



Vijayawada Municipal Corporation

Financial Statements for the year 2007-08

2nd July, 2008

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1 Accrual Based Accounting System at VMC – An Overview

1.1 Current system of accounting

1.1.1 Vijayawada was constituted as Municipal Corporation on 6 June, 1981 as per Vijayawada Municipal Corporation Act, 1981 (VMC Act). Under Section 7 of VMC Act, the provisions of Hyderabad Municipal Corporations Act, 1955 (HMC Act) applies to Vijayawada. Earlier, Vijayawada was a municipality governed under Andhra Pradesh Municipalities Act, 1965 (APM Act).

1.1.2 In terms of sub section (3) of Section 6 of VMC Act, the rules issued under APM Act will continue to be in force until they are replaced by the rules issued under VMC Act, provided the former rules are not inconsistent with the provisions of VMC Act.

1.1.3 Under sections 180 and 181 of HMC Act, the Commissioner has to prepare every year an Administration Report containing detailed report on administration of the city; and a Statement of Accounts containing the receipts and disbursements together with the balances at the end of the year. Under section 179, the Standing Committee specifies the manner and forms under which accounts are kept. The administration report and the statement of accounts have to be placed before the Standing Committee, and after its approval should be submitted to Government. Detailed accounting rules have not been issued under HMC Act.

1.1.4 Under APM Act, accounting rules were issued in GO Ms. No.42 MA dated 20th January, 1970 titled as 'Andhra Pradesh Municipalities (Preparation and Submission of Accounts and Abstracts) Rules'. Under these rules, municipalities follow cash based single entry accounting system, where receipts and payments are entered in the accounts, only when cash is actually received or actually disbursed. The rules also provide that the municipality has to prepare at the end of every month, an abstract of receipts and payments; and at the end of the year, a detailed account containing receipts and payments for the whole year.

1.1.5 Accordingly, in terms of sub section (3) of section 6 of VMC Act, rules issued in GO Ms. No.42 MA dated 20th January, 1970 under APM Act were being followed in Vijayawada Municipal Corporation (VMC) and annual accounts containing statement of receipts and payments were being prepared.

1.2 Accrual system of accounting

1.2.1 With the 74th Constitutional Amendment the Urban Local Bodies (ULBs) have been accorded a constitutional status and are expected to function as local self governments to provide better governance. One of the important reforms expected of the ULBs is switch over to Accrual Based Accounting System from the present single entry cash based accounting system. A Task Force set up by the Comptroller and Auditor General of India (CAG) has prescribed accounting and budgeting formats, significant accounting policies, etc. The Ministry of Urban Development has with the support of CAG of India, USAID-FIRE-D and National Institute of Urban Affairs has had a National Municipal Accounting Manual prepared for adoption by all the states. Accordingly, GoI has sent the National Municipal Accounting Manuals to state governments for developing state-specific accounts and budget manuals on the lines of NMAM for adoption by all ULBs across the state.

1.2.2 In GO Ms. No.233 MA dated 22nd May, 2002, Government of Andhra Pradesh (GoAP) has taken a policy decision that urban local bodies (ULBs) in the State would adopt accrual based double entry accounting system within their jurisdiction with immediate effect.

1.3 Centre for Good Governance

1.3.1 GoAP got the state-specific municipal accounts and budget manuals developed by Centre for Good Governance (CGG) and published them in the year 2008. Andhra Pradesh Municipal Accounts Manual (APMAM) is one among them. Concurrently, as a part of ongoing municipal reforms, GoAP has decided to take number of measures including introduction of accrual based accounting in ULBs. Besides developing the requisite manuals, CGG has undertaken the responsibility of assisting the ULBs in introducing accrual based accounting.

1.4 eGovernments Foundation, Bangalore

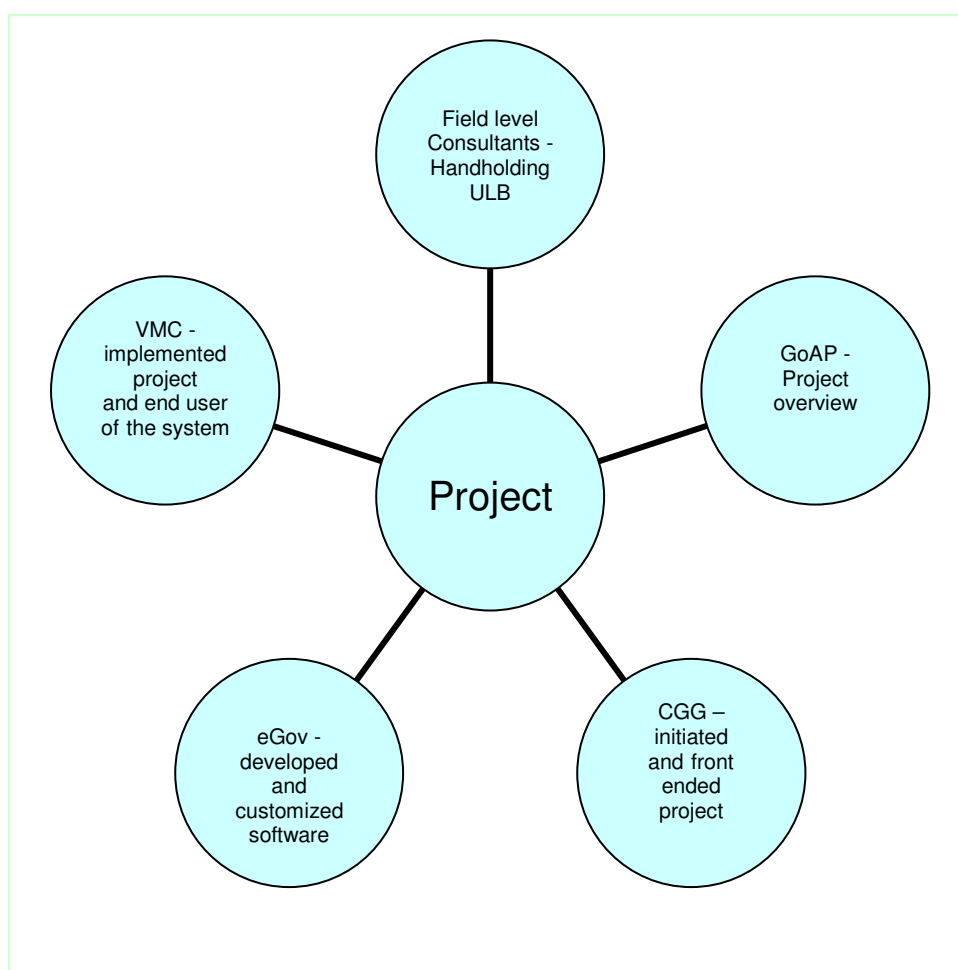
1.4.1 eGovernments Foundation, Bangalore (eGov) is a non-profit trust created out of an endowment made by Sri Nandan Nilakeni, CEO, Infosys. The primary objective of the trust is to develop and deploy e-governance solutions at municipalities. As part of their objective, they developed software for accrual based accounting called e-Gov Financials. The software is NMAM compliant and eGov has implemented the software in 57 ULBs in Karnataka state, Delhi Municipal Corporation and New Delhi Municipal Council. They offered the software free of cost, but charge for customization, integration with legacy system, training, system launch, support and handholding. They made a presentation of the software at CGG on 6th February, 2007. It was found that the e-Gov Financials offer not only the accounting, but also other sub-systems of ULB functioning and accordingly a complete e-governance solution for municipalities. Since CGG is also working on good governance and e-governance, it was felt that strategic alliance with eGov would be mutually beneficial. Accordingly, a Memorandum of Undertaking (MoU) was signed by eGov and CGG on 6th February, 2007.

