



ICAI/CPGFM/08/2022

10th August, 2022

Dr. Sukhbir Singh Sandhu, IAS
Chief Secretary,
Government of Uttarakhand.

Dear Sir,

Subject: Proposal to support accounting reforms in ULBs of Uttarakhand

We appreciate the efforts being made by the Government of Uttarakhand to improve financial reporting system of Urban Local Bodies (ULBs) of Uttarakhand such as issuance of updated Uttarakhand Municipal Accounting Manual, 2021 and drafting of Municipal Accounting, Budgeting and Auditing Rules which focussed on implementation of accrual based system of Accounting in ULBs.

The Institute of Chartered Accountants of India (ICAI) is also involved in the accounting reforms and improvement of financial reporting and management of Local Bodies in India including ULBs. The ICAI through its Committee on Public and Government Financial Management (CP&GFM) is issuing Accounting Standards for Local Bodies (ASLBs - available at https://www.icai.org/post.html?post_id=1527). The Committee is also involved in creating awareness amongst Local Bodies and other stakeholders about accounting reforms in Local Bodies by organising training programmes (https://icaitv.com/category.php?cat_id=22), and developing e-learning modules (https://icaitv.com/category.php?cat_id=21).

We appreciate that the **ASLBs have been considered in Uttarakhand Municipal Accounting Manual, 2021 wherein it has been mentioned that ASLBs may become mandatory for Local Bodies in the State w.e.f. 31st March 2021.**

As we all know, 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.

We are writing this letter to extend the support of ICAI in the following endeavours related to accounting reforms process in Uttarakhand:

- 1. Preparation of Opening Balance Sheet and Conversion of accounts of Local Bodies from cash to accrual basis of accounting:** ICAI through its research arm, ICAI Accounting Research Foundation (ICAI ARF) may assist/ facilitate Local Bodies in preparation of their opening balance sheet and adoption of accrual basis of accounting. Earlier, ICAI ARF had assisted Municipal Corporation of Delhi and Kolkata Municipal Corporation in the conversion project and application of financial monitoring reforms, respectively.
- 2. Pilot Study to implement ASLBs in a ULB:** ICAI through ICAI ARF proposes to conduct pilot study to implement ASLBs in one of the ULBs in Uttarakhand and evaluating the benefits so accrued.



THE INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA

(Set up by an Act of Parliament)

- 3. Capacity building of accounts/finance officials of Local Bodies:** It is important to cater to the training needs of the accounts/ finance officials of the ULBs to upgrade their knowledge in financial reporting and management to ensure sustainability of reforms. ICAI proposes to jointly organise the capacity building programmes for them with special reference to '*Implementation of Double Entry Accrual Accounting System and Financial Management Reforms in ULBs*' which would be structured according to specific training requirements. The enclosed Annexure may please be referred for the detailed proposal.
- 4.** If considered appropriate, ICAI would also like to contribute in development of Municipal Accounting, Budgeting and Auditing Rules and Municipal Accounting Software that are under preparation/development.

Sir, to apprise you in detail about how ICAI can support accounting reforms in ULBs of Uttarakhand, we would like to meet your good self on any date and time as per your convenience (virtual/physical meeting).

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 feel free to write 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

The Institute of Chartered Accountants of India

CP&GFM Secretariat: 0120-3045985

E-mail: cpf.aslb@icai.in; cpf_ga@icai.in

Committee Website: cpgfm.icai.org

Copy to:

1. Shri Anand Vardhan, IAS, Additional Chief Secretary, Uttarakhand
2. Shri Lalit Mohan Rayal, Director, Urban Development Directorate, Uttarakhand
3. Shri Amit Singh Negi, Project Director, Uttarakhand Public Financial Strengthening (UkPFMS) - Project Management Unit (PMU)



Proposal for joint training programmes for the officials of ULBs

Theme : Implementation of Double Entry Accrual System of Accounting and Financial Management Reforms in ULBs

Duration : One/Two Days

Mode : Virtual/ Physical

Objectives:

- To explore and understand different means of financing urban infrastructure, effective management of internal resources and expenditure, effective budgeting and improving accountability etc. so as to make Local Bodies financially self-reliant and sustainable.
- To highlight the significance of on-going accounting reforms with specific reference to conversion of accounts from single entry to double entry accrual system of accounting, various issues and challenges and various case studies on the transitional process.
- To focus on the importance of accounting reforms in leveraging the raising of funds from new means such as capital market.
- To provide a platform for sharing experience of different States and lessons learnt through case studies/ success stories, etc.

Targeted Participants:

Top and middle level officials associated with Finance and Accounts Sections of ULBs (to be nominated by the State/ respective state training institute)

No. of participants:

50 to 60 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 Local Bodies/ Government, conversion projects, etc.



Tentative list of suggested areas for the Training Programme:

- Conversion of accounts of Local Bodies from cash basis to accrual basis of accounting:
 - Preparation of Opening Balance Sheet
 - Practical issues/ challenges in implementation of Accrual Accounting System
 - Restructuring of Chart of Accounts under accrual system of accounting
 - Transitional process to accrual accounting - A case study/ success stories
- Financial Statement Analysis and Importance of Financial Statements in Decision making under Accrual System of Accounting
- Accrual based Accounting framework for Local Bodies in India:
 - National Municipal Accounting Manual
 - Accounting Standards for Local Bodies
- Accounting for Fixed Assets, Current Assets and Liabilities
- Status of Local Bodies under Income Tax, Goods & Service Tax and its Compliances
- Improving Accountability of Local Bodies towards Citizens and their participation in Municipal Budgeting:
 - Participatory Budgeting
 - Performance Measurement and Reporting by Local Bodies
- Financial planning for Municipal Infrastructure:
 - Enhancing Revenue
 - Innovative other means of Funding
 - Raising fund through Capital market - creating effective Municipal Bond Market

Financial Implications:

- Expenditure for organising the above training programme may be borne jointly by State Government/respective training Institute 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 training institute.
- In case of virtual training programme, there will 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.