



सत्यमेव जयते



एक कदम स्वच्छता की ओर



# **National Summit on “Transparency And Accountability In Government Financial Management”**



**on 11-12 October, 2019  
at The Leela Ambience Convention Hotel,  
Surajmal Vihar, Delhi**



Supported by

**Ministry of Housing & Urban Affairs, Government of India**

Organised By

**Committee on Public and Government Financial Management  
The Institute of Chartered Accountants of India**  
(Set up by an Act of Parliament)

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## PROGRAMME STRUCTURE

DAY-I (OCTOBER 11, 2019)

Time	Sessions	Faculty
9:30 AM to 10:00 AM	REGISTRATION & NETWORKING	
10:00 AM to 10:45 AM	Inaugural Session	
10:00 AM to 10:02 AM	Lighting of Lamp	
10:02 AM to 10:08 AM	Welcome Address	CA Dhiraj Kumar Khandelwal Chairman, CP&GFM, ICAI
10:08 AM to 10:20 AM	Address by Vice-President, ICAI	CA. Atul Kumar Gupta Vice-President, ICAI
10:20 AM to 10:35 AM	Address by Chief-Guest	Ms. Sadhvi Niranjan Jyoti Hon'ble Minister of State for Rural Development, GoI
10:35 AM to 10:45 AM	Vote of Thanks	CA Sanjeev Kumar Singhal Vice-Chairman, CP&GFM, ICAI
10:45 AM to 11:00 AM	Tea Break	
11:00 AM to 1:00 PM	Theme I : FUTURE OF CASH BASED ACCOUNTING	
11:00 AM to 12:00 PM	<p><i>Technical session-1</i></p> <p><i>Panel Discussion:</i> Cash Based Accounting System: How to pave road to Transparency and Accountability</p> <p>Chairman – cum - Moderator: CA. Pramod Jain, Member, Central Council, ICAI</p>	<ol style="list-style-type: none"> <li>1. Smt. Divya Malhotra, IA&amp;AS, DG/GA (from GASAB)</li> <li>2. Smt. Asha Rani Rungta, ICFS, PD/GASAB-III</li> <li>3. Dr. Brajesh Singh, IPAS, Additional Commissioner, EDMC</li> <li>4. Shri Taranjit Singh, ICAS, Jt. CGA</li> </ol>
12:00 PM to 12:15 PM	Public Financial Management System in Government	Shri Shyam Sunder Dubey, ICAS, Joint Secretary & Financial Advisor, MoHUA, GoI



12:15 PM to 1:00 PM	<p><i>Technical session-2</i></p> <p><i>Panel Discussion:</i> Effective Implementation of PRIASoft</p> <p>Chairman : CA. Subodh Kr. Agrawal, Past President, ICAI</p> <p>Moderator: CA. Sanjeev Kr. Singhal, Vice-Chairman, CPF&amp;ASLB, ICAI</p>	<ol style="list-style-type: none"> <li>1. Dr. Sanjeeb Patjoshi, IPS, JS, Ministry of Panchayati Raj</li> <li>2. Shri G. Harikumara Menon, JS, Panchayat Directorate, Kerala</li> <li>3. Dr. Aruna Sharma, IAS</li> </ol>
1:00 PM to 2:00 PM	LUNCH	
2:00 PM to 3:35 PM	<p><b>Theme II : MOVE TOWARDS ACCRUAL ACCOUNTING</b></p> <p>Session Chairman : CA. Jay Chhaira, Member, Central Council, ICAI</p>	
2:00 PM to 2:40 PM	<p><i>Technical session-3</i></p> <p>Transitioning from Cash basis to Accrual basis of Accounting: Steps &amp; Challenges</p>	<ol style="list-style-type: none"> <li>1. Shri Ashok Sinha, IA&amp;AS, PD/ GASAB-I</li> <li>2. CA. Jayant Gokhale</li> </ol>
2:40 PM to 3:20 PM	<p><i>Technical session-4</i></p> <p>Case Studies on Transition from Cash to Accrual Accounting</p>	<ol style="list-style-type: none"> <li>1. Dr. T K Sreedevi, IAS, Director, Municipal Admn Deptt, Telangana</li> <li>2. CA. Pratiq Shah</li> </ol>
3:20 PM to 3:35 PM	Does better information leads to better development outcomes	Shri Naveen Raj Singh, IAS, Secretary to Government of Karnataka and MD, KSMC
3:35 PM to 3:50 PM	TEA BREAK	
3:50 PM onwards	<p><b>Theme III : MAKING REFORMS A MASS MOVEMENT</b></p> <p>Session Chairman : CA. Aniket S Talati, Member, Central Council, ICAI</p>	

3:50 PM to 4:10 PM	<i>Technical session-5</i> How enhancing Government Accountability can improve service delivery?	Dr. T K Sreedevi, IAS Director, Municipal Admn. Deptt., Telangana
4:10 PM to 4:30 PM	<i>Technical session-6</i> Citizen's Participation in Local Bodies	CA. Srikanth Viswanathan
4.30 PM onwards	<i>Technical session-7</i> Big Data Analytics: Role in Smart Cities	CA. Dayaniwas Sharma, Central Council Member, ICAI

**DAY-II (OCTOBER 12, 2019)**

9:45 AM to 11:10 AM	<b>Theme IV : CONTROLS IN GOVERNMENT FINANCIAL MANAGEMENT</b>	
	<i>Technical session-8</i>	
	Chairman : CA. Nihar Jambusaria, Member, Central Council, ICAI	
9:45 AM to 10:05 AM	Overview of Controls in Government Accounting and Reconciliation	Shri Vijay Kumar Singh, ICAS, Joint CGA
10:05 AM to 10:25 AM	IT Initiatives in Public Disbursements including DBT	Shri Harish Shrivastava, ICAS, Joint CGA
	<i>Technical session-9</i>	
	Panel Discussion: Use of Internal Audit for better Service Delivery	
10:25 AM to 11:10 AM	Chairman – cum - Moderator : Shri Vijay Kumar Jhalani, Member, Central Council (Government Nominee), ICAI	1. Shri Ajay Shankar Singh, ICAS, CCA, Ministry of Rural Development 2. CA. Sachin Kapoor, IA&AS 3. CA. Sanjoy Gupta, Co-opted Member, CP&GFM 4. CA. Vijay Sachdeva

11:10 AM to 11:30 AM	TEA BREAK	
11:30 AM to 1:00 PM	Theme V : ROLE OF DIGITECH & PROFESSIONALS IN REFORMS	
11:30 AM to 11:55 AM	<p><i>Technical session-10</i></p> <p>Chairman: CA. Anil S Bhandari, Member, Central Council, ICAI</p> <p>Role of professionals in reforms</p>	CA. Gaurav Taneja
11:55 AM to 12:20 PM	<p><i>Technical session-11</i></p> <p>Chairman: CA. Sushil Goyal, Member, Central Council, ICAI</p> <p>Indirect Taxes, its Accounting Reconciliation and move towards a transparent and focused tax regime</p>	Shri Manoj Sethi, ICAS, CCA, CBIC
12:20 PM to 1:00 PM	<p><i>Technical session-12</i></p> <p>Chairman: CA. Anuj Goyal, Member, Central Council, ICAI</p> <p>Raising fund through Capital market - creating effective Municipal Bond Market</p>	<p>1. CA. Santosh Muchhal</p> <p>2. CA. P.K. Bindlish, Former CGM, SEBI</p>
1:00 PM to 2:00 PM	LUNCH	
2:00 PM to 3:50 PM	Theme V: ACCOUNTING REFORMS – THE WAY FORWARD	
2:00 PM to 2:20 PM	<p><i>Technical session-13</i></p> <p>Chairman: CA. Charanjot Singh Nanda, Member, Central Council, ICAI</p>	







	Decision makers involvement in Government Accounting Reforms	Ms. Meenakshi Gupta, IA&AS
2:20 PM to 3:00 PM	<p><i>Technical session-14</i></p> <p>New Accounting Framework for Government</p> <ul style="list-style-type: none"> <li>○ Accounting Standards for Central and State Government (s)</li> <li>○ Accounting Manual vis-à-vis Accounting Standards for Local Bodies</li> </ul>	<p>Shri R. M. Johri, IA&amp;AS</p> <p>CA. Sanjeev Kumar Singhal, CCM, ICAI &amp; Vice-Chairman, CP&amp;GFM</p>
3:00 PM to 3:50 PM	<p><i>Technical session-15</i></p> <p>Panel Discussion: Local Bodies - Creating Climate for Reforms</p> <ul style="list-style-type: none"> <li>○ Institutional Arrangements</li> <li>○ Review of Legislative Framework</li> </ul> <p>Chairman - cum - Moderator : CA. Sunil Talati, Past President, ICAI</p>	<ol style="list-style-type: none"> <li>1. Dr. Ravikant Joshi (MoHUA)</li> <li>2. CA. Ravinder, IAS, Joint Secretary, Ministry of Commerce &amp; Industry</li> <li>3. CA. Harsh Kumar Sarawagi, Co-opted Member, CP&amp;GFM</li> </ol>
3:50 PM onwards	VALEDICTORY SESSION	<p>CA Dhiraj Kumar Khandelwal Chairman, CP&amp;GFM, ICAI</p> <p>CA. Prafulla P Chhajed President, ICAI</p> <p>CA. Atul Kumar Gupta Vice-President, ICAI</p> <p>CA Sanjeev Kumar Singhal Vice-Chairman, CP&amp;GFM, ICAI</p>





**SADHVI NIRANJAN JYOTI**  
HON'BLE MINISTER OF STATE FOR  
RURAL DEVELOPMENT

 <b>SHRI K.K. SRIVASTAVA,</b> ADAI/GASAB, IA&AS (1983 BATCH)	 <b>MS. DIVYA MALHOTRA, IA&amp;AS, 1987</b> Batch	 <b>MS. ASHA RANI RUNGTA, ICFS</b> (1994 Batch)	 <b>SHRI TARANJIT SINGH, ICAS,</b> JOINT CGA
 <b>CA. SUBODH KUMAR</b> AGRAWAL, PAST PRESIDENT, ICAI	 <b>DR. SANJEEB PATJOSHI, JS,</b> MINISTRY OF PANCHAYATI RAJ	 <b>SHRI G. HARIKUMARA MENON,</b> JOINT SECRETARY, PANCHAYAT DIRECTORATE, KERALA	 <b>DR. ARUNA SHARMA, IAS</b> (1982 BATCH MADHYA PRADESH CADRE), RETD
 <b>SHRI ASHOK SINHA (PD),</b> IA&AS, 1998 BATCH	 <b>DR. T K SREEDEVI, IAS</b>	 <b>CA. PRATIQ SHAH</b>	 <b>SHRI NAVEEN RAJ SINGH,</b> IAS, 1998 BATCH SECRETARY TO GOVERNMENT OF KARNATAKA & MD, KSMC
 <b>CA. SRIKANTH</b> VISWANATHAN	 <b>SHRI VIJAY KUMAR SINGH, ICAS,</b> JOINT CGA(1995 Batch)	 <b>DR. AJAY S. SINGH, ICAS, CCA,</b> MINISTRY OF RURAL DEVELOPMENT	 <b>CA SACHIN KAPOOR, IA&amp;AS,</b> 2008 BATCH
 <b>CA. SANJOY GUPTA</b>	 <b>SHRI VIJAY KUMAR JHALANI,</b> MEMBER, CENTRAL COUNCIL (GOVERNMENT NOMINEE), ICAI	 <b>CA. GAURAV TANEJA</b>	 <b>SH. PARMOD KUMAR</b> BINDLISH, FORMER CGM, SEBI

 <p><b>MS. MEENAKSHI GUPTA,</b> IA&amp;AS, MEMBER SECRETARY</p>	 <p><b>SHRI RAM MOHAN JOHRI, IA&amp;AS,</b> 1989 BATCH</p>	 <p><b>CA. SUNIL TALATI</b></p>	 <p><b>DR. RAVIKANT JOSHI</b></p>
 <p><b>CA. RAVINDER, IAS (1999,</b> UTTAR PRADESH CADRE)</p>	 <p><b>CA. HARSH SARAWAGI, FCA, DISA</b></p>	<p>—</p>	<p>-----</p>

**SADHVI NIRANJAN JYOTI**  
**HON'BLE MINISTER OF STATE FOR RURAL DEVELOPMENT**



**Educational Qualification**

- Matriculation
- Intermediate
- Educated at Uttar Pradesh, Education Board, Allahabad

**Positions Held**

2012-2014	:	Member, Uttar Pradesh Legislative Assembly
2012-2013	:	Member, Committee for Development of Women & Child
2013-2014	:	Member, Estimates Committee
May, 2014	:	Elected, Estimates Committee
	:	Members, Standing Committee on Social Justice and Empowerment
1 <sup>st</sup> Sep. 2014 - 9 <sup>th</sup> Nov, 2014	:	Member, Consultative Committee, Ministry of Water Resources
9 <sup>th</sup> Nov.2014 -25 <sup>th</sup> May 2019	:	Union Minister of State, Ministry of Food Processing Industries
May, 2019	:	Re-elected to 17 <sup>th</sup> Lok Sabha (2 <sup>nd</sup> term)
30 <sup>th</sup> May 2019 onwards	:	Union Minister of State, Ministry of Rural Development

**Social and Cultural activities**

Working for uplifting of the children of the poor and vulnerable sections of society promoting afforestation for protection of environment, protection of cows, advocating and promoting social and cultural values, helped in marriages of poor girls.

**Special Interests**

Reading religious book such as Shrimad Bhagwat, Shri Ram Katha, Gita and Upnishads. Visiting Pilgramages. Listening to religious hymns.

**Favourite Passtime and Recreation**

Gardening, participating in religious and cultural programmes; Reading biographies and autobiographies of social and political leaders.

**Countries visited**

Indonesia, Poland, Thailand, UAE

**Extra Curricular Activities**

- Sports and Clubs
- Yoga and Meditation



## CA. PRAFULLA P. CHHAJED, PRESIDENT, ICAI



CA. Prafulla P. Chhajed is the 67th President of The Institute of Chartered Accountants of India for the term 2019-20.

He is also the Chairman of Board of Directors of ICAI-ARF (Accounting Research Foundation) and XBRL India. He is Director of Registered Valuer Organization (RVO) and the Indian Institute of Insolvency Professionals of ICAI, which incidentally is the first insolvency professionals agency (IPA) of India.

As President of the Institute, CA. Chhajed is now the Chairman of its Standing Committees namely Executive, Finance and Examination Committees, and also Presiding Officer of Disciplinary Committee (under Section 21-B) and Chairman of Disciplinary Committee (under Section 21D). He is also an ex-officio member of all Non-Standing Committees of the Institute and the Editor of the Institute's journal, The Chartered Accountant.

