



न० दि० न० प० न० म० क०
N. D. M. C.

ACCOUNTS DEPARTMENT
ACCRUAL BASED ACCOUNTS SECTION
PALIKA KENDRA : NEW DELHI

Subject: **Financial statements on double entry system of accounts
on accruals for the financial year 2008-09**

Short details

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 for the year 2008-09 have been submitted to the Office of the Chief Auditor for further necessary action with regard to audit, and copy of 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 31.3.2009. 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 ledgers and balance sheet for the period ending 31.03.2009 on 15.04.2011. The agreement with the firm for work relating to the accounts of 2008-09 provides as under:

"Provide full assistance and guidance to the staff of NDMC to prepare manual accounts for the months of April to September 2008 under double entry system on accrual basis and also to generate the half yearly balance sheet. The Accounting Firm will use the software developed by eGovernemts Foundation to generate computerized monthly and half yearly accounts/balance sheet for the period ending September 08 based on the computerization done by eGovernments. Proper reconciliation of the accounts of double entry prepared by the staff of NDMC and the accounting firm, will be done and reported from time to time. The Accounting Firm will validate the reports generated through the software developed by eGovernments Foundation. The Accounting Firm will provide assistance and guidance to the Staff in generation of computerized monthly accounts from Oct 08 to March 09 and annual accounts for the year 2008-09."

- 2 -

The stipulated dates as per supplementary agreement with the firm could not be achieved as the balance sheet for this period was also to be drawn through the e-Fin software as a parallel run but the reports generated through the system were not accurate. The validation of these reports has taken considerable time due the unique system of accounting in the NDMC. The firm M/s K B Chandna & Co tried their best to draw both the accounts simultaneously but could not carry out the work successfully as lot of correction entries were required to be passed In the system on back dates to generate the monthly accounts on the system. It was decided that the manual accounts for the full accounting year 2008-09 may be compiled instead of the agreement period upto 30.09.2008. The accounts for the ensuing years were to be kept pending for completion of accounts for the year 2008-09.

To update of accounts, it has been decided that opening balances of manual balance sheet as on 01.04.2008 may be fed into the eFin software. Instead of rectification of monthly accounts in the system, the rectification in the month of March 2009 accounts (through eFin soft ware) is being carried out. In the mean time the balance-sheet for the period ending 31.03.2009 (2008-09) (MANUAL) has been finalised as per details given hereunder.

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 2008-09 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



नंदी नपाप

N. D. M. C.

3

conventional basis for conversion of these accounts. The accruals in respect of expenditure pertaining to 2008-09 but cash disbursed during 2009-10 has also been incorporated.

The accounts submitted by the Consultants include the following:-

1. Basic consolidated ledger for 2008-2009.
2. Balance sheet as on 31.3.2009.
3. Income and Expenditure Accounts for the year 2008-09.
4. Schedules to Balance Sheet.
5. Schedules to Income and Expenditure Account.
6. Receipt and Payments Account for the year 2008-09.
7. Cash Flow Statement for the year ended 31.3.2009.
8. Financial ratio statement.
9. Notes to Accounts.
10. Statement for assets/infrastructure assets.

Basic consolidated ledger for 2008-2009 (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.4600,83,17,194.58 have been worked out at Rs4962,01,21,423.78.**

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.4962,01,21,423.78

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.196,62,99,549.69(Net) Capital Work in Progress Rs.360,82,99,804.65 and Investment in banks Rs.3677,59,40,600.97 as Principal Amount.

Schedules to Balance Sheets :

4

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-groups included in the schedule are mainly as per new chart of account. Schedules No.01 to B-22, assigned to various categories of transactions are as per guidelines of the Manual. The schedules 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 2008-09 has been bifurcated to the prior period receivables and receivable for the current year i.e. 2008-2009. Total Income on accrual Basis has been worked out to Rs.1380,95,91,863.92

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.(-)24,31,43,468/- 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.2,83,09,301.52 has been charged to expenditure as depreciations on Plant & Machinery, Vehicles, Office Equipment, Furniture and other fixed assets.



नंदिवली नगरपालिका परिषद
N. D. M. C.

After considering the above items of Income and Expenditure the Gross surplus of income over expenditure has been worked out to Rs.684,39,67,525.31. A sum of Rs.371,00,00,000/- has been shown as the receipt of prior period not included in earlier balance sheets A sum of Rs.332,96,00,000/- has been transferred from the gross profit to Various reserve funds/earmarked funds and the net surplus carried over to Municipal Fund works out to Rs.722,43,67,525.31.

