

**Proceedings at the Regional Workshop On Municipal Accounting Reforms  
August 26, at Hotel Ram Bagh Palace, Jaipur**

A Regional Workshop on Municipal Accounting Reforms was organized jointly by Ministry of Urban Development, GOI, (MoUD) National Institute of Urban Affairs (NIUA) and Financial Institutions Reforms & Expansion Project, FIRE (D), USAID on August 26, at Hotel Ram Bagh Palace, Jaipur.

**Inaugural Session**

In his welcome address Mr. N. Bhattacharjee, Program Manager, Economic Growth Office, USAID introduced the FIRE (D) reform agenda with special reference to municipal accounting. He thanked the committee constituted by the office of the Comptroller & Auditor General (C&AG) of India to prepare the National Municipal Accounts Manual (NMAM). He lauded the joint efforts of MoUD and C&AG for bringing out the NMAM

In his address Mr. R. N. Ghosh, Principal Director (LB) C&AG outlined the need and the various phases of development of the National Municipal Accounts Manual and stated that the manual is a product of the collaboration of the Ministry of Urban Development, C&AG of India, NIUA and USAID. He informed that the preparation of NMAM was a long drawn process. For this, a Committee was setup by C&AG in 2003 having representatives from different organizations to prepare a National Accounts Manual for the country. The Committee came out with a Uniform National Municipal Accounts Manual. He also informs that a Training Manual required to train the municipal staff would be prepared shortly.

Mr. Mandal, Principal Accountant General, Rajasthan, in his keynote address pointed out that the accountability rests with the management of ULBs and AG's role is of auditing and keeping a check. He further highlighted the strides made in Rajasthan in developing state level Accounting Manual.

Mr. Aniruddha Kumar, Director, MoUD introduced the participants to the innovative ideas being pursued by the MoUD; namely the National Urban Renewal Mission (NURM), E-governance Mission Mode Project, Pooled Finance and Tax Free Bonds. He pointed out that due to stress on municipal finances ULBs now have to perform. Only those ULBs which show accountability and transparency and have a good accounting system can have access to various sources of funds of the Government. He thanked the participants for attending in large number and called upon the northern states to emulate the states of Tamil Nadu and Karnataka in implementing municipal accounting reforms

Mr. Shiv Kumar Sharma, Deputy Secretary, Government of Rajasthan, welcomed everyone to the workshop on behalf of Govt. of Rajasthan and presented Government of Rajasthan's roadmap in implementing municipal accounting reforms in the state.

Dr. Mukesh Mathur, of NIUA summarized the thoughts of all the speakers and gave the Vote of Thanks.

## **First Technical Session**

Mr. R. N Ghosh, Principal Director (LB), Office of the C&AG in his introductory remarks spelled out the major recommendations, the contents of the manual and the procedure followed to develop the manual.

Mr. Alok Shiromany, FIRE (D) made a presentation on the development process of the National Municipal Accounts Manual. He informed the participants that the decision to develop a National Municipal Accounts Manual was taken at the National Accounting Workshop, organized by the MoUD, on September 26, 2003. He also said that on the basis of this national manual the States could prepare their own manuals according to their specific requirements.

Thereafter, Mr. C.K Mohan, A.F. Ferguson & Co. outlined the salient features of the National Municipal Accounts Manual. He informed the participants that the basic format of the Balance Sheet and Income and Expenditure Account recommended in the manual are based on the C&A G' s Task Force recommendations. He discussed the salient features of NMAM and elaborated that it would provide the broad framework for improved municipal accounting in the country. He enumerated that the Manual provided the policies/registers/formats, unique coding structure, flexibility for Fund accounting, period-end requirements including the audit reports; the budget and MIS reports; the guidelines of preparing the opening Balance Sheet; and also provided the flexibility for states to amend and make it as per their requirements.

Thereafter, during the floor discussions, several implementation issues were discussed.

Mr. Abdul Rahim and Mr. Mahesh Durga, representing the Govt. of Karnataka (GoK) shared GoK's experience and stated that Karnataka had introduced Fund Based Accounting System, which has a separate fund for various types of municipal activities. He also mentioned that each fund prepares its own balance sheet and income & expenditure account. He also enumerated the measures initiated by GoK to support improved municipal accounting in the state like change in recruitment rules to enable recruitment of professional staff in ULBs; appointment of a state-level consulting firm to develop accounting manual and develop accounting software.

## **Second Technical Session**

In the post lunch session Mr. Aniruddha Kumar, Director, MoUD took stock of the current status of switching over to the double entry system from the representatives of the various state governments present at the workshop. He informed that the key benefit of having a uniform accounting manual was to promote good governance at the ULB level.

## **Valedictory Session -The way forward**

In the Valedictory Session, the speakers discussed the way forward for achieving accounting reforms and the role and support of various organizations in the said purpose.

Mr. Sunil Goyal, immediate Past President, Institute of Chartered Accountants of India (ICAI), pointed out ICAI's pioneering effort in bringing out a Technical Guide on Accounting and Financial Reporting for Urban Local Bodies. He also told the house that ICAI through its Accounting Research Foundation has implemented accrual based double entry accounting at the municipal corporation Delhi and has also taken up a similar assignment at Kolkata Municipal Corporation. He informed that ICAI is drafting separate Accounting Standards for the ULBs. He further informed that ICAI through its publications, is disseminating information/knowledge in the

area of municipal accounting reforms. He also suggested that ULB's should have a separate accounting cadre to promote professionalism.

Mr. Lee Baker, Chief of Party, FIRE Project reiterated FIRE support in the area of municipal accounting reforms and assured continued support as in the past. He informed that next things on agenda are development of accounting software and a training manual. He informed that FIRE project in the current phase will support on target states. FIRE will provide support in customizing NMAM according to the state's requirement. And, in the states where state manual is in place, FIRE will assist in rolling it out.

Mr. Aniruddha Kumar, Director, MoUD expressed his happiness on the interactive audience. He emphasized that expectations are high from municipal managers. Multilateral agencies are willing to support and it is for ULB' s to deliver and become self-sufficient. He further informed that in order to avail any windows of assistance from the Government of India, ULBs will have to be NURM compliant.

Finally, Mr. N. Bhattacharjee, USAID, Mr. Lee Baker, FIRE project and Dr. Mukesh Mathur, NIUA assured continued support and assistance from Indo- USAID FIRE (D) project and NIUA in taking the municipal accounting reform agenda forward. Dr. Mukesh Mathur also outlined the role played by NIUA in the development of the national Municipal Account Manual and also extended his organisation's help in the development of the training manual.