CA. Prafulla Chhajed is representing ICAI at various important committees constituted by Government/ Ministries/ Regulators, that include Government Accounting Standards Advisory Board (GASAB) and Audit Advisory Board- both constituted by the C&AG of India, Insolvency Law Committee, Committee to Advise on Valuation Matters, Committee of Experts constituted by Govt. of India to examine the need for institutional framework for regulation and development of Valuation professionals of Ministry of Corporate Affairs (MCA), Board Member, Insurance Regulatory & Development Authority (IRDA), Insurance Advisory Committee of IRDA, Standing Committee on Accounting Issues and Apex Committee of IRDA, Member of SEBI's Primary Market Advisory Committee and XBRL Technical Advisory Committee.

On International front, CA. Chhajed has recently been appointed as Chair of Executive Committee of World Congress of Accountants (WCOA -2022) constituted by IFAC and is also representing views of Indian accountancy profession as Board Member of Confederation of Asian and Pacific Accountants (CAPA) and member of Public Sector Financial Management Committee of CAPA. He is also Observer on International Federation of Accountants (IFAC) Board, Board member of South Asian Federation of Accountants (SAFA), Chairman of SAFA's Small & Medium Practitioners (SMP) Committee and representing SAFA on IFAC SMP committee. He is also representing ICAI in International Integrated Reporting Council (IIRC) and Chartered Accountants Worldwide (CAW).

He has been elected to the Central Council of the Institute for three consecutive terms (i.e. 2013-16, 2016-19 and 2019-22). As a member of the Central Council, he has served the Institute and the profession as Chairman of Committee for Professional Accountants in Business & Industry, Banking, Financial Services and Insurance, Professional Development Committee, Committee on Public Finance and Government Accounting and Committee on Corporate Social Responsibility among others.

## CA. ATUL KUMAR GUPTA, VICE PRESIDENT, ICAI



CA. Atul Kumar Gupta got elected Vice-President of The Institute of Chartered Accountants of India for the term 2019-20 on 12<sup>th</sup> February 2019. Having served the profession for about two decades, he had joined the Central Council in 2013.

He is a Commerce and a Law graduate by education, He has led the cause of profession through various committees of the Institute, serving as Chairman of Digital Accounting and Assurance Board, Board of Studies, IT Committee and Indirect Taxes Committee, among others.

He has also been the Chairman of SAFA CPD Committee and Director of XBRL India and ICAI-Accounting Research Foundation (ARF) in the past. Through ICAI-ARF, he is credited for the promotion of the agenda of research in profession. After anchoring the ICAI-ARF team in the project of preparation of accrual-based financial statements of the North-Western Zonal Railways for the year 2014-15, CA. Gupta has mentored the team in the project of preparation of accrual-based financial statements of the Indian Railways for the years 2015-16 and 2016-17.

As Vice-President of the Institute, CA. Gupta is now the Vice-Chairman of all Standing Committees including Executive, Finance and Examination Committees, besides being the ex-officio member of all Non-Standing Committees of the Institute and Joint Editor of the Institute's Journal, *The Chartered Accountant*.

Representing the profession on national as well as international fronts, he has addressed numerous technical meetings and seminars/ conferences, and represented the Institute and its professional initiative in the past, including those at Association of Corporate Treasurer, Chartered Institute of Taxation and Financial Reporting Council and ICAEW in London, American Accounting Association, Chartered Institute of Public Finance Accountancy, Manchester.

Being thoroughly conversant with the professional concerns and demands of his times, CA Gupta has authored many relevant books, including *GST Concept and Road Map* (with a foreword by Union Finance Minister), Comprehensive Guide to Service Tax (14e), Guide to CENVAT Credit Rules, 2004 and student's edition of *Guide to Service Tax*. He has also been a part of a recently-constituted Roundtable Meeting for *Empowering Youth from Education to Employment* that was chaired by Union HRD Minister.

An academic by temperament, CA Gupta has published numerous articles in leading newspapers, magazines and professional newsletters, and delivered lectures in about 1500 seminars and conferences.

## CA DHIRAJ KUMAR KHANDELWAL, CHAIRMAN, CP&amp;GFM, ICAI



CA. Dhiraj Khandelwal has proved his milestone at various professional and social platforms as follows:

**Professional Platform:**

- Chairman of Banking, Financial Services and Insurance Committee (2019-2020) & Committee on Public Finance and Accounting Standards for Local Bodies (2019-2020)
- Member of Central Council of ICAI – 2016-2019
- Chairman of Committee for Professional Accountants in Business & Industry - 2018-2019
- Convener of Career Counseling Group of ICAI 2017-2018
- Vice Chairman Committee on Management Accounting 2017-2018
- Vice Chairman Committee for Co-operatives and NPO Sector 2017-18
- Vice Chairman of Board of Studies and Committee on Management Accounting-2016-2017.
- Member of WIRC – 2007-10, 2010-13, 2013-16  
*(Initiated first CA Leader Awards, CSR Awards-2015 & Organized event "Recognition of CA's in Social Service" & Organized campaign on Azad Bharat Swacch Bharat)*
- Chairman of CMI of WIRC – 2007-08, 2009-10, 2014-15  
*(Organized the first ever historical initiative of three days trade fare, Campus placement for experienced chartered accountant)*
- Secretary of WIRC in 2008-09  
*(First and the only recipient of Excellent Performance (Individual) Award in 2008 as WIRC Secretary)*
- Chairman of WICASA in 2009-10
- Chairman of Committee of "Azad Bharat-Swacch Bharat" of WIRC-2015-16.
- Project Convener – CSR Awards held in 2015
- Chairman of CSR Committee of WIRC- 2015-2016
- Chairman of Hostel Committee in 2012-13
- Chairman of Career Counseling Committee in 2010-11
- Chairman of Internal Audit Committee in 2011-12
- Project Convener – Recognition of CA's in Social Service - 2015
- Chairman of Public Finance & Govt Accounting Committee-2015-16.
- Founder Member of Khandelwal Professional Association.(International)
- Authored :
  - i) CSR – A Handbook
  - ii) Handbook on Green Audit
  - iii) Articles on Various Professional Opportunities.
- Served as Independent Director on the boards of Edelweiss Financial Advisors Ltd

**Social Platform:**

- President - Lions Club Of Mumbai Western, Mumbai (2004-2005)

*(Conceptualized and organized the first ever Fempowerment Award for Women Achievers in 2012)*

- Trustee - Lions Club of Mumbai Western Charitable Trust
- Zone Chairman of Lions Club International Dist. 323 A-3(2005-06)
- Vice President – Rajasthani Seva Sangh.
- Life Member - Rajasthan Vidhyarthi Griha (Hostel)
- Founder Member of Khandelwal Professional Association.(International)
- Life and Founder Member in Rajasthani Seva Samiti, Thakur Complex.
- Joint Editor of “The World of Priyanka” a monthly Hindi magazine.
- Asst Editor of “World of Great Faces” a monthly Hindi magazine.

He has wide experience in practice for nearly 18 years now and have excelled in driving Client Relationships. He is also specialized in the field of Audit, business advisory and planning and Company Law Matters and also been involved in offering advisory services on accounting systems, accounting principles etc. and their conformity with Indian/International Accounting Standards. He is also having specialization in the field of project finance, FEMA, Cross Border Transaction, direct/indirect tax consultancy and all legal matters. His clientele include large corporations including MNC's, owner managed companies, service businesses and professionals.

## CA (DR.) SANJEEV KUMAR SINGHAL, MEMBER, CENTRAL COUNCIL, ICAI



Vice Chairman, Accounting Standards Board, ICAI

Vice Chairman, Committee on Public & Government Financial Management, ICAI

### Educational Background

- ▶ FCA with 20 years of experience
- ▶ B.Com. (Hons.) from SRCC, Delhi University Topper
- ▶ Articleship from A F Ferguson, Delhi
- ▶ M Com. Department of Commerce, Delhi School of Economics
- ▶ PhD in International Finance from Faculty of Management Studies, Delhi.
- ▶ Certificate course on IFRS from ICAI
- ▶ Received more than 100 merit certificates for academic
- ▶ achievements and extra-curricular activities in school and college

### Books and Papers

- ▶ Has over 12 books published by leading publishers including Bharat Law House, CCH, Lexis Nexis, Bloomsbury etc., on Ind AS, IGAAP, Companies Act, 2013, revised Schedule VI, etc. to his credit;
- ▶ Has published several research papers published in leading journals and ICAI publications.

### Professional Experience

- ▶ Industry experience:
  - ▶ Management Trainee at SIDBI;
  - ▶ Vice President, Finance at Cyber Media;
  - ▶ Executive Vice President, Finance at Religare
  - ▶ Vice President at Jubilant Life Sciences, etc.
- ▶ Worked as Partner with BL Aggarwal Sohwasia and Co.
- ▶ Worked as an associate professor at FORE School of Management
- ▶ Currently working as Partner, S R Batliboi & Co. LLP, Chartered Accountants

### Awards

- ▶ CA Professional Achievement Award 2014 for outstanding contribution to industry
- ▶ NIRC Best Faculty Award
- ▶ Winner of Prof A B Ghosh Prize for highest marks in Economics Group Papers
- ▶ Delhi University Topper; received Prof Jai Narain Vaish Gold Medal Award

### Contribution to Profession

- ▶ Represented India at World Standard Setter Forum at London & World Accountancy Forum at Dubai

- ▶ Government Nominee at NACAS & contributed towards resolving industry & professional interest issues
- ▶ Special Invitee, Board of Studies & contributed extensively for development of study material for new course
- ▶ Contributed as Special invitee on Ind AS implementation committee and ITFG of ICAI & acted as the resource person for preparation of background material on several Ind AS
- ▶ Contributed as CII nominee on Auditing and Assurance Standards Board of ICAI & acted as the resource person for developing several guidance notes
- ▶ Contributed as special invitee, Research Committee, ICAI for guidance note on CSR & special invitee, Corporate Laws Committee, ICAI towards development of several guidance notes
- ▶ Contributed as Member, CII, National Financial Reporting Committee & Chairman, CII Sub Group on Accounting & Auditing Standards on matters concerning industry
- ▶ Has been the co-opted member/special invitee of Accounting Standards Board of ICAI and acted as the resource person for developing Ind AS
- ▶ Addressed more than 550 seminars on accounting standards, Ind AS, IFRS, IPSAS, revised Schedule VI, Schedule II, Companies Act, 2013, Auditing Standards, etc. across India, Bhutan, Nepal, Bangkok, Dubai. etc.

#### Contribution to Society at large

- ▶ Volunteer at 'Can Support' working for Cancer-affected people
- ▶ Trustee at Shri Krishna Ayurvedic Hospital, Charkhi Dadri, Haryana & at Shri Vaishya Vikas Parishad, Delhi
- ▶ Trustee and Volunteer at the Blind Ashram, Ghevra, Delhi
- ▶ Instituted several scholarships at SBM School, Delhi
- ▶ Associated with Ekal Vidyalaya

## SHRI K.K. SRIVASTAVA, ADAI/GASAB, IA&amp;AS (1983 BATCH)



**Education :** Holds a degree in M.A.(Eco.)

**Career :** Served in various key positions in C&AG and outside such as

- Director General /Government Accounts in C&AG Head quarters
- DG/Eastern Region-I at Headquarters office
- Principal Accountant General (A&E) Kerala
- Principal Accountant General (C&CA), Gwalior, MP
- Chief Auditor (NDMC on Deputation)
- Presently, he is holding the post of ADAI/GASAB in the O/o C&AG of India, New Delhi

**Foreign Assignments:** Important UN/Embassy and other foreign assignments like

- Audit of RO & FAOR in Dhaka and Bangkok
- FAOR audit at Namibia and South Africa
- UN Audit-UNFCCC at UNFCCC-Hq Bonn, Germany.

**International Trainings:**

- Attended Training in Computer Auditing at Tokyo, Japan
- Attended IDI Sponsored workshop on 'Dealing with Fraud & Corruption in Auditing' at IDI Lahore
- Attended Advanced Management Development Programme (AMDP) held at National University of Singapore at AMDP Singapore
- 33rd Annual International Training Conference of the IGGFM at ICGFM, Miami, Florida, USA

**Embassy Audit** at Chittagong (Bangladesh), Yangoon (Myanmar) and Laos (Cambodia).

**An Author** blessed with extra ordinary writing skills who has penned books like

- Soliloquy of a Small-Town Uncivil Servant (2019); Rupa Publications
- Shadows of the Real (2012)
- An Armless Hand Writes (2008)
- Ineluctable Stillness (2005)

**Others**

- Andhere Se Nikli Kavityein (2017) (Hindi Translation of his 35 English poem.); Vani Prakashan
- "Shadows of the Real" translated into Russian (2017) by Russian poet Adolf Shvedchikov.
- Literary reviews for newspaper, The Daily Star and The Pioneer.

## CA. PRAMOD JAIN, MEMBER, CENTRAL COUNCIL, ICAI



## ACADEMIC &amp; PROFESSIONAL QUALIFICATION:

- Commerce graduate from Shri Ram College of Commerce (SRCC).
- Fellow member of the Institute of Chartered Accountants of India
- Fellow member of the Institute of Companies Secretaries of India
- Fellow member of the Institute of Cost Accountants of India.
- Bachelor of Law (LL.B).
- Member, All India Management Association (MIMA)
- Insolvency Professional (IP)

He has been elected as Central Council Member of ICAI for the period 2019 – 2021. Apart from being member in more than 20 committees / groups of ICAI, he is Vice Chairman of Direct Tax Committee and Committee on International Taxation of ICAI for year 2019-20.

He is the conceptualizer of the queries portal which is a one stop solution for all professional queries which has given more than 15000 answers since its launch in mid of year 2018.

He has delivered more than 750 lectures and articles on various topics of Income Tax, Corporate Laws, LLP, Peer Review, Quality Review etc. at more than 130 forums throughout the country.

He is Senior Partner in a professional firm of Chartered Accountants. He is president, founder convener and member of various associations, circles, committees, etc. of ICAI, ICSI and other prestigious bodies and associations. He has authored books on *“Chartered Accountant's Documentation and Compliance for Audits and Reviews”*, *Limited liability Partnership – A Complete Resource Book*, *“Chartered Accountant's Documentation and Compliance for Audits and Reviews”*, *“Importance of LLP after Companies Act, 2013”*, *“Chartered Accountant's Documentation and compliance under Companies Act 2013, Peer Review and Quality Review”*, *“Limited Liability Partnership – Law, Procedures and Taxation”*, *“Documentation for Chartered Accountants”*, *“Limited Liability Partnership – Law and Procedures with Ready Reckoner”*, *“Fringe Benefit Tax & Banking Cash Transaction Tax”*, *“Documentation for Audits”* and *“Accounting Standards and CARO”*.

