



THE INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA

(Set up by an Act of Parliament)

Shri Khalil Ahmed, IAS
Principal Secretary
Directorate of Urban Development & Municipal Affairs
Government of West Bengal

Dear Sir,

Sub: Proposal to catalyse accounting reforms in Local Bodies of West Bengal.

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). 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://icaiv.com/category.php?cat_id=22) and developing e-learning modules (https://icaiv.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 15th 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 do 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.

1. West Bengal Municipal Corporation Act (WBMCA), 2006, West Bengal Municipal Act (WBMA), 1993 and Kolkata Municipal Corporation Act (KMCA), 1980, prescribe that the accounts to be kept in such form and manner as may be prescribed. In the said Acts, it has been observed that there is no specific mention of accrual basis of accounting and National Municipal Accounts Manual. Therefore, these need to be suitably amended to incorporate the said requirement. Further, it is suggested that the requirement of ASLBs issued by the ICAI may be considered to be incorporated in the State's Municipal Act/ Accounting Manual in line with the Uttarakhand Municipal Accounting Manual, 2021.



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2. The Model Municipal Law, 2003 recommended for engagement of Chartered Accountants for Audit of ULBs. WBMCA and WBMA prescribe audit to be done by an auditor appointed by State Government. KMCA prescribes that audit to be done by Chief Municipal Auditor. 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 respective States. To cover the accounts and audit in arrears, it is suggested to consider engaging Chartered Accountants, which is already being done at Rajasthan, Sikkim, Chhattisgarh, etc. till the time internal capacities are enhanced to perform the requisite tasks.
3. In terms of section 91 of the WBMA, the State Government may by rules provide for internal audit of the accounts of a Municipality in such manner as it thinks proper. Similar provision also exists for Municipal Corporations. Rule 24 of the West Bengal Municipal (Finance and Accounting) Rules, 1999, stipulates that the Chairman-in-Council (CIC) of the Municipality shall cause a checking of accounts of the municipal fund, at least once in every month. Test check of 50 ULBs revealed that 46 ULBs did not conduct any internal audit during 2008-13. However, it may be noted that Internal Audit is a mandatory requirement under AMRUT. It is suggested to consider engaging Chartered Accountants till the time internal capacities are enhanced to perform the requisite tasks.

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 West Bengal. 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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