1.4.2 VMC desired to introduce accrual based accounting in the corporation as per the decision of Government in general, and as a mandatory reform under JNNURM in particular. A meeting was held with Commissioner and Director of Municipal Administration (CDMA) and Commissioner, VMC at CGG on 23 December, 2006 to discuss the preliminary issues in the matter. One of the decisions during the meeting was that the officials from VMC, CDMA and CGG would visit Bangalore and study the e-Gov Financials software developed by eGov and its suitability in the state. Accordingly, a team of officials visited Bangalore on 18 January, 2007 and studied the software developed by eGov. The officials also visited Mahadevapura municipality to study the implementation. The Commissioner, VMC in his DO letter dated 23rd January, 2007 informed that the software developed by eGov would be suitable and suggested that it may be piloted in VMC. He also requested that CGG may initiate dialogue with eGov as a nodal agency. The CGG has agreed to front-end the project and entered into Implementation Agreement with VMC on 9th February, 2007. VMC has entered into Product Licence Agreement with eGov separately and there are no costs for the product licence. After entering into implementation agreement with VMC, CGG has entered into an Implementation Agreement with eGov separately. As per the above agreements, CGG would provide domain support, while eGov the technical support to VMC.

1.5 Partnership Project

1.5.1 In these circumstances, implementation of accrual based accounting in ULBs can be considered a partnership project between multiple institutions. CGG has initiated and front-ended the project, eGov has developed and customised the software for ULBs in Andhra Pradesh, and of course, the VMC, which implemented the project and the end user of the system. The other partners in the project are GoAP, who provided policy guidance to the entire project. The other major partners in the project are outside consultants engaged at VMC in accounts and software disciplines.

1.5.2 Partnership in implementation of Project



1.5.3 As per the Implementation Agreement entered into with VMC, the project costs are moderately made at Rs.19.79 lakhs. While CGG costs are Rs.10.00 lakhs, eGov costs are Rs.9.79 lakhs. Since it is a pilot project and introduction of a major accounting reform in ULBs, CGG agreed to meet its costs from APPMSDIP funds and the net amount payable by VMC is limited to Rs.9.79 lakhs payable to eGov.

1.6 Training Delivery

1.6.1 As a first step, CGG has undertaken training delivery on the concepts of accrual based accounting at CGG. A training module was designed and training material in the form of PPTs, exercises and quizzes were made. Besides CGG officers, external faculty was also identified for imparting trainings. During 2007-08, CGG has organized 5 training programmes. While one programme was of 2-days duration in the form of sensitization programme for commissioners and other section heads of municipalities, 4 programmes of 4 day duration were detailed training programmes for municipal employees.

1.6.2 For the sensitization programme, along with others, 6 officers from the VMC including Examiner of Accounts, Accounts Consultant and Software Consultant have attended. In the 4 training programmes, along with employees of other municipalities, 37 employees from VMC have participated. It was a residential programme at CGG. Along with technical subjects, a session on Change Management was also included to make the employees accept the change. The change contemplated was two-fold, i.e. from cash based single entry system to accrual based double entry system; and from manual system to computer based system.

1.6.3 Few participants from VMC in one of the training programmes organized at CGG



.7 Hands-on training

1.7.1 Apart from the theoretical training provided on the concepts of accrual system at CGG, it was proposed to provide hands-on training to the municipal officials on computers at VMC. A team of officials from CGG and eGov made a visit to Vijayawada on 22-23 March, 2007. The focus of the visit was

- existing process study
- hands-on-training for accrual based accounting on e-gov software
- guiding in identification and valuation of assets, an initial requirement in the new system, and
- to suggest business process re-engineering.

1.7.2 The team also organized hands-on training on the computers at VMC on 22-23 March, 2007; and 35 employees have participated in the programme.

1.8 System Launch

1.8.1 As contemplated, the system software was launched at VMC and it came into live environment on 1st April, 2007 with entry of transactions in the software. The Standing Committee, VMC in its resolution No.334 of the meeting held on 17th December, 2007 has adopted the manuals published by GoAP and agreed to switch over to the accrual system of accounting from the FY 2007-08. Besides regular guidance from CGG and eGov to VMC, officers from CGG and eGov were visiting Vijayawada frequently to appreciate, understand and resolve the on-site problems. The visits took place in July, 2007, October, 2007, January, 2008, April, 2008 and June, 2008.

1.9 Opening Balance Sheet

1.9.1 An important requirement for introduction of accrual based accounting is the opening of balances of assets and liabilities. In this case, the assets and liabilities of VMC have to be identified and valued as on 1st April, 2007. In any ULB, where accounts are maintained under cash based system, consolidated list of assets and liabilities are not available. Similar is the case with VMC. Therefore, CGG issued guidelines to VMC in its letter dated 28th April, 2007 on identification and valuation of assets and liabilities.

1.10 Annual Financial Statements for the FY 2007-08

1.10.1 All these efforts were fructified and the result is production of (1) income and expenditure statement and (2) balance sheet of VMC under accrual system of accounting for the FY 2007-08.