He has written various articles on taxation, company law and audit in various journals. He has a vast practical experience in taxation, audit and corporate laws field and he has been giving consultancy to various corporate and non-corporate entities on taxation matters.



**MS. DIVYA MALHOTRA, IA&AS, 1987 Batch**

**Education:** M.A. (Economics)

**Career:** She has served in various positions in C&AG

- Principal Accountant General (G&SSA), Rajasthan - also responsible for the audit of Local Bodies in Rajasthan
- Experience of working in the field of Accounts & Audit, Railways, Defence Audit etc.
- Presently working as Director General (Govt. Accounts) and Member Secretary (GASAB) since 2016 in the O/o C&AG of India, New Delhi – responsible for preparing and finalising Government Accounting Standards

**Foreign assignment:**

- Audit of World Health Organisation
- UN Audit conducted of ECLAC, ESCAP

**International Workshops / Seminars/Trainings** - Participated in various courses conducted by organisations like IMF and Harvard University

**MS. ASHA RANI RUNGTA, ICFS (1994 Batch)**

A 1994 batch officer from the Indian Communication Finance Service (ICFS) presently posted in GASAB as Principal Director, which is the entity entrusted with the preparation of cash and accrual-based accounting standards for government entities.

Past experience includes posting in Department of chemical & Petrochemical, Pharmaceuticals, Posts, Telecom and Telecom PSUs, viz., BBNL and formative years of BSNL, when it entailed a transition from cash to accrual accounting, apart from a stint in Ambedkar University in its formative years too.

## SHRI TARANJIT SINGH, ICAS, JOINT CGA



1. M.Tech (Mechanical Engineering)
2. Previous jobs :
  - a. Project Engineer, Punjab Tractors Limited, Mohali
  - b. Lecturer, Guru Nanak Dev Engineering College, Ludhiana
3. Present Work Experience :
  - a. 1995-2017: Worked in different fields of Financial Management in Social sector, Infrastructure sector and Economic sector in GOI at various positions viz. Controller of Accounts, Director (Fin) etc..
  - b. 2017-18 : Jt. CGA., PFMS
  - c. 2018-19 : Principal Director, GASAB o/o CAG of India
  - d. 2019 (August) till now : Jt CGA (Accounting Rules, Policy and Reforms)
4. International Experience :
  - a. Member of the team to Antarctic to evaluate continuation and refabricating 'Matri Station' in Antarctic,
  - b. Member India Team to Peru for Peru ITPO,
  - c. Member Team to Meteo-France, Toulouse, France for contractual evaluation.
  - d. Represented India in Finance Committee of ISBA (International Sea Bed Authority - an Authority under UN) Jamaica in 2008
  - e. Represented India in Finance Committee of CCAMLR (Centre for Convention of Antarctic Marine Living Resources) - a body under UN at Tasmania, Australia in 2009
  - f. Represented India in ATCM XXXIII at Punta del Este, Uruguay in 2010.
  - g. Attended training on Financial Management at - Duke University, USA; SLIDA, Sri Lanka; Financial Management Center, Slovenia.
  - h. Audited Indian embassies at Oman, Zimbabwe, Uganda, Malaysia, Yangoon and Thailand

### CA. SUBODH KUMAR AGRAWAL, PAST PRESIDENT, ICAI



Subodh Kumar Agrawal, a practising chartered accountant and Insolvency Professional from Kolkata, is a member of Institute of Chartered Accountants of India as well as Institute of Chartered Accountants of Australia.

He has got more than 30 years of experience in various audits, SEBI matter, corporate law matters, public finance and financial services.

He has been very active and has served as Chairman of Eastern Regional Council of ICAI in 2006 and also has been President of ICAI for the year 2013. He has served on the various national committees of RBI/ SEBI/ MCA/ CAG/ NACAS, Quality Review Board constituted under the Chartered Accountants Act. and also served on the Board of Insurance Regulatory Development Authority.

On International front he has been (i) President of South Asian Federation of Accountants an apex body of SAARC, (ii) Board Member of Confederation of Asian and Pacific Accountants and also (iii) Member of Small and Medium Practitioners Committee of International Federation of Accountants, New York.

On the academic front he got 10<sup>th</sup> all India rank in CA Final Exam held by The Institute of Chartered Accountants of India.

Has delivered lectures in various seminars, symposia's and conferences organized by EIRC, ICAI various study circles and other organisations on the topic of financial matters and related to CA professionals including public finance. He is a regular speaker on bank audit, advances, restructuring, and now on Insolvency and Bankruptcy Code.

## DR. SANJEEB PATJOSHI, JS, MINISTRY OF PANCHAYATI RAJ

**Academic qualifications:**

- (1) PhD Economics (Entrepreneurship development), Sambalpur University, India on 16-7-18
- (2) MBA (Management and Public Policy) from IIM Bangalore and Syracuse University USA, 2006-2008
- (3) M Tech (Electrical Engineering) from IIT Kanpur, 1986-1988
- (4) B.Tech. (Electronics and Power Engineering) from NIT, Nagpur, 1981-1985
- (5) Certificate course (one month) on International Trade and Economics in Centre of Development Studies, 2008

**Previous postings:**

- (1) Director (Joint Secretary rank), Vaikunt Mehta National Institute of Cooperative Management (VAMNICOM), Ministry of Agriculture, Government of India, Pune & Director, SAARC Centre of International Cooperation and Training in Agricultural Banking, Pune in 2013-16 for 3 years
- (2) IG, Traffic & Road Safety Management & Protection of Civil Rights
- (3) Election Observer in Assembly Election Meghalaya in 2013
- (4) IG, Kerala State Human Rights Commission, Law Department
- (5) Election Observer in Assembly Election Uttar Pradesh in 2012
- (6) Managing Director & Chief Executive of Kerala State Film Development Corporation, Kerala State Road Transport Corporation and Kerala State Cooperative Milk Federation
- (7) DIG, Kerala Police Academy
- (8) Jt. Director to Government of India, Scheduled Areas & Scheduled Tribes Commission, Ministry of Tribal Affairs, New Delhi in 2003-2005
- (9) Commissioner of Police, Calicut City
- (10) Communication Officer in United Nations Mission in Kosovo, Europe
- (11) ADC to Governor of Kerala
- (12) District SP and Foreigners' Registration Officer of Palghat and Quillon
- (13) Commandant, Kerala Rapid Action Force & Kerala Armed Police
- (14) Indian Railway Service officer (Indian Engineering Service) before joining IPS
- (15) Customer Engineer in Hindustan Computer Ltd

**International Trainings:**

- (1) Cambridge University, United Kingdom, 2010
- (2) Australia -New Zealand School of Government, Sydney and Melbourne in 2018
- (3) Duke University USA in 2019
- (4) OECD centre Kososvo, Europe in 2001

**Achievements:**

- (1) President of India Medal for Meritorious Service on 15-Aug-2016
- (2) Distinguished Alumni Satyendra Dubey Memorial Award 2011 from IIT, Kanpur for honesty and integrity and upholding human values and human rights in public service on 12-3-2011 among all alumni of all IITs in India
- (3) United Nations medal in Kosovo, Europe, 2001

- (4) Distinguished Alumni Award from National Institute of Technology Nagpur on 17-2-2019
- (5) MBA thesis in 2008 on Human Development Index estimation of PTG Paudi Bhuiyan and Gond tribe of Sundergarh district and argument for change of policy of Tribal Development which was published in journal of National Council Cooperative Training in 2013.
- (6) Contributed in Report of Scheduled Areas & Scheduled Tribes Commission on Tribal Development, submitted to President of India in 2004
- (7) Guest faculty in IIM Bangalore, XLRI Jamshedpur, MDI Gurgaon, IIT Bhubaneswar, Railway Staff College Baroda, Management Training Institute of SAIL Ranchi, Sambalpur University, Delhi University College of Commerce, Brahmakumari International Center, Mount Abu etc
- (8) 2 Good Service Entries and 25 Commendation and Appreciation letters
- (9) Kerala Government medal for Malayalam in IPS Academy in 1993
- (10) A C Menon award for best public relation in 1998
- (11) R D Singh Cup for swimming championship in IPS Academy in 1993
- (12) "Pride of India" award in May 2010 at Bangalore for my contribution to Indian dairy sector
- (13) "Leadership" felicitation from IIM Calicut in 2009
- (14) Mother Theresa Excellence Award at Bangalore on 1-5-2014 for my contribution to cooperative education sector
- (15) Award of Skoch Order-of-Merit Certificate to me on 20-6-2014 at New Delhi in areas of Financial Inclusion and Deepening.
- (16) During my tenure as Director, National Institute of Cooperative Management has been awarded with Dewang Mehta Business school award in year 2013, 2014 and awarded with Lokmat National Education Leadership award in year 2014.,
- (17) Competition Success Review Award for Eminent Director to me in 2015, 2016
- (18) Public Relation Council of India award in 2015
- (19) Obtained National Board of Accreditation for National Institute of Cooperative Management, Pune on 8-12-2015

#### Extra Activities:

Mentoring of IIM/IIT/NIT students for Summer Internship project work under Rakshak Foundation

**SHRI G. HARIKUMARA MENON, JOINT SECRETARY, PANCHAYAT DIRECTORATE, KERALA**

Currently serving as Joint Secretary to Government since 04/2017, entered into Government Service in 1990 and worked in various Departments and Government Undertakings in various posts for long time. I have been working as Senior Finance Officer in the Office of the Director of Panchayats from 10/2018.

I have worked in Kerala Khadi & Villages Industries Board as Financial Advisor & Chief Accounts Officer. I took initiative in successful implementation of various schemes implemented by the Govt. of Kerala. As Senior Finance Officer in the Directorate of Panchayats, Govt. of Kerala and Local Fund Audit Department, Accounts, I am responsible for financial matters of the department, service matters related to the employees of the Department, coordinating inspections and internal audit of the sub offices attached to Directorate of Panchayats.

**DR. ARUNA SHARMA, IAS (1982 BATCH MADHYA PRADESH CADRE), RETD.**



She has always focused to have holistic approach and establish system in all her postings for ensuring sustainable quality outcomes.

At State and Center she has visualized, worked and implemented successful software's like SAMAGRA ( a household wise common data base) used by all the individual and family benefit schemes, now implemented in 8 states, Panch Parmeshwar has made entire working of Panchayat, Block and district for all works executed cash less. This graduated to PRIASoft.

She was Secretary Information Technology and later Secretary Steel in government of India beside being the Director General, Doordarshan during the critical time of Common Wealth Games 2010. She is in 5 member High Level RBI committee on Deepening of Digital Payments constituted by Reserve Bank of India- a report that had immediate execution.

She has been member of National Knowledge Commission on health care and education. Her doctoral work is on psycho-barriers in access to public health care.

She is Fellow with University of Bath in UK and alumni of Harvard Kennedy School. She regularly writes for Financial Express, Economic Times and CNBC 18.

She has two books reaching the Last Beneficiary: Resource Convergence Mantra Model (2008) and Impact of Recourse Convergence in Policy Making, Program Design and Execution (2014) released by UNDP. FAO has also published her work on food security. Her latest work is the book U@Game Changer for Inclusive Growth for public representatives.

She is independent director with MFin, Welspun Infra and Jindal Steel and Power Ltd, besides lot of pro bono work in field of development, core sector and environment.



## CA JAY CHHAIRA, MEMBER, CENTRAL COUNCIL, ICAI



B.Com., LL.B., FCA, A.C.M.A., M.F.M., M.B.A.(Fin.), P.G.D.F.M., M.F.C., M.Bk.M., M.Phil.(Mgt.), M.A.(Eco), M.Com.(CIM), D.B.M., D.B.F., I.S.A.(ICA), M.B.A.(Inv.), A.D.B.A., P.G.D.Ent., P.G.D.M., P.G.D.I.B., M.G.E.M., D.I.M., P.G.D.Mkt., P.G.D.Adv., P.G.D.W.M., A.M.P.G.S.(U.S.), A.D.M.A. (London)

Studied Advanced Management at Italy, Germany, U.K., U.S., China. Awarded by the President of India for getting first in India in Research. Also awarded by Chief Minister of Bihar for Science & Research.

Awarded by Governor of Gujarat as “Legend of Surat”, by Health Minister of Gujarat as “Star of Surat” by Member of Parliament, Surat as “Jewel in the Crown”, by Mayor of Surat as “Surat na Sitara”, as “Youth Icon” by leading newspaper group Dainik Bhaskar.

State level winner in Painting, Singing, Elocution, Drama, etc. Acted in a few Gujarati dramas and films. Participated in Akshay Kumar International Martial Arts Competition at Mumbai. Member of Civil Defence, Government of Gujarat. Selected for World Youth Peace Summit, Geneva. Represented India at various forums of Higher Education at Los Angeles, Milan, Ghunagzhou, Phuket, Paris, etc. Elected as the President of Rotary Club 2008.

Associated with ICAI activities from 1995. Elected as Chairman, Surat Branch, 2005. Elected as Vice Chairman, WIRC, 2012. Currently, a Central Council member, Chairman of Professional Development Committee, Vice Chairman of Peer Review Board. Member of Accounting Standard Board, Editorial Board and 14 other committees of ICAI. Member of various committees of South Asian Federation of Accountants.

SHRI [ASHOK SINHA](#) (PD), IA&AS, 1998 BATCH

Education: MA, History (University of Delhi)

Career: Sh. Ashok Sinha has served in various positions in C&AG

- Dy. Accountant General in the O/o AG Arunachal Pradesh at Itanagar
- Sr. Dy. Accountant General in O/o PAG Rajasthan, Jaipur
- Director in the O/o Director General, Central Audit, Chandigarh
- Accountant General (Accounts & Entitlement) Uttarakhand at Dehradun
- Presently working as Pr. Director (GASAB) in the O/o C&AG of India, New Delhi

Foreign assignment:

- Audit of WHO(UNITAD), Geneva
- Audit of IOM at Afghanistan, Nepal and Geneva
- Audit of UNHQ at Columbia

International Workshops / Seminars/Trainings

- ASOSAI Seminar on Environment Audit in China
- Management Development Programme (MDP) at Berkeley, California
- General Finance Statistics and Public Sector Debt Statistics by IMF at Singapore

Embassy Audit:

- Audit of Indian Embassy Audit at Kathmandu, Bangkok and Manila

**CA. JAYANT GOKHALE, MEMBER, CENTRAL COUNCIL, ICAI**  
**with reference to Local Bodies – Accounting Reforms**



Qualified as a Chartered Accountant in 1981. Commenced Professional practice as a Chartered Accountant in 1981, simultaneously qualified with a Bachelor of Laws Degree with elective subject of "History of Legislation and Interpretation of Statutes."

