

Draft

REFORMING MUNICIPAL ACCOUNTING SYSTEM: ROLE OF NIUA

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January 2009

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NEED TO IMPROVE THE SYSTEM

- ◆ The process of economic liberalisation, structural reforms
- ◆ Paradigm shift in UD financing-market based financing
- ◆ Change in perception: citizens thinking themselves as consumers of government and deserve fair accounts of how their government is doing financially
- ◆ Transparency and accountability in governance
- ◆ Better resource mobilisation and financial planning

MUNICIPAL ACCOUNTING REFORMS INITIATIVES IN INDIA

- ◆ Phase-1(1981-90): Mumbai,Kolkata And Chennai at the instance Of World Bank (TA)
- ◆ Phase-2(1990-95): Seven cities of Gujarat -World Bank TA (GUJARAT URBAN DEVELOPMENT PROJECT)
- ◆ Phase-3(1997-01): Statewide Accounting Reform-all ULB'S Of TamilNadu under TNUDF leadership
- ◆ Anand,Jaipur,Tumkur (BY TATA Consultancy under ADB TA) AND Mirzapur(GANGA ACTION PLAN).
- ◆ Include Bangalore (BATF),Indore,Hyderabad, Ludhiana,etc.

NIUA : KEY INITIATIVES

- ◆ To review the existing municipal accounting, budgeting and financial reporting systems including initiatives taken by states/ cities-UNDP study, 2004
- ◆ Support to GOI (MoUD and C&AG) and states/ULB's with implementation of municipal financial management and accounting reforms
- ◆ Provided input to ICAI in preparation of technical guide on accounting and financial reporting for ULB's, 2000
- ◆ Tamil Nadu-FIRE award, 2001

NIUA: KEY INITIATIVES

- ◆ MML (2003) Has key section/chapter on financial management which says that
 - State government to prepare municipal accounting manual
 - Capital and revenue heads to be separated out in municipal accounts
 - Separate accounting heads proposed for water supply, roads, etc.
 - Municipalities to prepare annual balance sheets
 - Annual subsidy and environmental status reports
 - Annual inventory of municipal properties
 - Provision for appointment of chartered accountants as auditors
 - Comprehensive debt limitation policy by state government
 - Enabling access to capital markets and financial institutions for capital investments
 - Provision for appointment of a Municipal Accounts Committee

NIUA KEY INITIATIVES

- ◆ National Municipal Accounting Manual (NMAM), 2003
- ◆ Model Training Manual (MTM) based on NMAM, 2008 (accounting software is in progress)
- ◆ Hindi version of MTM For elected representative is under preparation
- ◆ Preparing Model National Asset Valuation Methodology Manual
- ◆ Conducted series of training programmes through Network Institutions/CMA'S On improved municipal accounting and financial management both for elected and non elected municipal personnel
- ◆ Supported exposure visits of GOI/ C&AG OFFICIALS to develop better understanding on accounting practices/ standards
- ◆ NIUA Is one of the appraisal agency to evaluate the JNNURM Reforms. It includes handholding exercise as well.

REFORM STEPS: JNNURM

- ◆ The steps to implement the reform by the ULBs under JNNURM are:
 - Resolution by Government expressing commitment to establish modern municipal accounting system.
 - GO/Legislation/Modification of rules for migrating to double-entry accounting system
 - Appointment of consultants for development of State Manual (Either based on NMAM or independently)
 - Completion and adoption of Manual
 - Commence training of personnel
 - Appointment of field-level consultant for implementation at the city-level
 - Notification of cut-off date for migrating to the double entry accounting system
 - Business Process Re-Engineering

REFORM STEPS: JNNURM

- Valuation of assets and liabilities
- Drawing up of opening balance-sheet(OBS)
- Full migration to double-entry accounting system
- Production of financial statements
- Year of commencement of external audit of financial statements
- Adoption of accounts
- Frequency of such external audit cycle
- Preparation of outcome budget
- Year in which ULB will institute internal audit/control mechanism
- Credit rating of ULB/ parastatal (if required)
- Complete re-vamp of the Public Financial Management (PFM) cycle, which includes internal accounts

JNNURM: ULB reforms – Year 3 Commitments and Accomplishments

Status of JNNURM reforms relating to shifting to Accrual Based Double Entry Accounting and Approved Cost of Urban Infrastructure Projects
(Source www.jnnurm.nic.in)

S. No.	Name of City	State	Status of Shifting to Accrual Based Accounting System		Approved Cost of Urban Infrastructure Projects (In Lakhs)
			Target Date	Status as on 31-03-08	
1	Hydrabad	AP	2008-2009	Achieved	173,942.51
2	Vijayawada	AP	2007-2008	Achieved	47,712.00
3	Vishakhapatnam	AP	2007-2008	Achieved	115,923.00
4	Itanagar	Arunachal Pradesh	2008-2009		
5	Guwahati	Assam	2008-2009		3,516.71
6	Patna	Bihar	2007-2008		3,695.40
7	Bodhgaya	Bihar	2009-2010		
8	Chandigarh	Chandigarh UT	2008-2009		5,698.60
9	Raipur	Chattsgarh	2008-2009		30,364.00
10	Ahamedabad	Gujrat	2008-2009		129,156.52
11	Rajkot	Gujrat	2008-2009		27,971.00
12	Surat	Gujrat	2008-2009	Achieved	60,329.37
13	Vadodara	Gujrat	2008-2009		32,313.03
14	Fridabad	Haryana	2008-2009		21,097.70
15	Delhi	Delhi UT			
16	Shimla	HP	2007-2008	Achieved	2,613.06
17	Srinagar	J&K	2008-2009		28,129.00
18	Jammu	J&K	2008-2009		12,923.00
19	Bangalore	Karnatka	2007-2008	Achieved	153,695.28
20	Mysore	Karnatka	2007-2008	Achieved	27,979.74
21	Chochin	Kerala	2007-2008	Achieved	37,748.00
22	Thiruvanthapuram	Kerala	2007-2008	Achieved	30,257.00
23	Bhopal	MP	2007-2008	Achieved	30,956.00
24	Indore	MP		Achieved	57,285.99
25	Jabalpur	MP	2007-2008		15,602.00
26	Greater Mumbai	Maharashtra	2007-2008	Achieved	353,753.75
27	Nagpur	Maharashtra	2005-2006	Achieved	81,144.49
28	Nanded	Maharashtra	2008-2009		68,704.45
29	Nashik	Maharashtra	2008-2009		56,928.23
30	Pune	Maharashtra	2007-2008		192,355.18
31	Bhubaneshwar	Orrisa	2006-2007	Achieved	50,492.66
32	Puri	Orrisa	2007-2008		
33	Amritsar	Punjab	2007-2008		32,883.00

PROPOSED ACTIVITES

- ◆ Continue support to states for amending municipal laws on the lines of MML
- ◆ Support to state/cities in drafting state level municipal accounting / training /assets valuation guidelines/manual.
- ◆ Support to MoUD in dissemination of best practices in municipal financial management and accounting reforms
- ◆ Organised training programmes on improved
- ◆ Municipal accounting and FRS; and share best practices.
- ◆ Documentation of status of accounting reforms in JNNURM states/cities.



Thank You