This has become possible mainly of the following reasons:

- Strong desire of VMC to go in for accounting reforms, ie., switching over of current cash basis to accrual basis, may be as a compliance of mandatory reforms under JNNURM
- Extensive training to municipal employees both theoretical and technical; and constant guidance by CGG and eGov
- Unstinted political will and support from the political executives of VMC
- Total commitment of the Commissioner of VMC.
- Cooperation from all levels of officers and employees of VMC who are associated with the project.

2.1.4 Salient Features of eGov Financials

- Supports fund-based double-entry accounting
- Support for the full chart of accounts recommended by the NMAM (National Municipal Accounts Manual) i.e. funds, functions, functionary, field and account codes
- Supports full accounting for all types of accounting transactions – Receipts, Payments, Journal Vouchers and Contra Entries
- Bottom-up budgeting (including revised budgets) with budgetary controls
- Budgetary control with options for cash based and/or accrual based budgeting and the ability to configure the level of budgetary control for each account code.
- Deductions Module for automatic calculation, remittance of deductions and generation of year-end certificates (Contractor TDS certificate) (*to be released*)
- ECS for automatic payments to contractors/suppliers
- Integration with Asset Management for full asset lifecycle tracking.
- Integration with eGov Works and eGov Purchasing/Inventory ensures comprehensive controls on all expenditure items.
- Integration with eGov EIS/Payroll for recording the financial impact of the monthly pay bills and salary transfers
- Automatic generation of all subsidiary and general ledgers with real-time data
- The following reports which can be generated by the user on demand:
 - Statutory reports: Balance Sheet, Income/Expenditure with Schedules
 - Accounting Reports: Day Book, Journal Book, Cash Book, Bank Book, Trial Balance
 - MIS Reports: Budget Variance Reports, Works Details (Contractor-wise bill and payment details)
- Security with role-based access control and approved workflows
- The following will be delivered on the **Public Disclosure Platform**:
 - All Statutory Reports (Balance Sheet, Income/Expenditure)
 - Budgetary utilization (planned vs. actuals)
 - Revenue vs. capital expenditure
 - Summary of Zone-wise, department-wise, function-wise income/expenditure (classified by revenue and capital expenditure)
 - Summary of the ULB financial position (e.g. City Management Report)

2.2 System Overview

2.2.1 eGov Financials is a fully integrated financial accounting and budgeting system with the following features:

- Full compliance with the National Municipal Accounts Manual, approved by GOI-Ministry of Urban Development
- Double-entry Accounting System with the ability to classify expenditure by capital and revenue; and receipts by fund, function, functionary, field and account codes
- Easy to use screens developed exclusively for Indian ULBs.
- Internet based, which makes the rollout of the system extremely cost-effective.
- Built mostly on open-source tools (except the RDBMS) which significantly reduces the total cost of deployment of the solution, making it perhaps the only enterprise class system in the market today which is built on open source technologies.

2.2.2 eGov Financials has the following **major feature** sets:

1. Transactions
 - a. Receipts
 - b. Bills Accounting
 - c. Payments
 - d. Journal Entry
 - e. Contra Entry
2. Reports
3. Master Data and Configuration

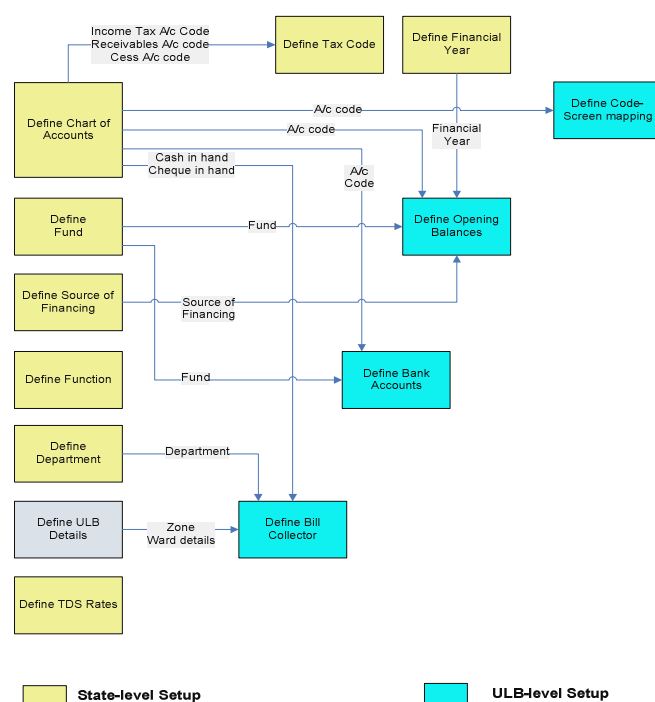
2.2.3 General Features

eGov Financials has been developed as a fund-based accounting system exclusively for India's ULBs. The following **key features** have been incorporated exclusively for ULBs:

- **Fund-based accounting:** Each transaction belongs to a specific fund. To facilitate complete 'independence' of each fund, separate bank accounts are maintained for each fund (mandatory) and all receipts/payments for that fund need to be routed through the specific bank account. Features like this allows for Balance Sheets, Income/ Expenditure Reports and Receipts/Payment reports to be drawn by fund.
- **Function:** Each transaction records a function which is responsible for the function – which is used for budgetary checks and also reporting of expenditures by function for a given account code (e.g. establishment expenses by function)
- **Flexible Chart of Accounts:** The chart of accounts is extremely flexible and can be of any number of levels. The posting level can be identified in the setup screens. Aggregate data can be reported at any higher level (e.g. major code, minor code etc). Sub-ledger accounts for bank accounts, contractors and suppliers are automatically generated by the system.
- **Voucher Confirmation:** Once a voucher is in the system, it needs to be confirmed to be posted. Unconfirmed vouchers may be **modified**. Following confirmation, **Voucher Reversal** is the only option available. This extra security feature ensures a proper audit trail.
- **Role-based Access Control:** This is a key control feature which provides powerful checks/balances on the ability of users to enter data. The key features are:
 - a. Restrict users from executing certain transactions. Example: Users may have access to enter a contractor bill but not a work order. This is determined by role and each user is assigned a role which determines the nature of access to transactions.
 - b. Define user restrictions based on transaction data. Example: Users may be able to create a work order upto a transaction limit. A ULB user may create/manage a sub-ledger a/c codes while the GL a/c codes are frozen for the entire state.

2.2.4 Definition of Masters

A comprehensive set of masters is available. Once these are populated, the data is automatically available on the transaction screens. The following figure shows the interdependencies between the masters and the sequence in which they need to be setup.