**A: Professional Experience in Implementation of Accounting Reforms in Local Bodies**

- ◆ Advisor to Director General, Defence Estates (DGDE - Ministry of Defence, Govt. Of India) in implementation of accounting reforms of 62 Cantonment Boards.
- ◆ Advisor to Government of Maharashtra (Directorate of Municipal Administration) and Directorate of Municipal Administration. Assignment included Drafting the Revised Municipal Accounts Rules for State Government, Providing Implementation Guidelines & Drafting Audit & Training Manual. Also Provided Training to Local Bodies / professional firms assisting the Local Bodies in implementing the Accrual based Accounts

**B: Experience Abroad**

- Deputed by ICAI to Brussels as Observer to the Conference on Modernising Accounting in the Public Sector (including Local Bodies) organized by European Federation of Accountants.

**C: Experience in India**

Was an elected member of the Central Council of The Institute of Chartered Accountants of India from 2000 to 2012. As a member of the Council was

- ◆ Chairman – Committee for Accounting Standards for Local Bodies.
- ◆ Chairman - Committee on Government Accounting
- ◆ Chairman - Study Group of ICAI for Reforms in the Reporting process to be followed by members of Parliament regarding utilization of Local Area Development Fund.
- ◆ Member of the Committee set up by the Accounting Standards Board to lay down roadmap for Convergence of Indian AS with IFRS.
- ◆ Formerly Vice Chairman and member of Accounting Standard Board during several years.
- ◆ Nominated as Member of the Technical Committee on Budget and Accounting Standards for Urban Local Bodies constituted by Ministry of Urban Development - Government of India.
- ◆ Nominated as Member of a Group formed by the Ministry of Urban Development [Public Record of Operations & Finance (PROOF) - ICAI Group].
- ◆ Nominated as Member on Project Implementation Committee to pursue the Implementation of "Accrual Accounting" in the Ministry of Road Transport & Highways
- ◆ Director, ICAI Accounting Research Foundation - Research oriented Sec. 25 Company which has been involved in implementation of Accounting Reforms in Municipal Corporation of Delhi (MCD) and Kolkata Municipal Corporation (KMC)
- ◆ Nominated as Member & Technical Expert of Committee formed by C&AG for implementation of Accounting Reforms in Pilot Project at Ram Manohar Lohia Hospital, New Delhi, (Ministry of Health) and

Central Public Works Department, New Delhi (Ministry of Urban Development) of the Government of India.

D: Invited as a Faculty for :

- ◆ Indian Audit & Accounts Service Academy at Shimla in regard to Conversion of Government Accounts to accrual based Double Entry Accounting system and also to impart training to the personnel of Comptroller & Auditor General of India on the International Public Sector Accounting Standards which are the standards to be followed by Local Bodies outside India.
- ◆ Orientation of visiting delegation for South Africa in Training Session Conducted by INGAF (Institute for Government Accounts & Finance) a Training Institute of the Ministry of Finance, Government of India.
- ◆ YASHADA - Training Institute for Government of Maharashtra for training Chief Executive Officers on Government Accounting
- ◆ Acted as Faculty for staff of the Comptroller & Auditor General of India, training of senior officials of the Government of Maharashtra, the Government of Rajasthan, Mahanagar Telephone Nigam Ltd., Punjab National Bank, Steel Authority of India, and other PSUs and Private Sector Corporates.

## DR. T K SREEDEVI, IAS



MA in Psychology, MA in English, Ph.D. in Institutional Mechanisms.

As member of Indian Administrative Service I have rich experience in Public Administration including Land Administration, Weaker Section Finance Development Corporation, Environment and Watershed Programme, Participatory Research and Development, Disaster Mitigation, Rehabilitation and Resettlement, Taxation and Municipal Administration.

I had opportunity to work with an International Donor, Department for International Development (DFID), UK as Additional Programme Coordinator, Andhra Pradesh Rural Livelihoods Programme (APRLP).

I also worked in International Crops Research Institute for the Semi-Arid Tropics (ICRISAT) as Senior Scientist in Watershed Development. During this time I had opportunity to work in China, Vietnam, Thailand, Philippines and Africa.

I worked for System-wide Programme on Gender and Diversity with International Food Policy Research Institute (IFPRI), US and University of Florida. I also participated in System-wide Programme on Participatory Research and Development with International Potato Centre, South America. I had a wide range of exposure to work with various UN Organizations and also International NGOs.

Presently, as Commissioner and Director, Mission Director for Eradication of Poverty in Municipal Areas (MEPMA), I have a mandate to bring efficiency in Governance and nurture the Urban Local Bodies to become Growth Engines for Development and Realisation of the Vision of "BANGARU TELANGANA" (Unprecedented development) of the 29th State in a Federal Nation.

## CA. PRATIQ SHAH



Pratiq is a Chartered Accountant (CA), Certified Public Accountant (CPA) and a Commerce Graduate (B.Com) from Mumbai University. He is Partner, Audit & Assurance, with a big 4 based out of Mumbai with over 15+ years of experience in professional services firm with 2 years of corporate experience in manufacturing, mining, automobile and IT sector.

Major part of his time has been spent in accounting advisory services and has led various assignments under various accounting frameworks which include Indian GAAP, IFRS, US GAAP and Ind AS for leading manufacturing groups and service industries and FMCGs.

He is also a faculty with the Institute of Chartered Accountants of India for IFRS / Ind AS and various other forums including corporates.

**SHRI NAVEEN RAJ SINGH, IAS, 1998 BATCH  
SECRETARY TO GOVERNMENT OF KARNATAKA & MD, KSMC**



A Graduate (B.Tech) in Civil Engineering from University of National Institute of Technology, Kurukshetra , Haryana. Joined Indian Administrative Service in the year 1998. He has rich experience of working with the State Government and various Corporations. He has worked as Deputy Commissioner, Hassan District, Koppal District, Chikmagalur District, Managing Director KSIIDC, Mysore Paper Mills, Secretary Tourism, Commissioner, Transport & Road Safety, and as Chief Project Officer at Karnataka State Highway Improvement Project.

He is presently working as Managing Director, Karnataka State Minerals Corporation Limited which is business of Minerals & Granites in Karnataka and District Secretary to the Government, Hassan District.

**CA. SRIKANTH VISWANATHAN**

Srikanth is Chief Executive Officer of Janaagraha Centre for Citizenship and Democracy. Srikanth joined Janaagraha in 2011. He has been an Associate member of the Institute of Chartered Accountants of India for over fifteen years.

Srikanth is one of India's leading practitioners of city governance reforms and municipal finance reforms in India, particularly on the application of systems thinking to reform agendas in cities. He works closely with the Central and State governments (Minister/Secretary to Government) to shape and implement long-term reforms to city governance. He has been a member of the NITI Aayog's (Government of India's think-tank) expert group on urban governance, and a member of the Committee on Accounting Standards for Local Bodies of the Institute of Chartered Accountants of India for over four years. Srikanth writes regularly in leading English-language dailies, is a speaker at leadership programs for IAS officers at the Lal Bahadur Shastri National Academy of Administration, Mussoorie and a visiting faculty at leadership programs for development sector leaders.



## CA. DAYANIWAS SHARMA, MEMBER CENTRAL COUNCIL, ICAI



CA Dayaniwas Sharma possesses over 20 years of experience in the field of auditing, accounting, corporate re-structuring valuations, due-diligence and transaction advisory services and other related financial management services.

He is a *Information System Auditor (ISA)* and *Certified Forensic Auditor* having completed diploma & certification Course conducted by ICAI respectively. He is also a qualified member of *Association of Mutual Funds of India (AMFI)* since 2004.

He has been elected to the *Central Council of ICAI for the period 2019-22*. Currently he has been nominated on the Board of XBRL India, Vice Chairman of Digital Accounting and Assurance Board (DAAB), Vice Chairman of IND AS Implementation Committee and member of UDIN Monitoring Group, Member of Digital Transformation & Re-engineering Group (DTPRG) and various committees including - Strategy Perspective Planning and Monitoring Committee (ICAI VISION).

He was also the Co-chairman of Direct Tax Committee in FTAPCCI (Federation of Telengana and Andhra Pradesh Chamber of Commerce and Industries) and has served as member and Co-chairman of various committees such as Direct Taxes and Banking, Insurance & Finance, IPR and Company law, CSR etcetera.

With the new generation of professional practice management, Dayaniwas is supported with the legacy partners and is designated as *Managing Partner* of the firm and leads a team size of 120 people.

Certain of his other achievements are:

- He has been instrumental in taking the firm into International arena and developed working relationship with different countries and 5 cities nationally. Their group is one of its kind to be called as “Indian Multinational Firms” or Make in India firm of Chartered Accountants.
- He has been covered by a coffee table book and recognised as “Young India Visionary” by IMG Innovative Media Group in whole of UAE.

Continues to deliver lectures at ICAI and other educational institutions, both national and international on Audit, Taxation and Management topics.

## SHRI VIJAY KUMAR SINGH, ICAS, JOINT CGA(1995 Batch)

**Educational Qualifications**

Qualification	Subject	Year	Institute/University
BA (Hons.)	Economics	1990	Kirorimal College, Delhi University
MA	Politics (International Studies)	1992	School of International Studies (SIS), Jawaharlal Nehru University (JNU)
M.Phil.	Diplomacy	1994	Centre for Studies in Diplomacy, International Law and Economics (CSDILE), SIS, JNU

**Experience Details**

Period	Designation	Ministry/Deptt.	Responsibilities Assigned
15.02.17 - till date	Jt. Controller General of Accounts	Controller General of Accounts (CGA), Department of Expenditure (DoE), Ministry of Finance (MoF)	<ul style="list-style-type: none"> <li>Financial Reporting: Union Government Appropriation Accounts and Finance Accounts</li> <li>Banking Arrangements: Government receipts and payments</li> <li>Technical advice on accounting matters</li> </ul>
26.02.16 to 15.02.17	Director	Implementation Cell, 7 <sup>th</sup> CPC, DoE, MoF	<ul style="list-style-type: none"> <li>Secretariat for ECoS chaired by Cabinet Secretary</li> <li>Implementation of 7<sup>th</sup> CPC recommendations</li> <li>Comprehensive review of 7<sup>th</sup> CPC recommendations on allowances, recommendations implemented with modifications</li> </ul>
20.04.15 to 26.02.16	Director	Expenditure Management Commission (EMC), DoE, MoF	<ul style="list-style-type: none"> <li>Assisting the Commission : Discussion papers/ draft chapters</li> <li>Chapters: Autonomous Bodies and Streamlining Administrative Procedures.</li> </ul>
06.09.12 to 19.04.15	Director	DoE, MoF	<ul style="list-style-type: none"> <li>Administration</li> <li>Personnel issues of CPSUs and Autonomous Bodies</li> <li>Pensions</li> <li>Upgradation of posts.</li> </ul>

21.04.11 to 05.09.12	Controller of Accounts	<b>MEA</b>	<ul style="list-style-type: none"> <li>• Payments and Accounting in MEA (including over 180 missions/posts abroad)</li> </ul>
19.12.06 to 21.04.11	Director (Finance)	<b>Planning Commission</b>	<ul style="list-style-type: none"> <li>• Integrated Finance Division: Budget, Financial advice</li> <li>• Involved in the formulation and roll out of Planning Commission schemes: Unique Identification Authority of India (UIDAI) – AADHAR and Central Plan Scheme Monitoring System (CPSMS) now renamed as Public Financial Management System (PFMS)</li> </ul>
01.02.06 to 18.12.06	Controller of Accounts	<b>CBEC, MoF</b>	<ul style="list-style-type: none"> <li>• Principal Accounts Office, CBEC</li> <li>• Coordination with banks</li> </ul>
21.01.2000 to 31.01.06	Associate Professor/ Assistant Professor	National Institute of Financial Management (NIFM), <b>DoE, MoF</b>	<ul style="list-style-type: none"> <li>• Public Financial Administration</li> <li>• Financial Rules (GFRs, DFPRs)</li> <li>• Government Accounts</li> <li>• Course Coordinator for the probationers of Accounting Services (ICAS, IP&amp;TAFS, IA&amp;AS, IRAS, IDAS)</li> </ul>
16.08.99 to 20.01.2000	Dy.CA	<b>MoF</b>	<ul style="list-style-type: none"> <li>• Principal Accounts Office</li> </ul>
07.09.98 to 16.08.99	ACA	<b>M/o Information &amp; Broadcasting</b>	<ul style="list-style-type: none"> <li>• Pay and Accounts Office, Doordarshan.</li> </ul>

## DR. AJAY S. SINGH, ICAS, CCA, MINISTRY OF RURAL DEVELOPMENT



He is an officer from Indian Civil Accounts Service and currently working as Chief Controller of Accounts, Ministry of Rural Development, Department of Drinking Water and Sanitation and Ministry of Panchayati Raj (Local Governance), Government of India. He has worked in Ministry of Finance, Ministry of Road Transport and Highways, Ministry of Power and Ministry of Agriculture in different capacities. During last 23 years of public sector service, Mr. Singh has extensively contributed at the operational and policy making level in the field of public financial management.

Earlier as Director, Multi-lateral Institution, Department of Economic Affairs, he handled loan portfolio of ADB and World Bank amounting to more than 4 billion dollars. He has also worked in Security Printing and Minting Corporation of India Ltd. (Currency Printer and Mint of India), CBDT and NHAI

### Education and Training

- BE, MBA and MA (Economic)
- PhD, IGNOU, New Delhi, 2018
- MA, University of Rajasthan, Jaipur, India, 1995-98
- MBA, University of Rajasthan, Jaipur, India, 1991-93
- B.E. (Electronics & Communication), University of Jodhpur, Jodhpur, India, 1985-90.
- Trained in Carleton University, Ottawa, Canada in Monitoring and Evaluation and in PFM at NIPFM, NIFM, IIM (A), India and Duke University, USA.

### Publications:

- "Blockchain and Expectations from Government" published in Forum View, Mumbai, December 2017,
- "Effective Management of Panchayats- An Approach Paper" published in Journal of Indian Research, July-Sept, 2017.
- An article in a national daily Millennium Post on "Towards Better Road Safety in India" published on 10<sup>th</sup> September 2014.
- "An Introduction to measurement of results of development and Possibility of Introducing Development Evaluation in INDIA"- CSMS Journal.
- Article on "Counterfeit Currency: A Menace to Economy" published in National Daily "The Pioneer" in 2010 and
- CSMS, 'Case Study on Conversion of Accounts from Cash to Accrual', 2008

## CA SACHIN KAPOOR, IA&amp;AS, 2008 BATCH



Mr. Sachin Kapoor (DOB: 14/07/1978) is an Indian Audit and Accounts Service officer of the 2008 batch. He is a Commerce graduate from SCD Government College, Ludhiana and a Chartered Accountant (2003). He is a sports enthusiast and avid tennis player. He won Silver Medal in general proficiency during civil services training.

