

ACCOUNTS DEPARTMENT
ACCRUAL BASED ACCOUNTS SECTION
PALIKA KENDRA : NEW DELHI



The Council vide Resolution No.3(xii) dated 24.4.2002 approved for switching over from existing system of accounts i.e. single entry system to double entry system on accrual basis as per the orders of the Supreme Court of India Accordingly the Accounts for the year 2004-05 have already been compiled on double entry system on accrual basis and approved by Council and audited by the Chief Auditor, NDMC. (noting portion is place at flag "X" in the file)

The conversion of accounts from cash basis to double entry system on accrual basis 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 has to be prepared as per guide lines mentioned in the National Municipal Accounts Manual adopted by NDMC vide Resolution No. 15(D-13) dated 26.08.2005.

After completing the compilation of various requisite records for double entry accounts and giving accrual effect to the transactions reflected in our cash related records, the consultant firm submitted accounts for 2005-06 on 10.09.2008. The stipulated date of submission of accounts was 30.06.2008 but the accounts have been delayed because the working units of NDMC provided the necessary data late. These accounts were seen and discussed by the Financial Advisor so that the further accounts may be prepared after considering the suggestions.

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

1. Incorporating the new chart of accounts to the approved accounts.
2. Accrual of the expenditure pertaining to previous year i.e. 2004-05.
3. Adjustment of receipt on accrual bases.
4. Accrual of Income relating to previous years.
5. Capturing of Opening balances of 2005-06 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 2005-06 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 accrual. After conciliation i.e. 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 accrual in respect of expenditure incurred during 2005-06 but pertaining to 2006-07 has also been incorporated.

The accounts submitted by the Consultants include the following:-

1. Basic consolidated ledger for 2005-2006.
2. Balance sheet as on 31.3.2006.
3. Income and Expenditure Accounts.
4. Schedules to Balance Sheet.
5. Schedules to Income and Expenditure Account.
6. Notes to Accounts.
7. Statement for assets/infrastructure assets.

Basic consolidated ledger for 2005-2006 (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 NMAM which were brought out in Feb 2005 as modified 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.1796,53,27,237.81 have been worked out at Rs3191,68,97,198.12.**

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.3191,68,97,198.12

The above includes the following :



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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.17,80,01,857.77(Net) Capital Work in Progress Rs.113,74,73,257.22 and Investment in banks Rs.2421,80,00,000/- as Principal Amount and Rs 157,82,51,448/- 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, as mentioned in budget of NDMC, has been excluded from the Income expenditure account. 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 2005-06 has been bifurcated to the prior period receivables and receivable for the current year i.e. 2005-2006. **Total Income on accrual**

Basis has been worked out to Rs.1129,18,63,855.15

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.92,90,00,000/- 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.32,70,981.31 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.397,35,56,147.23. A sum of Rs.280,39,00,000/- 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.116,96,56,147.23.

The receipt and payment account and the cash flow statement for the year 2005-06 have not been prepared at this stage as the cash based accounts available for 2005-06 on single entry basis reflect the over all position of both these statements even as categorization of transactions may not correspond to classification of heads of accounts as per double entry accounts book keeping. These statements will be added in due course.

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. 2005-06. Therefore, the following aspects of this project needs further attention in the ensuing years:

- i) Reverification 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 details 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 accounts manual being drafted for NDMC. 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.

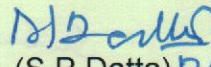
Statement of fixed assets /Infrastructure Assets:- These are the details of assets under moveable-immovable category and has been compiled as per following type of Assets:-

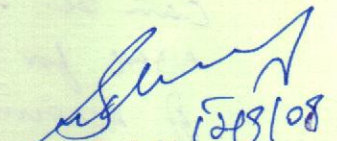
FA-1	LAND
FA-2	BUILD UP PROPERTY
FA-3	VEHICLES
FA-4	ROADS
FA-5	LAMPOST & LUMINARY FITTINGS
FA-6	DUSTBIN & DHALLAOS
FA-7	DRAINS
FA-8	SEWERAGE & LAVATORY BLOCKS
FA-9	PUBLIC TOILET
FA-10	FURNITURE & FITTINGS
FA-11	PLANT & MACHINERY
FA-12	TRANSFORMERS & SWITCHGEARS
FA-13	ELECTRICAL CABLES
FA-14	BRIDGES &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

The cash based accounts for the year 2005-06 have already been approved by the Chairperson and audited by the Chief Auditors.

The Financial Statements of NDMC for the period ending 31.03.2006 along with the underlying accounts ledgers for the year 2005-06 including Balance sheet of NDMC as on 31.3.2006 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..


12/4/08
(Rahul Gautam)
Dealing Asstt


(S P Datta) 24/4/08
A.O.(ABAS)


12/4/08
(S K Choudhry)
Jt. C A O-II

CAO May kindly peruse the above detail noting in s/o Accrual based accounts for the year 2005-06 which have been prepared in line with NDMC Accounts Manual based on National Municipal Accounts Manual. These are our mandatory requirement vide Council Resolution No. 3 X(ii) dt. 24.4.02 and
- P.T.O. -

Resolution no. 15(D-13) dt. 26.08.05.

The Account for the year 2005-06 was supposed to be submitted on 30.06.08 but due to late receiving of required informations from different units/divisions of the NDMC delay took place in the preparation of final A/c for the year 2005-06.

Hopefully, next years' A/c will be prepared in a faster manner b'coz this A/c for the year 2005-06 is in line with the new resolution and National Municipal Account Manual as well, which were not taken care of in the earlier A/c of 2004-05.

Due to this closing balance of this A/c will be the authentic data for the opening balance of subsequent year A/c i.e. for the year 2006-07. So, under these circumstances we will be, hopefully, in a position to fulfil our future targets.

If agreed to we may forward this Accrual Based Account for the year 2005-06 to the ~~Chairperson~~ Respected Chairperson for his final approval so that same can be ~~only~~ submitted to Chief Auditor, NDMC for carrying out audit and certification of accounts.

Submitted pls.

Brah 18.09.08

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18/9

No. 1697/PS/SA
18/9/08



Sh. Katar
28/9/08

EA

Notes on prepage and above regarding accounts on double entry system for the year 2005-06 may kindly be seen. The accounts may kindly be approved.

18.09.

18.9.08

Submitted for necessary action pl.

Chief Auditor

18/9

Chairperson

SA
18/9/08
DCA