It is recommended that master data is grouped into two categories:

- Setups:** These values must be standardized for the entire state. This includes state-wide setups like major/minor account codes, Fund codes, Function codes, Financial Year etc
- Masters:** These values are determined at the ULB level. These include bank masters, bill collectors.

2.2.5 Transactions

These are the most commonly used set of screens in the system. The accounting personnel will use these screens on a day-to-day basis. Based on the function, they are classified into four major sub-categories:

- Receipts
- Payments
- Contra Entries
- Journal Vouchers

2.2.6 Receipts

While receipts are recorded by the Revenue Department, the financial impact of the receipts is recorded by the Accounts Department. The receipt screens are provided to facilitate the recording of receipt entries by the accounts department.

- All the receipts are recorded by the Accounts Department using the receipts screen. This covers the following types of receipts:
 - Own Revenues:
 - Summarized transactions from the eSewa and VOICE Systems.
 - Any miscellaneous receipts (e.g. sale of tender forms etc)
 - Grants, Subsidies, Loans – both Capital and Revenue.

Miscellaneous Receipt Add Account Code

Counter: Voucher Date*: 24/06/2008

Mode of Collection*: ☒ Cash ☐ Cheque ☐ Bank

Fund*:

Scheme: Sub Scheme:

Financing Source: Field:

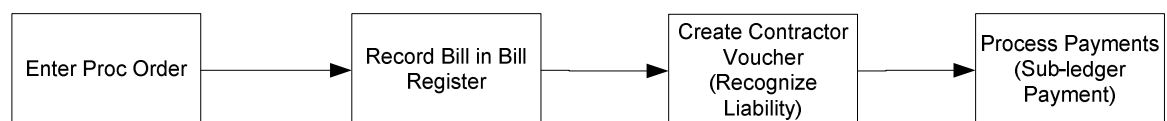
Amount*: Narration:

Boundary Level*	Cash In Hand	Cheque In Hand Code
VMC	4501001	4501051

Function Name	Account Code	Account Head	Dr Amount	Cr Amount	Details
<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="button" value="Click"/>
<input type="button" value="Delete Row"/>		<input type="button" value="Add Row"/>			
Total			<input type="text"/>	<input type="text"/>	

* - Mandatory Fields

2.2.7 The Contract-To-Pay Cycle: In an accrual system of accounting, liabilities need to be recognized as and when they are accrued. This can be in the form of a supplier/contractor submitting a bill which is passed by the Purchasing/ Engineering Department, or a ULB department incurring liability for salary expenditure at the end of every month. Within the **Ward Works Module**, the following shows a full cycle of transactions for the Contract-to-Pay cycle within the system:



- **Create Procurement Order:** A procurement order is created. Procurement Orders can only be issued to pre-defined Suppliers/Contractors. All essential commercial data (e.g. Contract amount, Advance Payable, EMD) and MIS data (e.g. ward where the work is being executed etc.) is captured as part of the screen.
- **Record Bill in Bill Register:** As bills from suppliers/contractors are received, they are entered into the Bill Register.
- **Create Contractor Voucher:** As bills are approved by the Engineering/Purchasing departments, the ULB incurs liability and vouchers need to be created to recognize the liability. All the necessary deductions/ recoveries can be recorded on this screen.
- **Sub-ledger Payments:** Once the payment becomes due, the bills are paid using the sub-ledger payment feature (see below). Features like combining multiple bills into a single payment, partial payment against a bill are available. The payment details (bank account, cheque etc) are recorded. The system does an automatic balance check and if the balance is available, the payment is made and the necessary accounting transactions are passed by the system.

Payment - Subledger - Windows Internet Explorer

http://vmc.cgg.gov.in/EGF/HTML/VMC/SubLedgerPayment_VMC.jsp?worksdetailid=672,&Search_billId=377,&fundid=11&fundSource_name=&typeval=Contracto

Payment - Subledger Add Account Code

Fund: Municipal General Fund Financing Source:

Sl No	WorkOrder Code	Vc No	Bill Date	Passed Amount	Advance Adjusted	Statutory Deduction	Other Deduction	Net	Earlier Payment	Select	Payable Amount
1	RCE-4/28782/07	MJSBI5473	6-Sep-2007	1328015	0	0	305015	1023000	0	<input type="checkbox"/>	1023000
Total											0

Voucher Number*

Paid By

Bank*

Bank Balance

Scheme

Cheque No*

Journal Voucher Number

Field

Voucher Date* 24/06/2008

Account Number*

Bank Fund

Sub Scheme

Cheque Date* 24/06/2008

Narration

* - Mandatory Fields

Done Internet | Protected Mode: On 100%

2.2.8 The Purchase-To-Pay Cycle follows the same sequence of steps as above.

2.2.9 The Salary Processing Cycle allows the users to enter a summary **Salary Bill** by department for a month. All the standard earnings and deductions can be configured and entered in the system. Once the bill is entered, the ULB liability towards its personnel is recognized. Subsequently, the **Salary Payment** screen can be used to process the payments.

http://vmc.cgg.gov.in/EGF/HTML/VMC/JV_Salary_VMC.jsp?showMode=new&billId=30129&billNo=SAL108/04/0809

Salary Bill - Create

Bill Number* SAL108/04/0809

Bill Date 08/04/2008

Month* March

Fund*

Scheme

Narration

Created By SUBBARAO

Department* ACCOUNTS

Voucher Date* 24/06/2008

Financial year* 2008-09

Financing Source

Sub Scheme

Field

EARNINGS

Function Name	Account Code	Account Head	Amount	Details
	2101001	Basic Pay	11033	Click
	2101002	Dearness Allowance	1570	Click
	2101003	House Rent Allowance	2207	Click
Total Earnings			14810	

Deductions

Function Name	Account Code	Account Head	Amount	Details
				Click
Total Deductions			0	

Net Pay

Function Name	Account Code	Account Description	Amount	Details
	3501101	Salary Payable	14810	Click

http://vmc.cgg.gov.in/EGF/HTML/VMC/JV_Salary_VMC.jsp?showMode=new&billId=30129&billNo=SAL108/04/0809 Internet | Protected Mode: On

2.2.10 Contra Entries: Contra Entries cover the **Cash Deposits, Cash Withdrawals, Bank to Bank Transfer, Inter-fund transfer** and **Pay-in slips**. Specific screens are provided for each of these transactions. The Bank to Bank Transfer screen is shown below. In most cases, the system automatically derives the account code based on other data. For instance, in the screen below, the GL codes for the banks are derived from master data. This eliminates the need for the users to remember and/or select the right account code from the list of account codes.