Presently, he is director at the National Academy of Audit and Accounts, a premier training institute under CAG of India. Before his joining the National Academy, he has worked in several capacities, as Assistant Accountant General (O/o Principal Accountant General, Haryana), Dy. Accountant General, (O/o Accountant General, Allahabad) and Director of Audit (O/o Director General of Audit, Defence services, Delhi).

He has diverse experience in National and International audits. In India, he has handled assignments comprising Government Accounting, Financial Auditing and Audit of Defence establishments. At international level, he has represented Supreme Audit Institution of India at various fora. He has audited United Nations Headquarters at New York, twice; he also audited United Nations office for Project Services at Copenhagen, Denmark.

He is a visiting faculty at International Centre for Information Systems and Audit (iCISA), Noida, International Centre for Environment Audit and Sustainable Development (ICED), Jaipur, National Institute of Financial Management (NIFM), Faridabad and many more training institutes under aegis of CAG of India.

**CA. SANJOY GUPTA**

CA. Sanjoy Gupta is a Fellow Chartered Accountant having more than 32 years of overall work experience which includes Local Fund Audit, Review & Reform of Accounting System in Urban Local Bodies (ULB), Public Financial Management, Internal Audits, IT audit, Fiduciary Assessments, Capacity Building, Procurement Audit and Government Accounting Assignments.

He has executed numerous such assignments, both in India & abroad.

He possesses massive experience in setting up audit systems, developing audit manuals, organizing and monitoring training in audit, IT audit and BPR for government entities, multi donor funded agencies and private organizations.

SHRI VIJAY KUMAR JHALANI, MEMBER, CENTRAL COUNCIL (GOVERNMENT NOMINEE), ICAI



- Passed final examination of Institute of Chartered Accountants of India in November, 1982.
- Managing Partner of M/s Jhalani & Co., Chartered Accountants till 09th May, 2016.
- Chairman, Northern India Regional Council of Institute of Chartered Accountants of India in the year 1999-2000.
- nominated as Council Member of Institute of Cost Accountants of India by Government of India between 2002 to 2004.
- Nominated as Council Member of the Institute of Company Secretaries of India by Government of India for the term 2015-2019.
- Nominated as Council Member of Institute of Chartered Accountants of India for the term 2015-2018 by Government of India. Re-nominated to the Council of Institute of Chartered Accountants of India for the term 2019-2022.
- Member of the following committees of Institute of Chartered Accountants of India for the year 2019-2020:
  - Executive Committee
  - Accounting Standard Board
  - Board of Studies
  - Banking Financial Services and Insurance Committee
  - Corporate Laws & Corporate Governance Committee
  - Coordination Committee with Sister Institutes
  - Committee for Members in Industry & Business
  - Committee on Professional Development & NPO
  - Committee for Export of CA Services and WTO
  - Infrastructure Development Committee
  - Digital Transformation & Process Re-engineering Group
- Presently practicing as Advocate and providing legal consultancy.
- Passed Intermediate Examination of Institute of Company Secretaries of India in June, 1984.

- CA. GAURAV TANEJA



National Leader (Government & Public Sector) - One of the Big 4

A Chartered Accountant and a commerce graduate from the University of Delhi, Gaurav has over 30 years of experience, majorly in leadership role, in the domain of Tax, Technology, Public Reforms and Government Consulting. As a professional, he has proactively contributed in assisting State governments such as Jharkhand, Haryana, Uttarakhand, Rajasthan, Assam, Madhya Pradesh, Odisha, Chhattisgarh etc. in conceptualizing and implementing various reforms in Urban and Rural Sectors in the field of Financial Management, Accounting & Auditing, Infrastructure, Social Development and e-Governance.



## CA. SANTOSH MUCHHAL



## PROFESSIONAL AFFILIATIONS

- Partner in a professional firm
- Independent Director in several Indian and MNCs
- Immediate Past President, Indore Management Association
- President, Governing Board, RPL Maheshwari College
- Member, Arbitration Panel, NSE, BSE, MCX
- Member, Advisory Council:
  - IIM, Indore
  - Industry Interface, Indore Development Foundation, Indore
  - Society for Mentally Challenged [www.ismrindore.org](http://www.ismrindore.org)
  - Ahilyamata Goshala
- State Convenor, Uplift Humanity, India
- Catalyst & Thought Leader:
  - MP Venture Fund
  - Indore CSR Foundation
  - Shankara Eye Foundation
  - Finance City
- Member:
  - Institute of Chartered Accountants of India
  - Tax Practitioners Association
  - Bombay Chartered Accountants Society

## SH. PARMOD KUMAR BINDLISH, FORMER CGM, SEBI



Mr. Bindlish is a rank holder Chartered Accountant with more than 40 years of broad, quality experience in corporate finance, regulatory, investigative & adjudication functions. He has been Involved in framing regulatory policies, execution thereof, analyzing their impact; investigating malfeasance and misconduct in capital markets; and issuing regulatory orders punishing the guilty, etc.

Mr. Bindlish was with SEBI for about 25 years. During his association with SEBI, he participated in various policy changes such as:

- Online Trading,
- Dematerialization of Securities,
- Introduction of Derivatives Trading,
- Rolling Settlement,
- System Driven Risk Management System,
- Demutualization of Stock Exchanges,
- Introduction of Corporate Governance,
- Internet & Mobile Trading,
- Upgradation of Financial Disclosures etc.

He also steered the smooth merger of Forward Market Commission (FMC) with SEBI. He has also been member of various national & international committees & groups constitutes by SEBI, RBI, Ministry of Corporate Affairs, Ministry of Finance, Institute of Chartered Accountants of India, Institute of Company Secretaries of India, International Organisation of Securities Commission (IOSCO), etc. He was the member of

- Kumar Manglam Birla Committee on Corporate Governance,
- N R Narayanamoorthy Committee on Corporate Standards,
- Accounting Standards Committee constituted by SEBI,
- Financial Reporting Review Board of ICAI,
- Financial Reporting Review Committee of Govt. of India to name a few.

He has been the founder member of Secretarial Standards Board of Institute of Company Secretaries of India. He has also made a number of presentations, delivered inaugural & keynote addresses in various fora nationally as well as internationally & led training programs to Emerging International Security Regulators.

**CA. CHARANJOT SINGH NANDA, MEMBER, CENTRAL COUNCIL, ICAI**



**ACADEMIC & PROFESSIONAL QUALIFICATIONS:**

- Graduation from M.L.N. College (Merit List during all three years)
- Chartered Accountant

**CONTRIBUTION IN PROFESSIONAL DEVELOPMENT:**

- Central Council Member (2004-2016) & 2019-22, Institute of Chartered Accountants of India.
- Have been Chairman of several Committees of the Institute during the period
- Nominated on the IRDA's Steering Committee for Implementation of Risk Based Capital (RBC) Regime.
- Was Member of SAFA (Southern Asian Federation of Accountants) Committee on Improvement in Transparency, Accountability & Governance.
- Was the Member of SEBI Advisory Committee on Primary Market (2007-2010)
- Was the Member of SEBI Advisory Committee on Mutual Funds (2007-2010)
- Represented ICAI on SEBI Committee on Disclosures and Accounting Standards (SCODA).
- Was the Convener of the Expert Group Constituted by the Ministry of Corporate Affairs, Government of India on Investor Protection.
- Was Member of the SAFA Committee on Professional Accountants in Business (PAIB)
- Member, Northern India Regional Council of ICAI for two terms, (1998-2001) & (2001-2004)
- Was the Chairman of the following Committees of NIRC of ICAI

**ACADEMIC PURSUITS:**

- Contributed as Guest Speaker at Surrey Vancouver(Canada) - British Columbia Chapter of ICAI on IFRS, Effective Communication & Forensic Accounting Seminar.
- Contributed as a Guest Faculty and Program Coordinator at various Seminars and Conferences organized by International Bodies and Northern India Regional Council of ICAI, WIRC, CIRC, EIRC, SIRC and Branches and Study Circles of NIRC of ICAI.
- A practical guide on Audit Documentation for Statutory bank Branch Audit.
- Have authored numerous books and articles on issues of professional relevance.

Have delivered more than 750 lectures and articles on various topics of Income Tax, Corporate Laws, LLP, Peer Review, Quality Review etc. at more than 130 forums throughout the country.

**MS. MEENAKSHI GUPTA, IA&AS, MEMBER SECRETARY**

Ms Meenakshi Gupta belongs to 1984 batch of the Indian Audit & Accounts Service. She has held a number of varied assignments in Government of India including in Ministry of Science & Technology, Ministry of Labour & Employment and Ministry of Chemicals & Fertilizers. Her major assignments in the Indian Audit and Accounts Department included Director General in the office of the C&AG of India, Accountant General, UP and Accountant General, Delhi.

Meenakshi Gupta has graduated from Delhi School of Economics, University of Delhi and subsequently Masters in Development Economics from University of Bath, United Kingdom. She is also Certified Fraud Examiner and Certified Internal Auditor. Ms. Gupta brings with her vast and varied experience of auditing and administration in various capacities across the Ministries.

Some of the major assignments handled by her include revisions of General Financial Rules (2005) which has been circulated as GFR 2017.

She also chaired the Committee regarding revision of Charter of duties of Financial Advisors constituted by Ministry of Finance and submitted the report to Secretary Expenditure. She also chaired the Committee regarding Implementation of GeM. Ms Gupta conducted audit of United Nations and conducted training programmes in Bhutan and Indonesia.

## SHRI RAM MOHAN JOHRI, IA&amp;AS, 1989 BATCH



Shri Ram Mohan Johri is B.Com (H) from SRCC, Delhi University, CA (Rank Holder), ICWAI, CISA, CIA (USA), CPA (USA).

In addition to membership of the professional bodies for which he holds the certifications he is Alumni of:

- Indian Institute of Management Lucknow, India
- Indian Institute of Management, Ahmedabad, India
- Low Kuan Yew School of Public Policy, Singapore
- Harvard Kennedy School, USA

Presently, he is posted as Director General iCISA (International Centre for Information Systems Audit) based in Noida.

**Work experience:**

- He is in senior management of the organization of the Comptroller and Auditor General having 30 years of post qualification experience and is responsible for taking policy decisions. He has worked on areas relating to policy formulation, change management and capacity building.
- He has led the audit team in various prominent National and International assignments (including UN bodies and authorities mainly UNDP, UNEP, UNICEF WHO, FAO and WFP). CAG was on the board of UN auditors from 1996 to 2002 and has again been appointed from 2014 to 2020. Has visited more than 50 countries as on date.
- He has worked as technical advisor to the International Public Sector Accounting Standards Board (IPSAS). He has been a member of the Committee on Accounting Standards for Local Bodies of ICAI. He was also a member of committee to formalize IT Audit Manual for International Association of Supreme Audit Institutions (INTOSAI).
- He has served in the states of UP, Rajasthan, Madhya Pradesh, Himachal Pradesh, New Delhi and Nagaland in different capacities.
- In his 30 years of service he has represented the department and delivered about 500 lectures on audit, accounts and information systems at various National and international forums.
- He has taken part in around 2000 financial Attest Audit, 200 performance audits and 250 IT audits as on date for the Union Governments, State Governments, Municipal corporations and of International bodies and Authorities.

## CA. SUNIL TALATI



CA. SUNIL TALATI, was elected as President of The Institute of Chartered Accountants of India for the year 2007-08.

Mr. Sunil Talati is M.Com., LL.B., F.C.A. graduated from H.L. College of Commerce, had held various posts of office bearers like Secretary, Treasurer, Vice President etc. in Rotract Club, Junior Jayces and Junior Chamber. He was elected as First Rotract Governor in India and then was appointed as National Chairman of the Council of Rotract Governors.

Partner in a CA firm having Office at Ahmedabad, Anand, Baroda, Surat, Mumbai, Cochin and Delhi. He had been Executive Member of Income-tax Bar Association in 1980 and Chartered Accountants Association, Ahmedabad and Sports Club of Gujarat Ltd. and in Board of Karnavati Club Ltd. since inception.

He was appointed as Public Representative in the governing body of Ahmedabad Stock Exchange by Government of India, Ministry of Finance in 1985 & 1986.

He was elected as president of Chartered Accountants Association, Ahmedabad for the year 1988-1989 and also selected as Member of Executive Committee of Gujarat Chamber of Commerce and Industry, Ahmedabad for the year 1988 and 1989. He has written several papers on Tax Laws and has given talks in various Seminars, Conferences and meetings all over Gujarat as well as all over the Country.

For almost 20 years he was a Co-Author of the Ready Reckoner which is published in Gujarati. He was regularly contributing Article in Financial Express and was regularly writing as a Contributor and Editor in monthly Gujarati book called "Tax Reporter".

He was elected as a President of All Gujarat Federation of Tax Consultants for the Year 2013-14.

He has been elected as a Member of Governing Council (Accounting / Auditing and Book Keeping Services Sector) governed by SEPC, set up by the Ministry of Commerce & Industry, Government of India for the years 2015 – 2017 and again for the term 2017-2019.

In 2017 he has been appointed by Govt. of Gujarat as a member in the Fee Regulatory Committee for All Medical Colleges in Gujarat.

## DR. RAVIKANT JOSHI



Dr. Ravikant Joshi is an Urban Finance and Management specialist and has worked in India and abroad. He is former Chief Accounts Officer of Vadodara Municipal Corporation with more than 35 years of experience. He has been responsible for the conceptualisation, designing and implementation of Municipal Financial, Budgetary and Accounting System Reforms and their computerization in VMC.

**Consultancy:**

- Since July 2017, Dr. Joshi is working a Team Leader – Technical Support Group to National Urban Livelihood Mission, Ministry of Housing and Urban Affairs, Government of India
- Advisor - Urban to CRISIL Risk and Infrastructure Solutions, Mumbai from 2002 to 2017.
- Short term consultant (STC) for multilaterals like World Bank, Water & Sanitation Program, ADB, USAID, DFID, UN Habitat, CLGF and for various national/state level organisations on urban issues.
- He conceived, designed and spearheaded implementation of Accrual Base Double Entry Accounting System in 159 municipal bodies of Gujarat.

