



THE INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA

(Set up by an Act of Parliament)

ICAI/012/CP&GFM/TP – ULB

The Principal Director
Local Self Government (LSG)
Kerala

Respected Sir/Madam,

Sub: Proposal to organise training programmes/ webinars for staff of Urban Local Bodies of the State of Kerala

Greetings from Committee on Public and Government Financial Management (CP&GFM) of the Institute of Chartered Accountants of India (ICAI)!

Improved financial reporting and management at the level of Local-Self Government, i.e., Local Bodies, is a need of hour as the role and responsibilities of Local Bodies have been evolved over time and these bodies play important role in economic growth of the Country. Financial reporting helps in managing public funds in effective and efficient manner, sound decision-making, increasing accountability & transparency in operations and performance of Local Bodies which would ultimately help Local Bodies in delivering good services to citizens, developing infrastructure in the Country and raising funds from capital market and other financial institutions.

Government of India (GoI) has taken various initiatives to improve financial reporting in Urban Local Bodies such as issuance of National Municipal Accounts Manual (NMAM), key development schemes such as Jawaharlal Nehru National Urban Renewal Mission (JNNURM), Atal Mission for Rejuvenation and Urban Transformation (AMRUT), Smart City Scheme, etc.

The recommendations of Finance Commissions which linked grants with accounting reforms, also focussed on implementation of accrual accounting system in Local Bodies. To fast track the reforms, recently 15th Finance Commission recommended online availability of unaudited annual accounts of the previous year and audited accounts for the year before previous year as an entry level condition (amongst others) to avail grant.

Role of ICAI:

As you may be aware that the ICAI is the apex body in the field of accountancy and auditing serving the nation since 1949. ICAI, a partner in nation building, is also involved in on-going accounting reforms and improvement of financial reporting and public financial management in various Government entities/departments including Urban Local Bodies in India. ICAI has got more than 160 branches spread across the tier I & II cities of the Country.

The ICAI through CP&GFM is issuing Accounting Standards for Local Bodies (30 ASLBs issued till date are available at https://www.icaai.org/post.html?post_id=1527). The Committee is also involved in sensitising the concerned officials and society at large about benefits of accounting reforms by organising various workshops/ training programmes, developing e-learning modules available at https://icaity.com/category.php?cat_id=21



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In the past, ICAI Accounting Research Foundation (ICAI ARF), the research arm of the Institute had also assisted Municipal Corporation of Delhi and Kolkata Municipal Corporation in their conversion project and application of financial monitoring reforms, respectively.

Since various endeavors of Government have been linked to improvement in financial reporting and management in Urban Local Bodies, there is a need to build capacity of staff of Urban Local Bodies. In this direction, ICAI through CP&GFM **hereby proposes to extend its support to Urban Local Bodies** to organise training programmes/webinars for the staff of Urban Local Bodies of the **State of Kerala** with special reference to '**Financial Transparency and Accountability in Urban Local Bodies**'.

These capacity building programmes would be specifically structured to provide an opportunity to the participants to update their knowledge with regard to importance of accounting reforms at Local Bodies, resolving/addressing various issues and challenges being faced in the implementation of such reforms and importance of such reforms in raising funds from different sources to finance urban infrastructure and make Local Bodies self-reliant. Such programs also work as a platform to share experience of different States and lessons learnt through case studies, etc. The enclosed Annexure may please be referred for detailed proposal. The programme structure may be finalised mutually considering specific training requirements of staff. The programmes/webinars may also be conducted in regional language.

We hope that this initiative will go a long way in setting up a quality structure for robust and transparent accounting framework at the Local Bodies.

We look forward to your positive response in this regard. We hope that this collaboration would benefit the Local Bodies and society at large.

Please revert us for any further clarification/query.

Thanking You,

Yours sincerely,

CA. Kemisha Soni
Chairperson
Committee on Public and Government Financial Management

CA. Sridhar Muppala
Vice-Chairperson

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Encl: As above



Annexure

Proposal for jointly organising training programmes/webinars for staff of Urban Local Bodies

Theme of the Training:

- Financial Transparency and Accountability in Urban Local Bodies

Duration of the Training:

- One Day/Two Days

Targeted Participants:

- Staff associated with Finance and Accounts Sections of Urban Local Bodies.
(Participants for the training may be identified and suggested by the State/
respective urban development department)

No. of participants:

- Minimum 50 participants

Training Methodology:

- Training is conducted in an interactive form and includes a number of case studies.
- Training participants are provided the background materials and also the PPTs of the faculties.

Faculty:

- Faculty comprises of professional experts having relevant experience in the field of accrual accounting implementation and audit in Urban Local Bodies/ Government, conversion projects, etc.

Tentative list of topics for the Training

Scenario 1: If Double Entry Accrual Accounting System is yet to be implemented:

1. Accrual Accounting for Local Bodies
 - Fundamentals & Benefits of accrual accounting system
 - Cash vis-à-vis accrual accounting system
2. Accounting and Auditing System in ULBs



- Current status of accounting and auditing system
 - Requirement to mandate accounting reforms: amendments in existing laws & rules
 - How can ICAI and CAs support in improving accounting and auditing system in ULBs
3. Conversion of accounts of ULBs from cash system to double entry accrual accounting system
- Practical issues/ challenges in conversion process
 - Significant accounting policies and disclosures
 - Case studies/ success stories
4. Preparation of Opening Balance Sheet under accrual accounting system
- Determination of opening balances of assets and liabilities
 - Necessary adjustments to be made
 - Significant disclosures to be made
5. Restructuring of chart of accounts under accrual system of accounting
6. Implementation of double entry accrual accounting system in computerised environment
- Using IT packages for implementation

Scenario 2: If Double Entry Accrual Accounting System has been implemented:

1. Lessons Learnt & Sustainability of Accrual Accounting Reforms
- Analysis of existing accounting system
 - Gap Analysis & possible solutions
2. Interpreting Accrual Based Financial Statements
- How financial statements can be used to identify and analyse problems
 - Importance of Financial Statements in Decision Making
3. Audit in Urban Local Bodies
- Analysis of existing auditing system
 - Gap Analysis & possible solutions
 - Role of Audit Committee
 - Enhanced audit reporting
 - Role of professionals in audit
 - Ethics in audit
4. Auditing ULBs in IT environment
- Computerised Aided Audit Techniques (CAAT)



5. Making Self-Sufficient and Self-Sustainable Municipal Bodies in India
 - Revenue Augmentation
 - Innovative and new means of raising finances
 - Mezzanine financing
 - Public Private Partnership (PPP)
 - Municipal Bonds
6. Accounting Standards for Local Bodies (ASLBs)
 - Rationale and Significance of ASLBs
 - How can ULBs benefit from implementation of ASLBs
7. Local Government Taxation Matters: Status and compliances
 - GST
 - TDS
8. Improving Accountability of ULBs towards Citizens and their participation in Municipal Budgeting
 - Participatory Budgeting
 - Performance Measurement and Reporting by ULBs
9. Way forward for Smart Cities and Municipal Bonds

Financial Implications:

- In case of physical training programme, expenditure may be borne jointly by State Government/respective Urban Development Department and ICAI as suggested below:
 - Cost to be borne by ICAI:
 - TA/DA expenses of Faculty
 - Honorarium to Faculty
 - Background material for participants
 - Cost with regard to other logistic arrangements to be borne by the State Government/ respective urban development department.
- In case of virtual training programme, there shall be no financial implications on State Government/respective Urban Development Department. In that case, all the cost pertaining to platform and honorarium to faculties shall be borne by the ICAI.