Bank To Bank - Windows Internet Explorer

http://vmc.cgg.gov.in:8480/EGF/HTML/VMC/JV_Contra_BToB_VMC.jsp?showMode=new#

Bank To Bank Transfer

Fund* Municipal General Fi

Scheme

Financing Source

Bank* Treasury Pass Book DTO

Account No.* 8448-00-102-06

Balance* 733410.00

Mode of Collection ☒ Cheque ☐ Other

Cheque No.* 192499

Amount* 50000

Voucher Date* 27/06/2008

Sub Scheme

Field

Transfer To

Bank* Andhra Bank AjithSinghNagar

Account No.* 12646

Balance* .00

Cheque Date* 27/06/2008

Narration

GL Entry

Account Code	Account Head	Debit	Credit	Narration
4506111	Treasury Pass Book DTO 8448-00-102-06	0	50000	-
4502101	Andhra Bank AjithSinghNagar 12646	50000	0	-
		50000	50000	

Done Internet 100%

2.2.11 Journal Entry: All Journal Voucher transactions can be passed using a Journal Entry. This includes adjustment/ correction entries, accrual transactions etc. The following shows a sample Journal Entry screen.

General Voucher - Modify

CG Number: AJ000003

Voucher Number*: AJ 73/07-08

Voucher Date*: 17/04/2007

Fund*: APUSP

Scheme: [Dropdown]

Narration: [Text Area]

Field: [Dropdown]

Created By: egovernments

Financing Source: [Dropdown]

Sub Scheme: [Dropdown]

Status: Unconfirmed

Function Name	Account Code	Account Head	Debit Amount	Credit Amount	Details
	4314002	Interest Accrued and Due	8000	0	Click
	1713000	Interest on loans to others	0	8000	Click
Total			8000	8000	

* - Mandatory Fields

Buttons: Save & Close, Save & View, Cancel, Close, Show GLEntry

GLEntry

Account Code	Account Head	Debit	Credit
4314002	Interest Accrued and Due	8000	0
1713000	Interest on loans to others	0	8000
		8000	8000

2.2.12 Budgeting

Budgeting is a key activity in the ULB and a transition to double-entry accounting provides the basis for meaningful budgeting exercise. The budgeting module is strongly integrated to the Accounting module and the key features are:

- **Support for Decentralized Budgeting:** Any number of budgets can be managed independently and then aggregated to create the ULB budget. Thus, each department can create its own budget, which can then be aggregated at various levels with the final outcome being the ULB budget. Budgets can be exported to excel and after modifications, uploaded back into the application. All validations will be carried out at the time of upload.
- **Budgeting levels:** Budgets can be managed at the function, department or account group level (account group is an aggregation of a set of account codes, typically the minor code).
- **Budget copy:** An existing budget can be copied to create a new budget. During the copy, changes to the line-items can be made.
- **Budget Approval:** Each budget line-item can be individually modified/ approved or the budget as a whole can be approved. Once approved, budget modifications are not possible (see Figure below).

- **Budget Supplementary:** Budgetary changes during the course of the year are fairly common in ULBs, especially when extraordinary events (e.g. natural calamity) can change the amount the ULB can spend on a particular function. The feature of budget supplementary has been provided to manage changes to a budget in a structured manner.
- **Expenditure Check:** An account code can be designated for budgetary checks (typically for expenditure and income heads), with a warning (for income) or rejection (for expenditure) if the cumulative amount transacted for the Financial Year exceeds the budgeted amount.
- **Budgetary Reports:** Reports for a period's budgets and variance reports can be drawn at any time from the system.

Budget Approval

Budget Header

Budget Name

Budget Description

Budget Organization

Master Budget

Financial Year

Budget Type

Status

Approved by

Budget Details

Approve all line items

Department	Function	Ward	Major Head	Detailed Account Code	Previous Year (Actuals)	Current Year (Original Budget)	Current Year (Revised Budget)	Next Year (Budget Estimates)	Approve
									<input type="button" value="Go"/>
									<input type="button" value="Go"/>
									<input type="button" value="Go"/>
									<input type="button" value="Go"/>

* - Mandatory Fields

Done Local intranet

2.3 eGov Financials: Reports

2.3.1 The advantage of storing data in an RDBMS is the ability to mine data for reporting purposes. As part of the system, the following reports are available:

Statutory Reports: All the reports provide the full drill-down capability, allowing users to drill from the main report to the schedules; from schedules to the General Ledger and from the GL report to the individual voucher. This powerful feature allows users to drill-down and pin-point problems starting from the summary-levels.

- Balance Sheet Report
- Income/Expenditure Report
- Receipts/Payments Report

http://vmc.cgg.gov.in/EGF/Reports/BSReport.jsp - Windows Internet Explorer

http://vmc.cgg.gov.in/EGF/Reports/BSReport.jsp

BALANCE SHEET STATEMENT for the year 2007-08

Amount in:thousand

Account Code	Head Of Account	Schedule No	Municipal General Fund	Capital Projects Fund	Urban Poverty Alleviation Fund	Debt Service Fund	Primary Education Fund	Water Supply and Sewerage Fund	Salary Reserve Fund	Pension Reserve Fund	Gen Pro Fur
	LIABILITIES										
	Reserves and Surplus										
310	Municipal (General) Fund	B-1	15909412.83	16495.21	-51759.53	0.00	-140538.44	0.00	0.00	-83814.48	
311	Earmarked Funds	B-2	0.00	46.14	51560.30	0.00	0.00	0.00	0.00	0.00	
312	Reserves	B-3	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
	Total Reserves and Surplus		15909412.83	16541.35	-199.23	0.00	140538.44	0.00	0.00	83814.48	
	Grants Contributions for Specific Purposes										
320	Grants & Contributions for Specific Purposes	B-4	0.00	1317954.42	38235.37	0.00	112005.55	0.00	0.00	0.00	
	Total Grants Contributions for Specific Purposes		0.00	1317954.42	38235.37	0.00	112005.55	0.00	0.00	0.00	
	Loans										
330	Secured Loans	B-5	534068.07	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
331	Unsecured Loans	B-6	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	

Done

Internet | Protected Mode: On

100%

2.3.2 Accounting Reports: This has multiple reports for data analysis and summary reporting of activities:

- Trial Balance
- Day Book
- General Ledger
- Sub-Ledger
- Bank Book
- Cash Book
- Journal Book

In addition, there are several MIS reports that are available in the system.