**Research and Published Work:**

- *'Augmenting Capital Resources for Urban Development'*, doctoral thesis published by VMC.
- More than 30 Research Papers pertaining to various urban issues presented in seminars and published in various journals.
- *'Municipal Financial Management' (1994)*. Research work under IHSP-HSMI National Fellowship documenting status of financial management system of 20 municipal corporations.
- Teamed up with USAID's Financial Institutions Reform and Expansion (Debt Component) to prepare training material entitled, "Financial Management for Local Government in India" (1997).
- Research study for UNDP on 'Municipal Accounting and Financial Reporting System' (2002).
- Researched policy paper on 'Decentralisation and Local Finance Issues - Workings of State Finance Commissions in India', under ADB's Technical Assistance Project, 'Policy Research Networking to Strengthen Policy Reforms' (2006).
- Author of several books published by YUVA - Mumbai
  - *'A Case for Reform – how municipal budgets can change our cities'*, - December 2001.
  - *'From Accounting to Accountability – A Case for Municipal Accounting Reforms'* - September 2004.
  - *'Redesigning Governance – Relevance of Management Information System in Municipal Bodies'* – June 2005
  - *'Compendium of Urban Performance Indicators'* - November 2005.

### Guest / Visiting Faculty/ Teaching

He has delivered lectures at several national and international institutions / universities and has also trained municipal officers, elected representatives and urban activists. He served as *Chair Professor for Urban Management* in Saint Joseph College of Business Administration, Bangalore.

### Activism

He has written several articles regarding various urban issues / problems deliberately in regional language to create public awareness. Also has worked with various civil society organisations like YUVA, PRIYA, JANAAGRAHA, Centre of Environmental Education (CEE), Janawani, Avantha Foundation, etc.

### Extra-Curricular

- Passed Bachelor of Performing Arts in Dramatics in 1987, M. S. University, Baroda
- Served as President of Marathi Vangmay Parishad, Baroda and Baroda Amateurs' Dramatic Club, Baroda
- Directed Marathi Plays – 'Goshta Janmantarichi (1992)', 'Pala Pala Kon Pudhe Palito (1993)', 'Prema Tuza Rang Kasa (1994)', 'Sangeet Mandarmala (1996)', 'Sangeet He Bandh Reshmache (2012)', and a program on Marathi Natya Sangeet 'Marmabandhatali Thev Hi (2012).
- Researched and Directed Radio Program on Marathi Natya Sangeet which broadcasted 52 episodes on Vividh Bharati every Sunday.



**CA. RAVINDER, IAS (1999, UTTAR PRADESH CADRE)**



CA. Ravinder is B.Com (H) from SRCC, Delhi University, CA (Rank Holder), ICWAI, ICASI and Masters in Public Administration from Maxwell School of Citizenship, Syracuse University, Syracuse, NY, USA. He presently serving as Joint Secretary, Department for Promotion of Industrial and Internal Trade (DPIIT), Ministry of Commerce and Industry, Government of India.

**FOREIGN TRAININGS/WORKSHOPS**

- DCID, Duke University, Durham, NC, USA

**Working Experience:**

Currently handling Ease of Doing Business, e-Commerce, industrial licensing and international cooperation division for Europe and CIS countries. As Director in DIPP, was involved in launch of National initiatives like Make in India and Startup India.

Has worked as Executive Director of Udyog Bandhu Uttar Pradesh from December, 2003 to June, 2004 handling issues related to industrial promotion and facilitation.

Has also worked as Additional Commissioner, Commercial Tax for Gautam Buddha Nagar Zone, Noida, Uttar Pradesh from May, 2012 to October, 2013.

Received Prime Minister's Award for Excellence in Public Administration for work done for improving Ease of Doing Business in India.

**CA. HARSH SARAWAGI, FCA, DISA**

In his 11 years of experience in government advisory, he has worked in multiple role in 900 urban local bodies and approx. 10,000 PRI across 15 states of India starting from Jammu & Kashmir, Chandigarh, Haryana, Rajasthan, Delhi, Gujarat, Bihar, Odisha, Karnataka, Jharkhand, Madhya Pradesh, Chhattisgarh, Assam, Maharashtra and Goa.

His area of specialization including accounting reforms, revenue augmentation, establishing internal control mechanism, capacity building and automation of business process through indigenous software. He has imparted capacity building session in different government departments on accounts, finance, revenue, Budget and internal control matters. His work experience includes various State and Central government organization, various multilateral funding institutions, United Nations and few international endeavours including process manual, capacity building plan and due diligence in Asian & African countries.

Author experience include MNREGA and PMAY Accounting Manual for all 534 blocks of Bihar, Abridged Bihar Municipal Accounting Manual for Urban Development & Housing Department, Bihar and Study on self-sustainability of ULBs of Jharkhand, various city and organization's Finance manual, Roadmap for computerization of accounting reforms, training manual, internal control manual etc.



## EFFECTIVE IMPLEMENTATION OF PRIASOFT

With two-thirds of India's billion-plus people living in villages, Panchayati Raj functioning has been recognised by the Government in all plan documents and guidelines which have been framed from time to time. Recognizing its importance, the government has made 73<sup>rd</sup> Constitutional Amendment which empowers Panchayati Raj Institutions (PRIs) to work as institutions of local self-government at grass root level. Thus, today there exists a wide network of PRIs including 2,53,042 Gram Panchayats; 6716 Block Panchayats and 654 Zilla Panchayats\*.

To address the core issues of rural poverty, increasing inequality, poor human development indices and growing unemployment, both the central and state governments has devolved powers (fund, function and functionaries) to PRIs for better planning and effective implementation of schemes at lowest tier. With the Fourteenth Finance Commission's recommendation and earmarking a grant of more than 2 lakh crore from the Union Government directly to about 2.5 lakh gram panchayats, one of the major areas of concern is corruption in PRIs due to weak reporting system, poor accounting of income and expenditure, lack of unitary cost of public works, improper budgets and planning systems.

With an intention to transform the governance landscape through increased participation of citizens in policy making and providing ease of access to information, the Ministry of Panchayati Raj is implementing e-Panchayat Mission Mode Project. The project seeks to completely transform the functioning of Panchayati Raj Institutions (PRIs), making them more transparent, accountable and effective organs of decentralized self-governing institutions.

One of the major e-Panchayat application includes PRIASoft (Panchayati Raj Institutions Accounting Software), for capturing receipts & expenditure details through voucher entries which helps in a better financial management of PRIs with online maintenance of their accounts, leading to enhanced transparency & accountability. PRIASoft is web enabled, open source e-Governance solution which complies with C&AG prescribed 4-tier accounting classification under Model Accounting Structure. The major sections of PRIASoft are creating master entries, recording transactions of PRIs, complying the period end requirements and sharing required reports† and dashboard. The detail of the same is provided in the adjacent figure. Over the last three financial year, near about 1.85\* lacs PRIs have maintained their accounts and closed their Year Book on PRIASoft in a year. In last financial year, transaction amounting to ~ INR 700 billion of receipts and ~ INR 900 billion payments recorded on PRIASoft through ~19.5 million vouchers. Looking at the number of PRIs on-board, completeness, quality and reliability of the data for the income and expenditure recorded on PRIASoft is still a question mark.

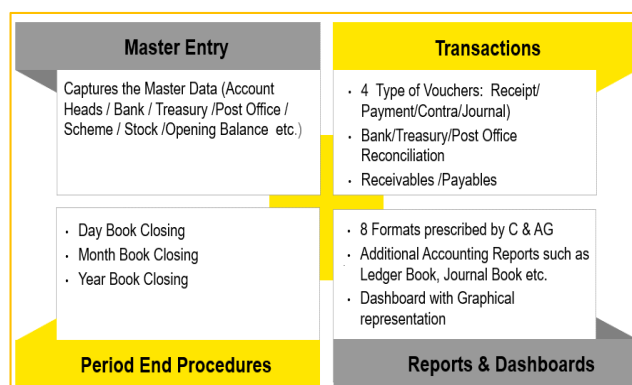


Figure 1: Major Sections in PRIASoft

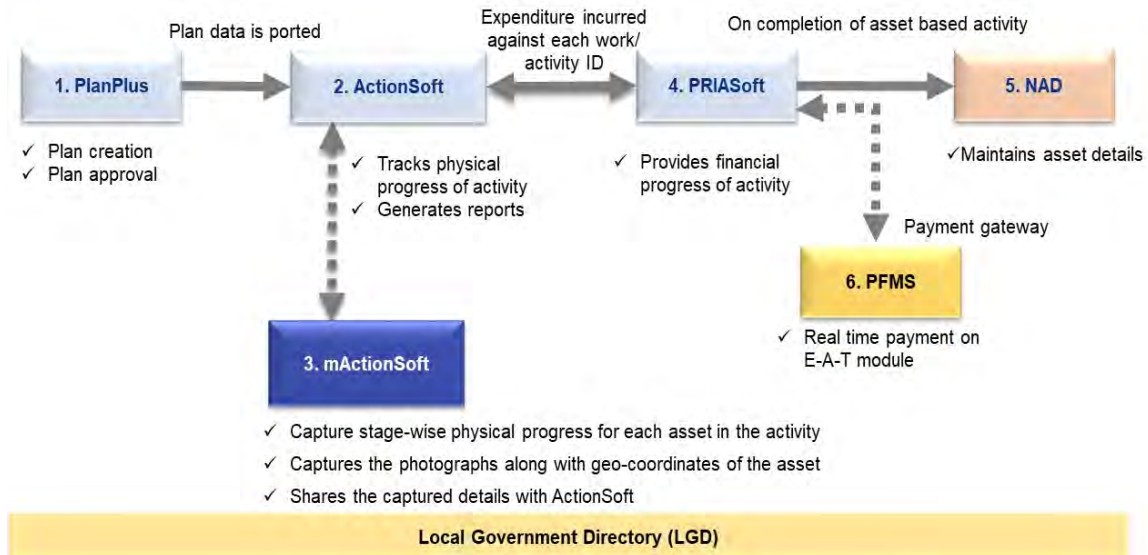
### Way forward

With the enormous amount of funds being given to the PRIs; it is necessary to have a robust system for effective monitoring of public expenditure by means of a holistic system capturing the entire gamut of

\* Data taken from <http://lqdirectory.gov.in> and <https://accountingonline.gov.in> as on 7<sup>th</sup> October 2019

† CAG simplified accounting formats are available on PRIASoft application (<https://accountingonline.gov.in>)

activity right from the stage of planning to monitor the various stages of work, recording the assets created from the expenditure. In this endeavour, Ministry of Panchayati Raj has put in place an e-Financial Management System (e-FMS) comprising of PlanPlus, ActionSoft, PRIASoft and National Asset Directory (NAD) with Local Government Directory (LGD) forming the base for such a robust system along with the Public Financial Management System (PFMS).



Source: PRIASoft Application

In order to encapsulate the process right from creating payment vouchers in PRIASoft and making payments by the Panchayats to the vendors via PFMS on a real-time basis; effective implementation of e-FMS and integration of PRIASoft and PFMS is required.

## TRANSITIONING FROM CASH BASIS TO ACCRUAL BASIS OF ACCOUNTING IN URBAN LOCAL BODIES: STEPS & CHALLENGES

### Introduction

The terms 'Cash' and 'accrual accounting' are distinguished on the "basis of accounting" and "system of bookkeeping". "Basis of accounting" refers to the set of concepts and rules that determine when (the time) a transaction is recognised by the accounting system and recorded in the books. Accrual accounting and cash accounting are examples of basis of accounting while a "double-entry system" refers to a type of book-keeping system where for every transaction two aspects are recorded in books of accounts. In cash-based accounting, transactions are considered when cash is received or paid, while in an accrual accounting method, the accounting system records a transaction when the right to earn income is established or when expenditure is committed (hereinafter referred as ABDEAS)<sup>‡</sup>.

It is now a proven fact that, though there are numerous advantages in ABDEAS, its implementation is a challenging task. It is more complex in Government sector, more specifically in Urban Local Bodies (ULBs).

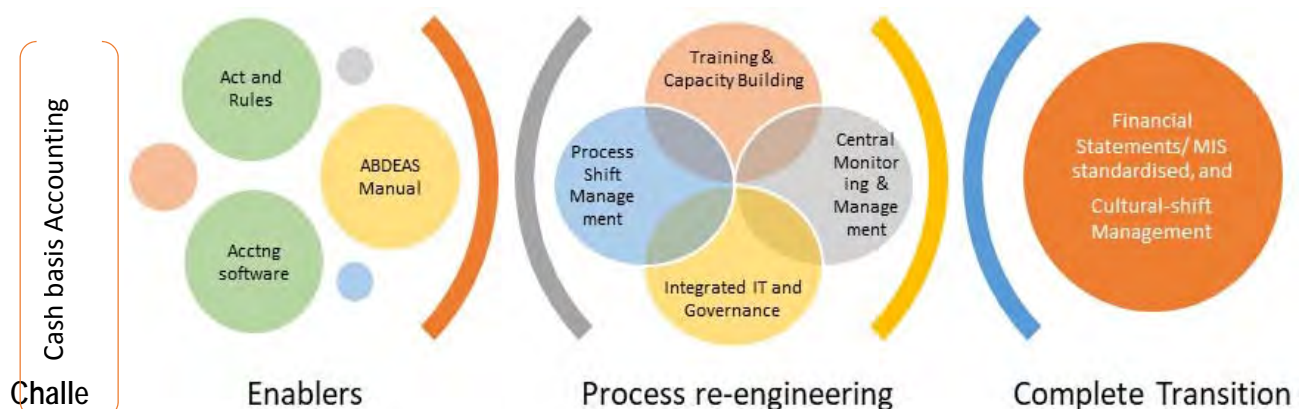
### Steps for transition

Transition steps may be categorised into three phases (as given in diagram), timeline of which varies on various factors like readiness of ULB, regulatory preparedness of concerned State, etc.

In the first phase, enablers are set for legal binding, Manual under Accrual Based Double Entry System (ABDEAS) is developed. Due to speedy intervention of Information Technology in every aspect, it is highly preferable to commence using accounting software at this phase.

Second phase is of a longer duration, as the activities of transition is happening in this stage. This includes various crucial activities such as, procurement of centralised accounting software amenable to proper integration with e-governance, modification in monitoring mechanism, listing of Fixed Assets and Liabilities, drawing up Opening Balance Sheet in ABDEAS, focussed training methodology, etc.

Outcome of the whole process is evident only when the Financial Accounting system is on ABDEAS, online, real-time, centrally monitored and ULBs are having proper staffs owning-up the process, minimum requirement of external professional support for Accounting. Criticality of this stage is that it includes change in human behaviour and activities too (which commences from stage-2 itself). Sensitisation of ULB staffs, Continuous support and guidance from State level, etc are crucial at this stage.



<sup>‡</sup> The Institute of Chartered Accountants of India

nges

Challenges are various, specific, and ULB specific, following are the key challenges, which are generally come across all ULBs in transition process:

- Lesser focus on Accounting activities, in comparison with other activities;
- Gaps in number of staffs, as well as the skill required for ABDEAS in present days;
- Haphazard transition process planning; lack of co-ordination between State and ULBs;
- Lack of sensitisation on IT intervention in Accounting and its far-reaching impact;
- Conducting training on the basis of as-is situation, not aligned with futuristic approach;
- Myth, that maintenance of appropriate accounting is the responsibility of Accounts department only. This leads to serious lag in intra-departmental co-ordination within same ULB.

