



नई दिल्ली नगरपालिका परिषद्
न०दि०न०पा०प०
N. D. M. C.



एक कदम स्वच्छता की ओर

**ACCOUNTS DEPARTMENT
ACCURAL BASED ACCOUNTING SECTION
PALIKA KENDRA :NEW DELHI**

Subject: Annual Accounts & Financial statements on double entry system of accounts on accruals for the financial year 2015-16

Short details

In compliance of the orders of the Hon'ble Supreme Court of India, the Council vide Resolution No.3(xii) dated 24.4.2002 decided to switch over to double entry system of Accounting on accruals and is maintaining its Accounts and Financial Statements on accrual basis since 2004-05. There are more than 80 Accounting Units in NDMC which are responsible for Function wise management of the affairs of NDMC and accordingly maintain their accounts and accounting records in respect of income, expenditure, liabilities and assets. The Accounts of these Accounting Units are consolidated in the Accounting Unit named as Accrual Based Accounts Section (ABAS). As per New Delhi Municipal Council (Maintenance of Accounts) Regulations, 2010, the Council has to maintain the accounts monthly and annually and prepare the Financial Statements annually. From the year 2004-05 to 2008-09, these accounts were compiled manually in the ABAS. NDMCs' specific Finance and Accounts software i.e. e-financial application has been got developed by M/s e-Governments Foundation and the same is updated from time to time as required for compiling of accounts on double entry system of accounts on accruals. After incorporating the opening balance sheet as on 01.04.2009 the accounts for the financial year 2009-10 onwards have been maintained and drawn through the e-Finance Application. All the accounting transaction including the receipt and disbursement are being carried out on online accounting concept through the accounting software.

2 It is pertinent to mention that Tax Department, the Commercial Department of Electricity Wing, Water supply and Estate Departments have got developed their stand-alone software for creation of demand and online accounting of receipts being received in NDMC. Apart from these items the receipts in respect of yellow fever and other receipts through Net banking arrangement are also being accounted for on online accounting concepts. The Cash Book of NDMC is being maintained manually and is closed daily on the basis of cash details provided through software of these departments as well as accounting software and the accounts are prepared on the basis of the transactions appearing in the e-finance application after proper reconciliation of receipts in both software applications on day to day basis. For safe guard of the cash of NDMC a cash tally system is being maintained where the cash book being maintained manually is tallied with the cash book maintained in the system/software on daily basis.

3 The Annual Accounts & Financial Statements for the year 2015-16 as prescribed in the Accounting Regulations were to be finalized by 30.06.2016 but the targets could not be achieved because of the following reasons:

- I. Nullifying of JVs/C.Bills which were created during the year 2015-16 but remained unpaid even after closing of the Financial Year.
- II. Correction of wrong Function Code, wrong Chart of Accounts, adverse balances and minus entries etc.
- III. Rectification in frequent integration failure between e-Fin software and stand alone software i.e. CC &B application developed by M/s Vyam Tech. for Commercial & Estate Department, and PTS for Property Tax Department.
- IV. Frequent Changes in closing balances of Accounting of previous years accounts in the e-finance applications due to technical reasons related with up-gradation of software application.
- V. Non receipt of information about Capitalization of fixed asset, age-wise break of receivables, information about contingent liabilities, information regarding Foreign service Contributions.
- VI. Non acceptance of the Inter Unit Transactions (IUTs) by various Accounting Units.
- VII. Reconciliation of net banking receipts with the amount transferred to main bank accounts of NDMC maintained with the SBI.