2.4 Integration

2.4.1 The current scope of the project covered the implementation of the Financial Accounting and Budgeting System. While Financial Accounting is an important element in making VMC's operations more transparent and improve accountability, the full benefits of an e-governance platform become apparent when the focus expands to include greater transparency, improvement of internal efficiencies and above all, improved service delivery to citizens. To achieve these goals, it is recommended that VMC adopt a strategic outlook to implement a full suite of e-governance applications covering all the areas of the ULB's operations. This calls for a clear understanding of an integrated municipal e-governance platform and a well-charted road map to achieve it.

2.4.2 The eGov municipal e-governance platform has been designed and developed with this very goal in mind – tight integration across all the modules is inbuilt into the applications.

2.4.3 Now that VMC has achieved the commendable goal of creating a strong foundation, this can be leveraged to build a fully integrated system. Some of the key design concepts of the eGov Application suite are as follows:

- Tight integration across all modules, leading to improved quality of data
- Visual reporting techniques for proactive information disclosure
- Enterprise-class architecture that is easily scalable
- Internet-based architecture that dramatically reduces the cost of deployment
- Access to data for ad-hoc reporting and analysis from various different systems.
- Use of open-source tools that has a significant impact on the total cost of implementation.

These will go a long way in improving the quality of data captured by VMC and subsequently, leveraging the data to improving the quality of services to the citizens.

2.5 EGOV FINANCIALS: KEY TRANSACTIONS

2.5.1 SALARY BILL PROCESSING:

1. Transactions -> Expenditure -> Bill Register -> Salary Bill
 - a. Create Salary Bill: Create Salary bill for each month/section
 - b. Approve Salary Bill
2. Transactions -> Expenditure -> Bill Accounting
 - a. Salary Bill: Create the Journal Voucher (month/section)
3. Transactions -> Payments
 - a. Salary Payments: Pass a single Payment voucher for multiple salary bills (Single payment voucher by Fund for a month)

2.5.2 WORKS BILLS

1. Masters -> Supplier/Contractor -> Create Supplier/Contractor
2. Transactions->Expenditure -> Procurement Order -> Create Procurement Order (For BOTH Supply and Work Orders)
3. Transactions -> Payments -> Advance Payments (*if Advances are paid to Contractor*)
4. Transactions-> Expenditure->Bill Register -> Create Bill Register (Type= Works)
5. Transactions -> Expenditure -> Bill Accounting -> Contractor Bill Accounting
6. Transactions -> Payments -> Pay Suppliers/Contractors

2.5.3 CONTINGENT BILLS

1. Transactions -> Bill Register -> Create Bill Register (Type: CONTINGENT)
2. Transactions -> Bill Accounting -> Contingent Bills
3. Transactions -> Payments -> Contingent Bill Payment -> Bank Payment

2.5.4 ACCOUNTING FOR OWN RECEIPTS (HOUSE TAX, SALE OF TENDER FORMS ETC)

1. Transactions -> Receipts -> Receipts Accounting
 - a. Collection Mode:
 - i. Cheque for Cheque receipts (in this case, input the cheque numbers)
 - ii. Cash for Cash Receipts
 - iii. Bank for direct bank receipts (in this case, select the bank and account)

2.5.5 ACCOUNTING FOR GRANTS/SCHEMES (E.G. OLD-AGE PENSION PROCESSING)

1. Receipts:
 - a. Transactions -> Receipts -> Receipts Accounting (Collection Mode: CHEQUE; Credit the Liability Account : 3117009)
 - b. Transactions -> Contra -> Pay-in (To deposit the amount into the bank account)
2. Interest Income:
 - a. Transactions -> Receipts -> Receipts Accounting (Collection mode: BANK; Credit the Interest income account)
3. Payments:
 - a. Transactions -> Payments -> Bank Payments (debit the Liability Account: 3117009)
4. To check Bank Balance at any time:
 - a. Reports -> Accounting Reports -> Bank Book

2.5.6 CASH/BANK ACCOUNTING:

1. To deposit Cheques into a bank account: Transactions -> Contra -> Pay in (this is FUND SPECIFIC – i.e. Cheques received under a Fund can be deposited to any Bank Account WITHIN the SAME FUND)
2. Cash Withdrawal: Transactions -> Contra -> Cash Withdrawal (for petty cash withdrawal)
3. Bank to Bank Transfer: Transactions -> Contra -> Bank to Bank Transfer (for transfer of Funds from one account to another WITHIN THE SAME FUND)

2.5.7 TO ADD A NEW EMPLOYEE:

1. Masters -> User-defined codes
2. Click on NEW
3. Select Employee in the drop-down. Add the Employee Code and Name.

2.5.8 REPORTS

1. Reports -> Accounting Records -> General Ledger
2. Reports -> Accounting Records -> Sub-ledger Report (to be used for employee-wise ledger balances)
3. Reports -> Accounting Records -> Bank Book (to be used to get the bank transactions for any bank account for a date range and also to get the closing balance as on a date)

VIJAYAWADA MUNICIPAL CORPORATION
INCOME AND EXPENDITURE STATEMENT For The Year Ended 2007-08

Amount in:thousand

Code	Head Of Account	Sch	Municipal General Fund	Capital Projects Fund	Urban Poverty Alleviation Fund	Primary Education Fund	Pension Reserve Fund	Current Year Total
	INCOME							
110	Tax Revenue	I-01	495,294.77					495,294.77
120	Assigned Revenues and Compensations	I-02	322,975.44					322,975.44
130	Rental Income from Muni Properties	I-03	76,193.02					76,193.02
140	Fees and User Charges	I-04	559,370.21	11,605.87		8.13		570,984.21
150	Sale and Hire Charges	I-05	5,570.77					5,570.77
160	Revenue Grants, Contribution and Subsidies	I-06	10,466.81					10,466.81
170	Income from Investments	I-07	2,707.99	14,036.75	754.70			17,499.44
171	Interest Earned	I-08	1,238.43	2,807.70	9.50		21.18	4,076.81
180	Other Income	I-09	34,832.12	9,747.71			20.94	44,600.77
A	Total-INCOME		1,508,649.56	38,198.03	764.20	8.13	42.12	1,547,662.04
210	Establishment Expenses	I-10	462,615.30		149.90	140,546.57	83,854.97	687,166.75