## PUBLIC FINANCIAL MANAGEMENT REFORMS IN URBAN LOCAL BODIES

### Introduction

Currently 30% of the Indian population reside in urban centres which contribute around 65% to the national GDP<sup>§</sup>. It is projected that urban India will contribute about 75% of national GDP in the next 15 to 20 years, while another 300 million people will get added to the existing 300 million dwelling in Indian urban centres. The speed of urbanisation will exert immense pressure on the urban infrastructure, urban finance, natural resources, quality of urban life, etc., which can be handled properly when an appropriate PFM reform has taken place.

A significant part of basic PFM reforms is handled by the Urban Local Bodies (ULBs) in India as per the powers devolved to them by 74<sup>th</sup> Constitutional Amendment Act. However, in fact, performance of ULBs remained weak in implementation of reforms which, in turn, made the ULBs heavily dependent on external resources and supports. Total revenues of all Urban Local Bodies (ULBs) in India amounts to approximately Rs. 1,20,000 crores. This amounts to 0.9% of GDP compared to 7.4% in Brazil and 6% in South Africa. ULBs in India are therefore subject to a minimal revenue base.

The outlays for Smart Cities Mission and AMRUT are Rs.48,000 crore and Rs.50,000 crore, respectively, over five years of the Mission period. GOI funds and the matching contribution by the States/ULB will meet only a part of the project cost. Balance funds are expected to be mobilized from other resources including private investment, an estimated figure of which should not be less than Rs.2,50,000 crore.

Successful implementation of these missions finally rests on ULBs efficacy in resource mobilization and service delivery. Hence, financial empowerment of ULBs when seen from this perspective is no larger a matter of choice, it is a necessity. This also requires strong governance in ULBs for efficient delivery of services.

### Government's initiative in PFM Reform in India- a snapshot

The Urban Rejuvenation Mission [Smart City Mission, AMRUT, HRIDAY, PMAY-U and erstwhile JnNURM as well as successive Finance Commissions(FC)] have initiated various steps have been taken by the Government to improve financial accounting and reporting situation of ULBs, such as Property Tax reforms, Accounting Reforms, Reporting including Public Disclosure, Service Level Benchmarking, and FC recommendations have together resulted in some improvements in the financial management of the ULBs.

It may be noted that now-a-days, reform implementation is being enforced through linking ULB's performance in various aspects. For example, performance grant component (20%) is linked to submission of audited accounts. ULBs are largely dependent on central and state grants as most of them generate only one-third or less of their total revenues. The limited revenue base and substantial dependence on central and state grants severely constrains the ability of ULBs to invest adequately in capital expenditure which will create infrastructure and thereby improve quality of life in the city.\*\* The 14<sup>th</sup> FC's three-fold increase in total grants, totalling INR 87,144 Crores, to our cities was a major shot in the arm for India's urbanisation agenda<sup>††</sup>.

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<sup>§</sup> Planning commission and census of India

<sup>\*\*</sup> Guidelines for Accounting and Audit Reforms in Urban Local Bodies, Govt of Rajasthan

<sup>††</sup> Niti Aayog Report



Both to meet 14th FC and AMRUT conditions, and to be able to eventually access capital markets ULBs need to produce audited annual accounts in a standardized and time bound manner. Audited annual accounts (also known as audited financial statements) are globally recognized as the common frame of reference for credible information on financial performance and financial position of organizations. ULBs in India have been laggards on this front and have run up significant backlogs in producing audited annual accounts.

### Status of implementation of PFM reforms in India

Financial self-sufficiency of ULBs and accountability for financial and operational performance are two attributes of robust and well governed ULBs. Both these aspects of financial self-sufficiency and performance accountability heavily rely on accurate and credible financial information.

India has experienced a complete contrast in implementation of PFM (and Municipal Accounting) reforms. It was noted that whereas, the largest ULB (Tier 2 city) of a State is way behind in implementation of ABDEAS, small ULB in some State has demonstrated remarkable progress in Accounting and Financial reforms. Further, contrasting picture has also been observed across ULBs within a same state. Few ULBs in a State are at nascent stage in implementation of basic level finance and accounting reforms but some have been a path-breaker in reform implementation within same State.

It is well known that PFM reform implementation can reach a highest level through evolving process. However, a well-knit action plan with strict adherence of timelines and robust capacity building process, a State can achieve the top of evolving process within a short duration. Point to note that, it is not enough to achieve the PFM reform only. Sustainability is a major issue. Instances are there, where ULB has been early in migration to ABDEAS but, later they could not sustain, and they went back to cash-based accounting system within few years.

A complete contrast can be observed in some ULBs in some other States (and also few ULBs within same State), where ULBs have commenced working as corporates. ULBs like Mumbai, Bangalore, Pune, Hyderabad, Indore, Kolkata to name a few, have come out of traditional path of age-old municipal financial management process and revenue generating tool. Key characteristics of such ULBs include (i) solid revenue base, (ii) robust finance, accounting process, (iii) active and dynamic tools for exploring various options for revenue enhancement, (iv) substantial use of Information technology, and (v) design/ re-design of institutional structure whenever required. These efforts are eye-openers for the Country to demonstrate the real power of ULB and its utmost utilisation towards financial sustainability. Initiatives took substantial time (say 5-10 years) to be implemented, mainly because the pillars of such efforts could only be effected through long-drawn processes including (i) policy reforms, (ii) change management, (iii) strengthening financial accounting system, (iv) staff capacity building, (v) exposure to other good performing States/ Countries, (vi) citizen sensitisation, etc. Some of such efforts may be treated as “good practices”<sup>††</sup>, and few Indian examples are given in following tables:

**Table 1: Some Indian Good Practices in Municipal revenue augmentation**

Head of Revenue	Remarkable achievements/ Innovations for augmentation
Property Tax lifecycle	Use of Big data analytics techniques, drone-based surveys, data triangulation etc. in Bangalore resulted in increase in coverage manifold. Linking allocation of Area Development Fund of councillors with property tax collections in

<sup>††</sup> Do not cover the general methodologies, e.g. implementation of GIS for expanding property tax net

Head of Revenue	Remarkable achievements/ Innovations for augmentation
	Kolkata shown remarkable increase in collection. Improved levy mechanism as per usage, age, occupancy, etc. in KMC, NDMC, BBMP shown better result in levying.
Water Tax/ charge lifecycle	Non-Revenue Water (NRW) cell was established in Surat, which was successful in reducing number of leakages by 32%. Water Meter policy has also been framed, which suggests Volumetric charges (metered) and rationalised ferrule based charges. Involving plumbers for identifying illegal connections by Nagpur Municipal resulted in regularisation of about 25,000 (71%) connections.
Rental income – rate determination and procurement	Market based rates are determined in Odisha, which is based on rents of shops in vicinity, land value and project cost. Telangana strategized public auction to recover cost of construction of shop through goodwill-auction based procurement.
Parking fee – policy and strategy	Robust parking policy in Pune Municipal Corporation covers key aspects including legal provisions, demand management, pricing, revenue management among etc. Municipal Corporation Gurgaon introduced e-auctioning process of parking site
Income from Advertisement – new avenue	MoU signed between DMRC and South Delhi Municipal Corporation for sharing 35 percent advertisement fee generated by changing metro station names.
Income from Advertisement – potential assessment	Raipur smart city conducted outdoor digital advertisement survey to assess the advertisement potentials and methodology for initiating bidding process
Trade Licence	Innovative price/ tariff determination mechanism based in AP and Telengana.
Value Capture Finance – FAR premium tool	Premium and Fungible FSI concepts for Bhendi Bazaar redevelopment in Municipal Corporation Greater Mumbai, which generated INR 2100 crore and 1898 crore from premium and fungible FSI in FY 18. INR 481 crore development charges has also been generated from the project
Value Capture Finance – Impact fee	City level infrastructure impact fee on high rise buildings in Hyderabad. The fee generated approx. INR 412 crore revenue in the period 2012-2015
Innovative sources – Land monetisation	Land lease in Kolkata Municipal Corporation. The process is intended towards private commercial venture which has potential of generating high revenue. Tendering process is in progress.
Innovative sources – lease of air space	Bhopal Municipal Corporation prepared proposal for auctioning of open municipal land, properties, roof space, etc. for commercial development
Innovative sources – RoW licencing	Various initiatives in States such as Chhattisgarh, Haryana, Odisha – Annual Rent method: Differential annual rates for RoW without OFC ducting and RoW with OFC ducting (conduits); Revenue sharing method, etc
Overall management of Revenue	Indore Municipal Corporation has formed a revenue augmentation and management cell with focus on municipal revenue augmentation.
Municipal Bonds	Various Municipalities have already floated Municipal Bond in India. Some are even in the process of floating ambitious bonds like Masala Bonds.

**Table 2: Few good practices of Finance & Accounting reforms**

Type	Remarkable initiatives/ achievements
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Type	Remarkable initiatives/ achievements
Institutional re-design	Centralized Supervision and Records Monitoring of Municipal Reform Cell (MRC), Karnataka. All the ULBs share the same software, and accounting data is stored on a central server maintained by the MRC. At any point in time, the accounts of the ULBs can be reviewed centrally by MRC staff.
Improved Financial management	Bhubaneswar Municipal Corporation (BMC) implemented a robust municipal accounting reform program which included close review of existing systems, identifying short term interventions to strengthen revenue base, community consultations in PFM reforms, structured external support, etc. At present, the accounting system software is fully operative with which is managed by the ULB without external support.
Integrated E-governance solution through Municipal Accounting Action Plan	Bhopal Municipal Corporation (BHMC) is in the process of developing a comprehensive and fully integrated central online integrated information system that includes all the functions and services of the ULB. System is also under integration with e-governance system.
Innovative capacity building approach	The Kolkata Municipal Corporation has also taken the initiative to involve staff in the development of accounting software and also in the implementation of accounting reforms. This has resulted in staff capacity development in operating the accounting and software modules. There is a structured training program in place through which adequate training is provided to the staff <sup>55</sup>
Strengthening municipal budgeting system	Multi budgeting approach has been adopted in Tamil Nadu – Line-item cum performance budget based on outcome-outlay approach. Vadodara Municipal Corporation's approach towards Line item cum Performance/ Zero based budgeting shall be a remarkable leap forward towards strengthening of Budget process.

Though the above cases cannot be generally applied for all ULBs, however, lessons learnt are important to frame a perfect way forward.

### Implementation Strategies

Implementation strategy should be based on the requirement analysis at the State level and ULB level. Situation may arise where a State has to devise different strategies for different ULBs in the State. A phase-wise approach may consider:

- **Phase-I reforms: Routine reforms for the purpose of compliance linked with performance grant** – ULBs are to be categorised from the point of view of implementation of Basic PFM reforms. The purpose is to accelerate ongoing key financial and service delivery reforms with moderate use of Information technology.
- **Phase-II reforms: Transformative reforms**: ULBs will be shortlisted from the previous stage and assessment needs to be done whether they are ready for transformative reforms like formulating and implementing financial self-sufficiency strategy like value-capture financing policy with focus on enhanced use of information technology.
- **Phase-III reforms: may be treated as highest level of PFM reforms as of now**: These involve reforms that can be pushed for enhancing downstream accountability mechanisms, like making local ward committees responsible for operation and maintenance of projects, robust revenue augmentation strategy etc.

<sup>55</sup> Considered from a report published by the Asian Development Bank

### Way forward

Public finance reform agenda should consider the following:

- **Well-knit Reform Action Plan** Identification of activities vary in case to case basis and is the most critical process routed through correct/ near-correct assessment of current situation and need for a longer period.
- **Strengthening capacities of ULBs** is necessary for effective resource mobilization. Currently their Financial capacity is restricted not only by low tax base but also low capacity for mobilization of existing resources. For example, the ULBs are not able to harness property tax as per their potential due to low coverage; undervaluation; non-availability of database of properties; low rates; low collection efficiency etc. It is important to various laws related to Property Tax for policy reform, and also assess availability of technological tools available for robust implementation of such reforms.
- **Capacity building** is a key enabler for financial self-sufficiency and accountability. However, as the PFM reform is already reaching a higher stage, the strategy for capacity building should be contemporary with modern day need. For example, staffs of all departments are to be trained properly in Municipal Accounting, so that they understand the importance of documentation and timeliness for achieving complete migration to ABDEAS. Also, this is extremely necessary to implement ERP based software modules in any ULB. Such strategy will not only reduce the workload for routine works, but also expand scope for higher level activities like revenue augmentation.
- **Training** should be practical and focussed. For example, the trainees should be explained the task requirements where the process is re-engineered. One ULB can be picked up following certain criteria, to become a pilot ULB. All the new activities can be tested on that ULB, and when successful, other ULBs may be trained through the pilot ULB.
- **Good practices** from different states and abroad may be studied to assess their applicability and replicability in case to case basis.

## GOVERNMENT CAN'T DO IT ALONE: TIME IS RIPE FOR CREATING A MARKET FOR CITIZEN VOLUNTEERING IN OUR CITIES

*Srikanth Viswanathan*

There are several challenges in our cities that can be solved only through civic learning (essentially the learning of civic sense) and civic participation at scale. Major challenges like traffic indiscipline, littering, not segregating garbage, open urination, not queuing up, defacing public assets, paying bribes, not paying taxes, not voting in elections and a general disrespect for the rule of law are all impossible for governments alone to solve. We need civic learning and civic participation at massive scale in our cities to surmount these challenges.

Civic learning needs to find its rightful place in our school curriculum. Imagine if we could take our schoolchildren to a civic picnic at the landfill, a walking tour of the municipality and the council, an exposure visit to the sewage treatment plant and an outing to the police station, and combine this with basic lessons in active citizenship? Similarly, formal platforms for civic participation in city neighbourhoods like area sabhas and ward committees and structured processes like participatory budgeting are necessary to build a sense of community among neighbours, instil trust between citizens and governments, and improve transparency and accountability in the functioning of municipalities and other civic agencies.

Imagine if we could get together as neighbours of a community along with civic officials and the elected representative, to vote on and prioritise the budgets for our neighbourhood every year, to track civic works in progress and discuss the grievances dashboard of our neighbourhood every month, and to discuss the five year ward development plan once in five years.



*Illustration: Chad Crowe*

The personal leadership of Prime Minister Narendra Modi on Swachhata has meanwhile generated unprecedented political impulse albeit towards a more informal model of citizen participation. Schools, colleges, corporates, government offices, and citizen groups of different kinds are now animated by Swachhata related causes and volunteering for them. The time is ripe for creating a market for citizen volunteering in our cities, as the first step towards systematic civic learning and civic participation.