The receipt and payment account, the cash flow statement and the statement of financial ratio for the year 2008-09 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. For want of full details of completion of assets the work of capitalising the assets has not been achieved properly and actual capitalizing of assets and its depreciation will be carried out in the year 2011-12 so that updation of accounts may be achieved in a real sense. 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. 2008-09. 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.
- vii) Revisit the accounts with respect of capitalization of the assets under the head WIP (Work in progress)

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 if 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

785/PS/FA/7/11
20 April 11

The cash based accounts for the year 2008-09 have already been approved by the Chairperson.

The Financial Statements of NDMC for the period ending 31.03.2009 along with the underlying accounts ledgers for the year 2008-09 including Balance sheet of NDMC as on 31.3.2009 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. *Chairperson may also kindly condone the delay as per the reasons above.*

J.S. Verma
20.4.2011
(H.S. Verma)
Jt. C A O-II

~~Consultant (AIR)~~

[Signature]
20/4/11

R-581/PA/20/11
20/4/11

~~Director (Ac)~~

[Signature]
20/4/11

No. 1885
Date 20/4

~~FA~~

Notes on prepages and above

The accrual based accounts for the year 2008-09 may kindly be approved.

[Signature]
20.4.11
20.04.

Chairperson

[Signature]
20/4/11
2009
21/4/11

Contd.

**Subject: Parallel Run / Identical Run to Manual & eFinance
application accounts for the financial year 2008-09**



May kindly peruse the detail of manual accounts at page 1-6/N (photo copy) The financial statements on double entry system of accounts for the period ending 31.03.2009 (year 2008-09) have already been prepared , approve by the Chairperson and submitted to Chief Auditor for necessary certification of the statements.

Short details:

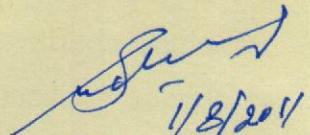
As per agreement with the Accounting firm a parallel run to manual and computerized accounts through e-Finance Applications for the period 1.04.2008 to 30.09.2008 was to be carried out as mentioned at 'A' on page 1/N and thereafter the accounts were to be maintained through e-fin software. The parallel run could not be carried out properly as mentioned at 'B' on page 2/N. A voucher-wise parallel run was carried out by the firm on accounts of April to June 2008 accounts and it was found that there were considerable wrong entries passed into the system which were required to be rectified. This was a new work and staff was not properly used to the new environment including the new chart of accounts and obviously wrong entries were passed into the e-Finance Applications. **The main thrust of the department remained on the fact that no payment is received or disbursed without passing through the software so that all the records of original entries remains in the system for proper & accurate compilation of accounts and reports through e-Fin Applications.** There were transactions which were not fully captured in the software. The reasons for these shortcomings were analysed and system updated accordingly. For reconciliation of both the accounts it took about 8 months to correct the computerized accounts as compared to manual accounts. Lot of work has to be done repeatedly for reconciliation.

As it was taking considerable time and the accounting period had already passed, it was decided in the interest of the office that parallel run may be abandoned and identical accounts may be generated in the system which should match the manual accounts financial statements of the year 2008-09. This will also help to update the ensuing accounts which had gone in arrears. Necessary entries were passed into the system by the staff of M/s K.B. Chandna & Co and the staff of Accrual Based Accounts Section. The identical accounts with similar closing balances as on 31.03.2009 of manual balance sheet have been compiled in the system, checked, closed and closing balances of 31.03.2009 rolled over to the next financial year 2009-10. The balances, rolled over to the next financial year, have also been checked and authenticated.


For authentications of all the statements/ accounting reports generated trial balance makes the basis and that has been properly checked and authenticated and is placed in the file along with the income –expenditure statement and balance sheet as on 31.03.2009.

The Accounts of 2008-09 and the Financial Statements as on 31.03.2009 have already been approve by the Chairperson, NDMC and submitted to the Chief Auditor. The authenticated financial Statements drawn through e-Finance System are identical to the manually prepared statements and submitted for kind information and perusal of the Chairperson so that Accounts for the ensuing years may be compiled and drawn through the e-Financial Applications only, however the system of maintaining the manual cash book will remain in force to keep a proper track of the cash transactions in NDMC.

Chairperson may kindly approve the identical run and the statements and accord approval for maintaining and drawing the accounts through e-Financial Applications only from 01.04.2009 onwards and maintenance of cash book manually as well as through the software.


1/8/2011
(S.K.Choudhry)
Consultant (A.R.)

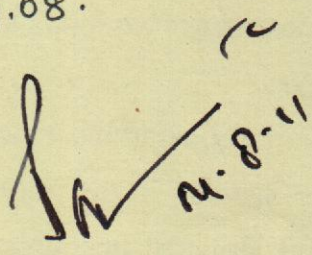
~~Director (A/c)~~


02.08.11

The accounts are already approved. These accounts have been drawn through e-finance system.

Y. Singh
04.08.

Chairperson


2.8.11

~~FA~~
Dir. (A/c)
AD (ABAS)
04.08.11
