

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

**Sub. : Annual Accounts & Financial statements on double entry system of accounts on accrual basis for the financial year 2018-19.**

**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 accordingly NDMC is maintaining its Accounts and Financial Statements on accrual basis since 2004-05. There are about 80 Accounting Units in NDMC which are responsible for Function wise management of the affairs of NDMC and to 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. All the accounting transactions including the receipt and disbursement are being carried out on online accounting concept through the accounting software.

2 Tax Department, 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 above, receipts in respect of yellow fever, swimming pool and Building Plan Approval are also being received through different softwares. All the above receipts of NDMC received through different modes of online transactions, such as, Net banking/NEFT/RTGS, BQR, UPI, BBPS, Credit/Debit Card, are 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, Cheque and POS receipts details provided through software of different 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 receipts 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.

This office plays crucial role in watching the NDMC's interest to the effect that its receipts received through different Banks, different Systems by online/offline transactions are properly and timely credited to NDMC Account. It has been ensured that balances in Bank, Cash Book and E-fin System tally with each other at the end of each day, month and year.

Besides, internally this office has taken care that correct accounting has been followed by 80 accounting unit(s)/executive Division(s) and also yearend procedures have been executed as prescribed by NMAM.

3 The Annual Accounts & Financial Statements for the year 2018-19 as prescribed in the Accounting Regulations were to be finalized by 30.06.2019, but the targets could not be achieved due to the following reasons:-

- i) Nullifying of JVs/C.Bills which were created during the year 2018-19 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 failures between e-Fin software and other stand-alone softwares 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 months 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 breakups of receivables, Contingent liabilities and Foreign service Contributions.
- vi) Non acceptance of the Inter Unit Transactions (IUTs) by various Accounting Units.
- vii) Reconciliation of banking receipts through different modes of online transactions with the amount transferred to main bank accounts of NDMC maintained with the SBI.
- viii) Shortage of staff due to transfer of one DEO, who was member of reconciliation team against which no substitute has been provided by Personnel Deptt. despite various requests.

Despite the above challenges, this office has prepared the Annual Accounts 2018-19 according to the formats prescribed in NMAM. Besides, on the directions of DERC and recommendations of M/S SBICAP, segregated accounts for Electricity Supply and Distribution activities has been prepared separately. Whole NDMC Accounts have been bifurcated into four verticals, namely, MD, WS&WD, EDSBU and SFD. Under SFD, there are field(s) who work for all the verticals, hence, at the year end, the amount of receipts and expenditure lying under SFD has been kept as nil.

In order to have nil balance in SFD vertical, the fixed rate contract formula method has been adopted for transferring of funds from SFD to other verticals. For this

purpose, this office has obtained the information of NDMC employees where they are working/exist and Pensioners from which were they superannuated. On the basis of data received from the CBS and Pension branch, the calculation has been done.

As far as possible and practicable, the action with respect to audit observations has been taken care and the accounts compiled accordingly. Since the Accounts for the financial year 2018-19 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 years. 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.

### **ACCOUNTS OF 2018-19**

4 The balance sheet of NDMC is to be compiled on accrual system of accounting as per guidelines 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 2018-19 have been finalized as per the transactions entered by the working Accountings Unit of NDMC and after completing the year end procedures. All the yearend procedures have been accounted for in the accounts of March 2019. The Accounts upto Feb.,2019 have already been approved by the Chairperson, NDMC.

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 2018-19.
2. Abstract of Liability/Capital Receipts and Assets/Expenditure for the year 2018-19.
3. Income and expenditure statements for the year 2018-19.
4. Ledger on Cash based for the year 2018-19 on the pattern of Budget adopted in NDMC.

#### **B Financial Statements**

1. Basic consolidated ledger vertical-wise for financial statements of 2018-19 showing Opening Balance, transactions during the year and Closing Balance.
2. Balance sheet as on 31.3.2019
3. Income and Expenditure Accounts for the year 2018-19 in support of surplus/ deficit carried out to the balance sheet.
4. Receipt and payment account for the year 2018-19
5. Cash Flow Statements – 2018-19
6. Schedules to Balance Sheet.
7. Schedules to Income and Expenditure Account.
8. Significant Accounting policies.
9. Notes to Accounts

Basic consolidated ledger for 2018-19 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 and surplus totaling **Rs.12292,80,75,576.88** have been worked out at **Rs.13288,51,29,474.71.**

#### **Assets**

This statement includes fixed assets of NDMC (accounted for nominal value of Rs.1 for each asset) capital work in progress, current assets, stock in hand, sundry debtors, Deposit work, Replacement work, Cash and Bank balances. Total Assets have been worked out at ₹ at **Rs.13288,51,29,474.71.**

### **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 transactions 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 :- Flag '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 2018-19.

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, 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 Income and Expenditure account of 2018-19. Total Income on accrual Basis has been worked out to **Rs.4232,77,38,014.80**.

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 **Rs.496,27,46,790.57** has been shown as provisional expenditure for provisions towards doubtful receivable for Property Tax, Electric and Water Charges and License Fee as the department are not maintaining the age-wise breakup of the receivables. A sum of **Rs.15,55,43,035/-** has been charged to expenditure as depreciation 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(s). 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 **Rs.992,30,32,115.09**. A sum of **Rs.60,40,39,439.61** has been shown as prior period expenses.

A sum of **Rs.426.00 Crores** has been transferred from the gross profit to various reserve fund/ segment in the Municipal Fund the net surplus of different verticals carried over to Municipal Fund works out to **Rs.566,30,32,115.09**.

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 years 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. 2018-19. 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 of different vertical 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 notes, the following are submitted for consideration:-

(a) The accounts for the month of March 2019 where all the accounting entries for yearend procedures were carried out have been submitted separately. The delay in submission of monthly accounts of March, 2019 and the Annual Accounts for FY 2018-19 and the Financial Statements as on 31.03.2019 are due to reasons explained in Paragraph 3 of the above notes. The accounts are finalized after setting right most of the discrepancies, therefore, the delay on this account may kindly be condoned.

The segregated accounts in four verticals i.e EDSBU, WS&SD, M.D and SFD of NDMC have been 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 considerably from year to year.

Accordingly, the Annual Accounts for the year 2018-19, and the Financial Statements including Balance sheet of NDMC as on 31.3.2019 are submitted for consideration of the Chairperson.

The Chairperson, NDMC may kindly approve the Annual Accounts of Financial year 2018-19 along with Financial Statements as on 31.3.2019, 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.

Sd/-  
AAO (ABAS)

Sd/-  
**A.O.(ABAS)**

Sd/-  
**Director (Accounts)**

Sd/-  
**Financial Advisor**

Sd/-(17.07.2019)  
**Chairperson**