Most of the above points were as per observations of the audit on the accounts of 2013-14 and 2014-15 and these were to be complied with in the accounts for the financial year 2015-16. To comply with the audit comments number of Circulars and reminders were sent to all the concerned Accounting Units to provide the requisite data and group discussions were also conducted to acquaint the DDOs about the requirement of above stated formalities. In addition to above, it is important to mention that NDMC has appointed M/s SBI Capital Marketing to finalize the establishing of the Strategic Business Unit in NDMC to separate the accounts of Electricity Function to the extent possible as per requirement and satisfaction of the DERC. The work awarded to M/s SBI Capitals includes the finalization of the Fixed Assets Register of various categories of assets held by the Electricity Departments including the valuation of these assets. After the Asset registers of the Electricity assets including the CWIP of Electricity Department are finalized, the Asset Registers of remaining departments would be finalized as soon as possible. The Work of updation of the land asset registers has been taken in hand and is in progress and thereafter the remaining assets registers shall be updated possibly in the next years. However as far as possible and practicable the action with respect to audit observations has been taken and the accounts compiled accordingly. Since the Accounts for the financial year 2015-16 cannot be kept open any further, these have been closed and the unattended comments will be taken care of during the finalization of accounts of ensuing year. These facts have also been incorporated in the notes to accounts appended with the financial statements and also the Audit department has been intimated accordingly.



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ACCOUNTS OF 2015-16

4 The balance sheet of NDMC is to be compiled on accrual system of accounting as per guide lines provided in the NDMC Accounts Manual drafted on the basis of National Municipal Accounts Manual adopted by NDMC vide Resolution No. 15(D-13) dated 26.08.2005.

5 The accounts of 2015-16 have been finalized as per the transactions entered by the working Accountings Unit of NDMC and after completing the year end procedures. Though the transactions in respect of various accounting heads were entered and confirmed in the e-Finance Software by the concerned accounting units yet these were sent for confirmation and rechecking the same. All the year end procedures have been accounted for in the accounts of March 2016. The Accounts upto Feb.2016 have already been approved by the Chairperson, NDMC and submitted to the Chief Auditor, NDMC for further necessary action.

The annual accounts and the financial statements being submitted include the following:-

A Annual Accounts

1. Basic consolidated ledger as per Chart of Accounts for the annual accounts of 2015-16.
2. Basic consolidated ledger as per Function code for the annual accounts of 2015-16.
3. Abstract of Liability/Capital Receipts and Assets/Expenditure for the year 2015-16.
4. Income and expenditure statements for the year 2015-16.
5. Cash Tally Accounts of manual cash book and cash book maintained in the system.
6. Ledger on Cash based for the year 2015-16 on the pattern of Budget adopted in NDMC.

B Financial Statements

1. Basic consolidated ledger for financial statements of 2015-16.
2. Balance sheet as on 31.3.2015
3. Income and Expenditure Accounts for the year 2015-16 in support of surplus/ deficit carried out to the balance sheet.
4. Receipt and payment account for the year 2015-16
5. Cash Flow Statements
6. Significant Financial Ratios & Ratio analysis
7. Schedules to Balance Sheet.
8. Schedules to Income and Expenditure Account.
9. Trial Balance for the year 2015-16
10. Significant Accounting policies.
11. Notes to Accounts

Basic consolidated ledger for 2015-2016 has been prepared where each line in statement of accounts represent ledger (in linear form) for a particular type of transaction corresponding to the

respective chart of account under the particulars function and accounting unit and as per voucher-wise details maintained in the system (accounting soft-ware). The accounting heads used for drawing up these Financial Statements and the underlying accounts, ledgers etc. are as per NDMC Accounts Manual.

DESCRIPTION OF THE ACCOUNTS

Balance-sheet :

Liabilities :

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 ₹ **8692,80,28,193.33** have been worked out at ₹ **9357,68,44,770.93**.

Assets

This statement includes fixed assets of NDMC (accounted for nominal value of Rs.1 for each asset) capital work in progress, current assets, including stock in hand, sundry debtors, cash and bank balances. Total Assets have been worked out at ₹ **9357,68,44,770.93**.

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 asset and created, thereafter, works out to ₹ **330,95,35,297.13**, (Net) Capital Work in Progress ₹ **1996,52,86,151.33** and Investment in banks ₹ **4314,01,52,602.71** as Principal Amount.

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 NDMC Accounts Manual. The sub-groups included in the schedule are 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 pertaining to various liabilities of the New Delhi Municipal Council and B-11 to B-20 represent the various types of assets held by NDMC. In the Schedule-21 the Significant Accounting Policies have been highlighted and Schedule 22 takes care of the Notes to Accounts about various actions taken for compiling of accounts

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 Investment and other Income for the financial year 2015-16.