	EXPENDITURE							
220	Administrative Expenses	I-11	182,776.77	6,313.64	56.32			189,146.73
230	Operations and Maintenance	I-12	144,774.74	15,370.97				160,145.71
240	Interest and Finance Charges	I-13	44,544.42	18.22	0.26		1.62	44,564.52
250	Programme Expenses	I-14	1,319.21		1,248.28			2,567.49
260	Revenue Grants, Contribution and Subsidies	I-15			51,068.98			51,068.98
270	Provisions and Write off	I-16						
271	Miscellaneous Expenses	I-17						
272	Depreciation	I-17a						
B	Total-EXPENDITURE		836,030.44	21,702.83	52,523.74	140,546.57	83,856.59	1,134,660.18
A-B	Gross surplus/(deficit)		672,619.12	16,495.20	(51,759.54)	(140,538.44)	(83,814.47)	413,001.87
280	Add:Prior period Items(Net)	I-18						
	Gross surplus/(deficit) of income over expenditure after Prior Period Items		672,619.12	16,495.20	(51,759.54)	(140,538.44)	(83,814.47)	413,001.87
290	Less: Transfer to Reserve Funds	I-19						
	Net balance being surplus/ deficit carried over to Municipal Fund		672,619.12	16,495.20	(51,759.54)	(140,538.44)	(83,814.47)	413,001.87

VIJAYAWADA MUNICIPAL CORPORATION
BALANCE SHEET STATEMENT for the year 2007-08

Amount in:thousand

Code	Head Of Account	Sch	Municipal General Fund	Capital Projects Fund	Urban Poverty Alleviation Fund	Primary Education Fund	Pension Reserve Fund	Current Year Total
	LIABILITIES							
	Reserves and Surplus							
310	Municipal (General) Fund	B-1	15,899,482.13	16,495.21	(51,759.53)	(140,538.44)	(83,814.48)	15,639,864.89
311	Earmarked Funds	B-2		46.14	51,560.30			51,606.44
312	Reserves	B-3						
	Total Reserves and Surplus		15,899,482.13	16,541.35	(199.23)	(140,538.44)	(83,814.48)	15,691,471.33
	Grants Contributions for Specific Purposes							
320	Grants & Contributions for Specific Purposes	B-4		1,326,729.91	38,235.37	112,005.55		1,476,970.83
	Total Grants Contributions for Specific Purposes			1,326,729.91	38,235.37	112,005.55		1,476,970.83
	Loans							
330	Secured Loans	B-5	534,068.07					534,068.07
331	Unsecured Loans	B-6						
	Total Loans		534,068.07					534,068.07

	Current Liabilities and Provisions							
340	Deposits Received	B-7	52,729.54	14,566.28				67,295.82
341	Deposits Works	B-8				1,925.04		1,925.04
350	Other Liabilities (Sundry Creditors)	B-9	198,655.47	68,892.40	5.50	41,905.42	83,977.67	393,436.44
360	Provisions	B-10	2.55					2.55
	Total Current Liabilities and Provisions		251,387.56	83,458.68	5.50	43,830.46	83,977.67	462,659.85
	TOTAL LIABILITIES		16,684,937.76	1,426,729.94	38,041.64	15,297.57	163.19	18,165,170.08
	ASSETS							
	Fixed Assets :							
410	Fixed Assets	B-11	15,414,170.52	217,098.34				15,631,268.86
411	Accumulated Depreciation	B-11a						
	Net Block :		15,414,170.52	217,098.34				15,631,268.86
412	Capital Work-In-Progress	B-11b	7,219.13	426,032.00				433,251.14
	Total Fixed Assets		15,421,389.65	643,130.34				16,064,520.00
420	Investments - General Fund	B-12	92,458.01					92,458.01
	Investments							

421	Investments - Other Funds	B-13	14,667.86	318,459.15	9,000.00			342,127.01
	Total Investments		107,125.87	318,459.15	9,000.00			434,585.02
	Current Assets, Loans and Advances							
430	Stock in Hand (Inventories)	B-14	4,569.65					4,569.65
	Sundry Debtors(Receivables) :							
431	Sundry Debtors (Receivables)	B-15	453,860.55					453,860.55
432	Accumulated Provisions against Debtors (Receivables)	B-15a						
	Net Amount outstanding :		453,860.55					458,430.20
440	Prepaid Expenses	B-16						
450	Cash and Bank Balances	B-17	437,876.15	490,369.21	25,408.28	956.47	202.25	954,812.36
	Loans advances and Deposits :							
460	Loans, advances and deposits	B-18	100,005.17	56,427.99	3,633.37	35.08	(39.06)	160,062.54
461	Accumulated Provisions against Loans, Advances, and Deposits	B-18a						

	Net Amount outstanding :		100,005.17	56,427.99	3,633.37	35.08	(39.06)	1,573,305.10
	Total Current Assets, Loans and Advances		996,311.52	546,797.20	29,041.65	991.55	163.19	1,573,305.10
	Others							
470	Other Assets	B-19	160,110.71	(81,656.72)		14,306.00		92,759.99
480	Miscellaneous Expenditure (to the extent not written off)	B-20						
	Total Others		160,110.71	(81,656.72)		14,306.00		92,759.99
	TOTAL ASSETS		16,684,937.75	1,426,729.97	38,041.65	15,297.55	163.19	18,165,170.11

6. Notes on Accounts

6.1 NMAM Guidelines

These financial Statements have been prepared in accordance with NMAM and APMAM guidelines.

6.2 Basis of preparation of the financial statements

The measurement basis used in the preparation of the financial statements is the historical cost.

The preparation of financial statements is in conformity with NMAM/APMAM guidelines in arriving at various judgments, estimates and assumptions. This may affect the application of present policies and reported amounts of assets, liabilities, income and expenses at the outset.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the result of which form the basis of making judgments about carrying value of assets and liabilities which are not readily apparent from the record. Actual results may differ from these estimates.

The estimates and underlying assumptions shall be reviewed on a regular basis. Revisions to accounting estimates en-course, due to the misclassification of accounting heads, or otherwise may affect the estimates of past, present and future estimates as the case may be without contributing to any major financial implications.

