



ICAI/012/CP&GFM/TP

Shri Tankeswar Das, A.C.S  
Director,  
Directorate of Municipal Administration  
Assam

Dear Sir,

**Sub: Proposal to catalyse accounting reforms in Local Bodies of Assam.**

Greetings from the Committee on Public and Government Financial Management (CP&GFM) of the Institute of Chartered Accountants of India (the ICAI). We are an Institute created under an Act of the Parliament. The ICAI is created as an authority in the field of accountancy.

ICAI is involved in the accounting reforms and improvement of financial reporting and management of Local Bodies. The ICAI through its CP&GFM is issuing Accounting Standards for Local Bodies (ASLBs available at [https://www.icaai.org/post.html?post\\_id=1527](https://www.icaai.org/post.html?post_id=1527)). The Committee is also involved in creating awareness amongst Local Bodies and various end-users about accounting reforms and its implementation in Local Bodies by organising workshops/ training programmes ([https://icaity.com/category.php?cat\\_id=22](https://icaity.com/category.php?cat_id=22)) and developing e-learning modules ([https://icaity.com/category.php?cat\\_id=21](https://icaity.com/category.php?cat_id=21)).

Government of India has taken several initiatives to improve financial reporting in Local Bodies such as issuance of National Municipal Accounts Manual, key development schemes such as Jawaharlal Nehru National Urban Renewal Mission, Atal Mission for Rejuvenation and Urban Transformation and Recommendations of 15<sup>th</sup> Finance Commission which linked grants with accounting reforms and also focussed on implementation of accrual basis of Accounting in Local Bodies.

Under the on-going accounting reforms, accrual accounting implementation by ULBs has been linked with availing grants released by Central Government. However, it has been observed that Municipal Acts of various States does not support implementation of accrual basis of accounting. Consequently, most of Local Bodies may not be able to get the benefit of grants. Also, apart from availing grants, the new accounting should be implemented in view of the benefits and value addition it is expected to bring to the existing financial reporting practices of ULBs. Therefore, it is advisable that for smooth adoption of accrual accounting in Local Bodies, the relevant existing municipal and other Statutes may be considered for amendment as mentioned hereunder.

- i. Assam Municipal Corporation Act, 2022 prescribes that the receipts and expenditures of the Corporation to be prepared and maintained in the prescribed manner and the State Government shall prepare Municipal Accounting Manual.

It has been observed that there is no specific mention of accrual basis of accounting either in Assam Municipal Act, 1956 or Assam Municipal Corporation Act, 2022 or Assam Municipal Accounts Manual which was issued in June 2010 (based on NMAM). Therefore, these need to be suitably amended to incorporate the said requirement.



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- ii. The Model Municipal Law, 2003 recommended for engagement of Chartered Accountants for Audit of ULBs. Assam Local Funds (Accounts and Audit) Act, 1930 prescribes audit of ULBs by Examiner of Local Accounts. A few states such as Karnataka, Bihar, Sikkim and Jharkhand have amended their municipality acts to incorporate the provision of appointment of Chartered Accountants as Auditors in addition to the existing authority responsible for the same in the in respective States. To cover the accounts and audit in arrears, it is suggested to consider engaging professionals like Chartered Accountants which is already being done at Rajasthan, Sikkim, Chhattisgarh, etc.
- iii. There is no requirement of Internal Audit (which is a mandatory requirement under AMRUT) as per the Assam Municipal Corporation Act, 2022, Assam Municipality Act, 1956 and Assam Local Funds (Accounts and Audit) Act, 1930, which may be incorporated in line with other States such as Bihar.

The aforesaid amendment would help in successful implementation and enforcement of accounting reforms. This communication is to seek an opportunity to catalyse accounting reforms in Local Bodies of Assam. 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 receive the way forward in this regard and to support you in the above endeavour.

Please revert to us for any further clarification/query.

Thanking you,

Yours sincerely,

**CA. Kemisha Soni**  
**Chairperson**

**CA. Sridhar Muppala**  
**Vice-Chairperson**

**Committee on Public and Government Financial Management**

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