The receipts from deposit works mentioned in budget of NDMC, has been excluded from the Income expenditure account and grouped. The amount of demands raised i.e. bills



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न०दि०न०पा०प०
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issued, in respect of Property Tax, Electricity/Water charges, License 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 is the amount actually received in the corresponding receivables. Similarly income from investment is taken as per the modified accrual basis and the amount which has become due but not received has been taken in the receipt and payment account of 2015-16. Total Income on accrual Basis has been worked out to ₹4186,67,62,123.93.

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.

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 ₹76,41,46,023.80/- has been shown as provisional expenditure for provisions towards doubtful receivable for Property Tax, E/Water Charges and License Fee as the department are not maintaining the age-wise break up of the receivables. A sum of ₹14,35,77,997/- has been charged to expenditure as depreciations on Plant & Machinery, Vehicles, Office Equipment, Furniture and other fixed assets. The works completed during the current financial year have not been included in the depreciation account in the absence of details from the concerned division. These transactions will be updated and squared up during the next financial year.

After considering the above items of Income and Expenditure the Gross surplus of income over expenditure has been worked out to ₹1580,29,36,770.40/-. A sum of ₹ (-)7,52,84,418/- has been shown as prior period expenses. A sum of ₹ 360 Crores has been transferred from the gross profit to Various reserve fund/ segment in the Municipal Fund the net surplus carried over to Municipal Fund works out to ₹1227,82,21,188.40.

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 capitalizing the assets has not been achieved properly and actual capitalization of assets and its depreciation will be carried out in the ensuing financial year 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. 2015-16. Therefore, the following aspects of this project need further attention in the Next years or ensuing years:

- i) Re-verification of fixed assets, listed so far, their location and integration with GIS data base including the BOT assets
- 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 taken at ₹1/- in the opening balance sheet on a fair and rational basis
- iv) More accurate computation of depreciation on fixed assets.
- v) Age wise classification of NDMC dues in arrears on account of Tax as well as Non Tax Revenue and provisioning there against.
- vi) Revisit the accounts with respect to 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 of income where as I-10 to I-19 represent the expenditure and I-20 represents the transfer to various reserve funds/segments.

In view of explanations in the foregoing note, the following are submitted for consideration:-

(a) The accounts for the month of March 2016 where all the accounting entries for year end procedures were carried out have been submitted separately. The delay in submission of monthly accounts of March,2016, the annual accounts for FY 2015-16 and the financial statements as on 31.03.2016 have been delayed as per reasons explained in Paragraph 3 of the above notes was beyond control of this office and the accounts could only be finalized after setting right most of the discrepancies. However in some cases the actions as agreed by the Accounts Department during the exit conference has been taken but actions are left which will be rectified in the next years. The action for these observations will be taken during finalization of the accounts of 2015-16. The delay may kindly be condoned.

The accounts of NDMC are being maintained by the accounting staff of NDMC without any help of any accounting firm and it will be appreciated that the quality of accounts is improving considerable from year to year. It is the first time in 25 years that accounts of NDMC has been finalized within 4 months.



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Accordingly, the Annual Accounts for the year 2015-16, and the Financial Statements of NDMC for the period ending 31.03.2016 along with Accounts ledgers for the year 2015-16 including Balance sheet of NDMC as on 31.3.2016 are submitted for consideration of the Chairperson.

The Chairperson, NDMC may kindly approve the (a) at prepage and approve the Annual Accounts of Financial year 2015-16, along with Financial Statements as on 31.3.2016, 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.

(RAHUL GAUTAM)
AAO (ABAS)

*Submitted for
approval pl.*

~~A.O. (ABAS)~~

Haas

Consultant (A/c)

~~Director (Accounts)~~

2.11.16

~~Financial Advisor~~

*For Chairman's kind approval.
22/11*

~~Chairperson~~

23/9/16

~~FA~~

24/11

~~AO (ABAS)~~

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