6.3 Method of encumbrance accounting and reporting

- a. **Reporting Aspect:** With effect from 1st April, 2007 onwards, VMC switched over to Double Entry Accrual Based Accounting System from Single Entry Cash Based Accounting System. The Double Entry Accrual Accounting System helps in generating the Financial Statement (i.e., Income and Expenditure Account and Balance Sheet) for the financial Year 2007-08 instead of Annual Accounts (i.e. Receipts and Payments Account) for the year 2007-08. This is a major shift in account keeping.
- b. **Accounting Aspect: Change of Method of Accounting from Cash System of Accounting to Accrual Accounting** – Previously, the revenues and expenses are recorded only if they are actually received or paid in cash. But under accrual accounting, occurrence of claims and obligations in respect of incomes or expenditure, assets or liabilities based on happening of an event, passage of time, rendering of services, fulfillment (partially or fully) of contracts, diminution in values etc., are recorded even though actual receipts or payments of money may not have taken place.

6.4 Revenue Recognition

- a. **Property, VLT and Other taxes:** Revenue in respect of Property and other taxes shall be recognized in the period in which they are due and demands are ascertainable.
- b. **Water Supply:** Revenue in respect of Water Supply Charges, Sewerage Charges shall be recognized in the period in which they are due. i.e., when the demand is raised for the property tax.
- c. **Assigned Revenues:** Assigned revenues like Entertainment Tax, Professional Tax and Surcharge on Transfer of Immovable Property has

been accounted during the year only upon actual receipt of amount to VMC by concerned government departments.

- d. **Rental and Other Fees:** Revenue in respect of Shop Rents and Trade Licenses Fees has been accrued in the year to which it pertains and when the Demand is raised.
- e. **All Other Receipts:** Revenue in respect of all other receipts is recognized on actual receipt.
- f. **Grants:** Grants Recognized as income on actual receipt.

6.5 Fund Basis of Accounting

A Fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equalities or balances, and changes therein which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.

VMC maintained Fund Wise Accounts and also maintained Scheme and Sub-Scheme under Fund as required for detailed Report. The Fund, Scheme and Sub-Scheme particulars are as follows

S. N	Name of the Fund	Scheme	Sub-Scheme
1	Municipal General Fund	-	-
2	Capital Project Scheme	ACDP MLA Grant	ACDP MLA Grant
		APURMSP	VMC – APURMSP
		Biomentations	Biomentations
		Finance Commission	XII Finance Commission
		LCS	Low Cost Sanitation
		MP LADS	MP – Local Area Development
		Water Supply JnNURM	35.48
			72.31
			19.85
		UGD JnNURM	56.56
			7.43
			9.49
		BSUP JnNURM	3.70
			59.83
			26.48
			Housing 258.74
		SWD JnNURM	49.12
		JnNURM BRTS	BRTS 152.64
3	Primary Education Fund	-	-
4	Pension Fund	Pension	Contributory Pension Regular Pension
5	Urban Poverty Alleviation	NFB	National Family Benefit
		OAP	Oldage Pension
		SJSRY	SJSRY

6.6 Employees Related Transactions

Expenses on Salaries and other allowance have been recognized as and when they are due for payment (i.e., at the month end).

Statutory deduction from salaries including those for income tax, professional tax, provident fund contribution etc., are to be recognized as liability in the same period in which the corresponding salary is recognized as expense.

Salary for the Month of March, 2007 paid in April, 2007 was considered during the financial year 2007-08, because of Change of Method of Accounting from Cash System of Accounting to Accrual Accounting.

6.7 Public Works

Expenses on Contract and Supplier bills have been recognized as and when they are due for payment (i.e., When the Bill was raised)

Statutory deduction from Contractor and Supplier bills including those for income tax, Sales tax(VAT), NAC and Seinearage Charges etc., are recognized as liability in the same period in which the corresponding bill is recognized as expense.

6.8 Investments

Investments are recognized at cost. The income earned on Fixed Deposits with Banks is not being considered till the date of Maturity, since most of the investments are of Short Term, in nature. Hence, interest realized on investments is only recognized in the books of accounts.

6.9 Contribution due towards Pension

9.5% of Maximum Scale of Pay of employees was created towards Pension Contribution Fund.

Total No of Employees as on 01-04-2007 (No's)	Sum of Maximum Scale of Pay for whole year (Rs. In Lakhs)	Percentage	Provision towards Pension (Rs. In Lakhs)
3394	4329.01	9.5 %	411.25

6.10 Bank Reconciliation Statement

The entries in the general ledger bank account in Double Entry Accrual Accounting are compared with the entries on the bank statements and differences are noted. Necessary entries are recorded and bank reconciliation is prepared as on 31st March, 2008.

6.11 Loans

Loans are repaid out of General revenues of Municipal Corporation of Vijayawada when the installments are due.

Details of Loan and repayment schedule are as follows.

Particulars	Amount (Rs. In Lakhs)
Balance as on 1 st April, 2007	6170.70
Add: Interest accrued	374.54
Total	6545.24
Less: Installment Paid	1237.75
Balance as on 31st March, 2008	5307.49

6.12 Opening Balances

Opening Balances adopted in Double Entry Accrual Accounting are subject to audit.

6.13 Valuation of Land and Building

Only lands and land values are depicted in the opening balance sheet and building values are not depicted. Building values can be estimated under two models. If book values are available, they can be considered. Otherwise, they have to be valued on the estimated current standard costs. In both cases, estimated life of the asset is required to arrive at the depreciation value. The current standard costs and the estimated life of the asset have to be notified by Govt. It was not done so far and CGG is developing a manual on the preparation of opening balances of assets and liabilities, which would contain these details. Since book values could not be found immediately, and in the absence of guidelines, VMC could not value the buildings. After guidelines are issued by CGG, building values can be taken up in the current FY (2008-09) and Opening Balances can be revised.

6.14 The following assets were identified during the financial year 2007-08

Gl. Code	Particulars	Amount (Rs. in Lakhs)
4101001	Open Space	98,675.01
4101003	Parks	24,012.80
4102001	Office Buildings (to the extent of Land Value)	13,634.23
4102002	Commercial Complexes (to the extent of Land Value)	6492.01
4102003	Hospitals, Dispensaries and Urban Health Posts	295.04
4102005	Gust Houses	2,438.33
4103101	Underground Drains	4,221.26
4103201	Water works	223.07
4103203	Reservoirs	2,349.61

No depreciation provision created during the financial year 2007-08.

6.15 Accrual Entries under Double Entry System

Details of income under accrual system are as follows

Particulars	Amount (Rs. in Lakhs)
Property tax	3705.73
Water Tax	577.60
Sewerage Tax	151.58
Shop Rents	559.52
D&O Trade License Fees	189.13

6.16 Inventory

Inventory, consisting of Stationery, miscellaneous stores items was valued at cost.

6.17 Figures

Figures are shown in thousands.