52/AO/ABAS
31-3-09

R-170/JF CAO-II
2/4/09

~~[Signature]~~
31/3/09

JAO.
~~AO ABAS~~
JF CAO-II

AS
31/3/09

~~[Signature]~~
31/3/09

~~AO ABAS~~

JAO & AO (ABAS) please go

through the subsidiary record

and sign the same

~~[Signature]~~

JAO (ABAS)
by disburse
2/4/09

~~AO (ABAS)~~

AS

~~[Signature]~~
2/4/09



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N. D. M. C.

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As discussed, subsidiary records supportive to the accounts for the year 2006-07 on double entry accounting system - on accrual basis may ~~be~~, in the first instance, be signed by the firm K. B. Chandra & Co for its authentication since the records are pertaining to them. Moreover, Trail Balance as on 31.3.2007 - is not provided. Moreover the subsidiary record of Accounts for Muzer 2004-05 may also be submitted pl.

Received
8/4/09

R-183/JT(CAO-II) 29
9/4/09

JT(CAO-II)

Bany
9/4/09

R-52/AO(ABAS)
08.04.09
12.04.09
21.04.09

JAO (ABAS) may please get these records signed from the CA firm and also subsidiary records for the year 2004-05 as desired in the notes above -

[Signature]
8/4/08

JAO(ABAS)
02
17/4/09

JAO(ABAS)

The receipt has been got done. The accounts may kindly be forwarded to Chief Auditor office pl.

[Signature]
15/4/09

Sh. Rahul
Please get the needed done from the firm.

CHIEF AUDITOR
285
21/4/09
N. D. M. C.
8/4/09

~~AO(ABAS)~~
JT(CAO-II)

[Signature]
20/4/09

JAO Rahul
21.04.09
by Chief Auditor
21/4/09