There are hundreds of civic causes that are unattended in our cities. Parks and playgrounds may require de-weeding. Public toilets may require cleaning or citizens may need awareness on open defecation. The public library may need help in rearranging its books. The orphanage may need help in taking children out on a festival day. The government school's chemistry teacher may have proceeded on maternity leave without a replacement. The public community hall may need inventory records of its chairs and tables.

The municipality itself may need professional help in its finance department. A marketplace that can connect these causes to citizen volunteers and thereby create a market for citizen volunteering for civic causes in cities would be hugely transformative.

Firstly, volunteering would in itself be practical civic learning that exposes citizens to the realities of civic governance in India. It would nudge citizens to reflect more deeply on why things are the way they are when it comes to the municipality and our cities. It would also educate citizens on who in government is responsible for what aspect of governance, what challenges governments face and where exactly things are going wrong. Volunteering for the municipality or any other civic agency would therefore serve as a reality check that will dislodge cynicism and replace it with civic consciousness and civic responsibility.

Secondly, it will prepare citizens for more systematic civic participation in city neighbourhoods. First-hand exposure to challenges of service delivery and civic problem solving will change the way citizens think, from thinking only about outcomes and services much like consumers, to thinking about democratic processes and the rule of law like rights-and-obligations-bearing citizens.

Thirdly, volunteering for civic causes will hopefully build greater degrees of empathy among citizens. India's cities are cruelly unequal. The propensity to purchase private services and exit the public system has created many unequal cities within our cities, with citizens going about their lives within their own physical and social enclaves. A better understanding of the lives and challenges of fellow citizens in cities could fundamentally alter our own demands from governments.

Lastly, in a tactical yet important way, citizen volunteering will enhance skills and capabilities of municipalities. Today, municipalities are hugely under resourced in terms of both number of staff and their skills. In our municipalities we have approximately 200 million adult citizens. If even 5% of this population, ie 10 million citizens spare just 2 hours out of 168 hours in a week (assuming 1 hour for local transport), ie just over 1% of their time, we have 20 million volunteer hours, equivalent to 5,00,000 full-time employees. Imagine the transformative scale and power of such shramdaan!

Record growth in mobile and data penetration, and wide reach of social media makes it possible to build a countrywide digital backbone for citizen volunteering in cities. Spatial mapping of civic volunteering opportunities to locate the nearest cause, matching of volunteers to causes based on predefined preferences, allocation of credits and volunteering leader-boards by individual/ family/ school/ college/ corporate, etc, before/ after pictures, family volunteering and civic picnics, a national market for skill-based volunteering with municipalities, etc can all be easily translated into action within just a few weeks.

It is an undeniable fact that our cities need to become better places to live and work. Even as governments have their own work cut out, largescale citizen volunteering in cities could be the pathway to get there.

*DISCLAIMER: Views expressed above are the author's own.*

## FIX MUNICIPAL BALANCE SHEETS TO FUND URBAN INFRASTRUCTURE

*Srikanth Viswanathan*

India's urban infrastructure is estimated to require Rs40 trillion of investments between 2011 and 2031, but municipal revenues account for less than Rs1.2 trillion today.

The Smart Cities Mission will cover 100 smart cities with an outlay of 50,000 crore from the central government and a matching amount from states and cities. This would amount to 200 crore per year per city. The mission guidelines suggest that this outlay will not meet full project costs, and additional funds are expected to be mobilised from sources such as public private partnerships (PPP), innovative financing mechanisms like municipal bonds and tax increment financing, plain vanilla borrowings, etc.

The government of India has undertaken measures to create a facilitative environment for additional funding of Smart City projects. The Securities Exchange Board of India (Sebi) has issued regulations for issuance of municipal bonds, the Kelkar committee has submitted a report on PPPs and the 14th Finance Commission has listed several recommendations on how additional resources can be mobilised by municipalities. The Smart Cities Mission along with the above measures is certainly a positive step and will undoubtedly result in at least a few successes if not many. But the relevant question is not whether it is positive or not, or whether anecdotal successes in the form of signature projects will or will not get done under the Smart Cities Mission. What is critical to question is whether the Smart Cities Mission and allied policy measures will have a transformative impact. Does the Mission set our cities on a new trajectory which will lead to sustained transformation in quality of life? The answer is no.

There are principally four underlying policy drivers of our cities, what we can refer to as city-systems. They are spatial planning and design, municipal finance and staffing, quality of political leadership in a city and transparency, accountability and citizen participation. Local governments being a state subject under the Constitution, these city-systems will need to be put in place by state governments. Municipal finance however is an exception, and this is where the Smart Cities Mission should have done more to become a transformative intervention.

We need to recognize that municipal finance is an integral component of the public finance system of the country, and an increasingly crucial one at that. India's urban infrastructure is estimated to require 40 trillion of investments in a 20-year period from 2011 to 2031.

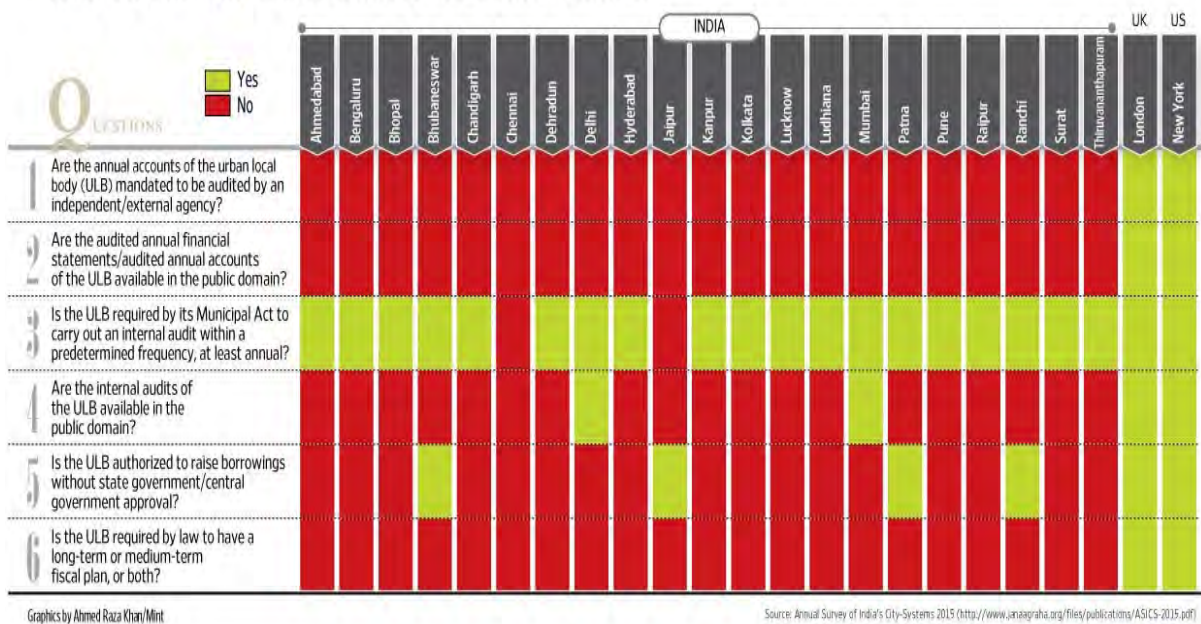
Today, municipal revenues at less than 1.2 trillion account for approximately 1% of the country's GDP as against 6%+ in Brazil, South Africa, etc. Of this 1.2 trillion, own revenues of municipalities are estimated at less than a third, with a large chunk of municipal revenues coming from central and state government grants. Sustainable financing of urban infrastructure is therefore a problem that is yet to be prioritized and solved, and merits a place in the national fiscal consciousness. The central government alone can catalyse reforms in this sector at scale, given the technical expertise required and parallels that can be drawn from other areas of reform like corporate and securities laws and regulations.

Take for example how publicly listed companies in India raise adequate capital from investors to meet their capital requirements and are in turn accountable to them for their financial and operational performance. On the one hand, there is a functioning, reasonably well-regulated capital market that exists where different market participants interact. On the other hand, there are robust regulations and market practices around credit rating, financial reporting and independent audits that serve as a bedrock of trust between market participants. The Companies Act, Sebi regulations and guidelines of



the Institute of Chartered Accountants of India have extensive provisions on how balance sheets of companies need to be drawn up (detailed formats prescribed under the Act and accounting standards issued by Institute of Chartered Accountants of India), at what frequency they need to be published (quarterly), who needs to audit them (independent Chartered Accountants) and by what time frames (within six months of close of financial year etc.), how adverse audit observations need to be responded to, what are the consequences for delays in financial reporting, financial misstatements, etc. These laws and regulations on financial reporting serve as safety harnesses and are the mainstay of corporate governance in the country.

## RED FLAGS ON MUNICIPAL BALANCE SHEETS



Contrast this with the state of municipal financial governance in India. A large majority of the 4000+ municipalities in India do not have balance sheets, as many of them continue to follow cash basis of accounting. In several states, municipal laws don't even mandate audit of annual accounts. Municipalities have not carried out physical verification of their assets and inventories for decades. Their audit is generally carried out by the Department of Local Fund Audit, a division of the State Finance Department or a Chief Auditor, neither of whom is a professional organization and often severely short staffed. Municipal laws do not have consequences for delays in completing audit of annual accounts, leave alone consequences for audit qualifications. They also don't provide for any uniform accounting standards to be followed, rendering municipal accounts largely incomparable across states and sometimes even within the same state.

The poor credit rating of municipalities, the tepid or even non-existent municipal bond market and the inability of municipalities to raise revenues on the strength of their own balance sheet can all be directly traced to poor financial governance. Total municipal bond issuances in India in two decades have been less than 2,000 crore. Municipalities that have been credit rated have done so not on the basis of an active capital market for urban infrastructure but to check the box of reforms under Jawaharlal Nehru National Urban Renewal Mission or Smart Cities Mission, etc. The lack of documentation and control over fixed assets, especially land and buildings, incomplete records in respect of overdue receivables, analysis of return on assets, etc. have led to financial squalor.



This is where the Smart Cities Mission could have potentially played a transformative role by putting in place a framework for municipal financial rejuvenation, especially in respect of raising capital from the market, which is purportedly a thrust area for the Mission. Empaneling two groups of independent chartered accountants to prepare and audit municipal balance sheets would jump-start sound financial governance in municipalities by creating a pan-India municipal fiscal landscape. This would throw up a wide range of opportunities for financing infrastructure and also make a strong case for systematic fiscal decentralisation from states to municipalities; the latter has been a long overdue reform. Recent experience of empanelment of chartered accountants in Rajasthan suggests that at a cost of no more than 100 crore a year all 4,000+ municipalities in India can have their balance sheets audited by independent chartered accountants. This is a very high return on investment from public policy and infrastructure financing standpoints.

By creating SPVs (special purpose vehicle) and ring-fencing them both financially and administratively, the Smart Cities Mission has bypassed the fundamental need of institutional strengthening of municipalities, particularly on financial management. We need to prepare, audit and fix municipal balance sheets to sustainably finance urban infrastructure in India's cities and towns. There are no smarter ways around this.

## Transformation from cash basis to accrual basis of accounting in Local Bodies - Potential Role of Chartered Accountants

Transformation of accounts from cash basis to accrual basis of accounting in Local Government, State and Central Government would be mile-stone. This transformation would require support of experts and professionals in accounting. Therefore, a big role is expected to be played by Chartered Accountants in this area as listed below:

- Assessment of existing system and requirements including review of legislative framework with reference to existing laws for smooth transitions into Double Entry Accrual Accounting System.
- Review of existing State Accounts Manual and revision of the same accordingly.
- Business process re-engineering with reference to Accrual System of Accounting.
- Categorisation, grouping and sub-grouping of assets and liabilities.
- Design of Chart of Accounts with Accounting Codes.
- Determination and valuation of fixed assets including infrastructure assets, current assets, investments, long-term liabilities, current liabilities and net worth as on opening balance sheet date.
- Preparing formats of financial statements and voucher format in the Accrual system.
- Design of Double Entry Accounting System on accrual basis for Local Bodies.
- Preparation of opening balance sheet.
- Implementation of Double Entry Accounting System on accrual basis.
- Preparation of financial statements for the transition period.
- Training of finance and accounts personnel and training of trainers.

It can be concluded and evident from the current scenario that the role of Chartered Accountants is going to increase and grow in government sector over a period of time. Currently, Chartered Accountants are being engaged by various local bodies to review and audit their accounts, in addition to local fund auditors. CAs are also being engaged for conversion projects and for imparting trainings to the finance staff of local bodies.

Not only as external parties, but CAs are also being appointed as full time CFOs by various local bodies in a few states. The fact that the capacity gaps in the finance cadre of local bodies can be eradicated with the support of Chartered Accountants is being recognised by the Government of India slowly and steadily which will surely gain momentum in the years to come.

Similar to the private sector, where the role and responsibilities of Chartered Accountants have witnessed substantial increase with various amendments in Companies Act of India, the role and responsibilities of Chartered accountants will gain impetus in Government sector as well with the decision of government to move on to full accrual accounting and with the legal recognition of ASLBs in the coming years.



### Extract from C&AG Reports - Maintenance of Accounts by ULBs

#	State	Maintenance of Accounts by ULBs	Link
1	Andhra Pradesh	The ULBs adopted the software developed by the Centre for Good Governance of Model Accounting System for maintenance of accounts. CDMA stated (September 2017) that the Double Entry Accrual Based Accounting System (DEABAS) was being adopted in all the 110 ULBs. The State Audit Department had audited the annual accounts of all the ULBs for the financial year upto 2015-16. Audit of annual accounts of 2016-17 was in progress.	<a href="https://cag.gov.in/sites/default/files/audit_report_files/Report_No_6_of_2018_-_Local_Bodies_Government_of_Andhra_Pradesh.pdf">https://cag.gov.in/sites/default/files/audit_report_files/Report_No_6_of_2018 - Local Bodies Government of Andhra Pradesh.pdf</a> (page no. 35)
2	Rajasthan	As per Rule 25(xi) of Rajasthan Local Fund Audit Rules 1955, a certificate of correctness of annual accounts shall be included in Director's Report. As such, accounts of all 190 ULBs are required to be certified every year. Director, LFAD intimated (June 2017) that accounts of only 122 ULBs (64 per cent) had been certified during the year 2016-17. In absence of certification of accounts, the correctness of accounts could not be verified by Audit.  National Municipal Accounts Manual (NMAM) for ULBs in India developed by the Ministry of Urban Development, GoI was introduced in February 2005. On the lines of NMAM, Rajasthan Municipal Accounting Manual (RMAM) was prepared. Accordingly, the LS GD directed (December 2009) all ULBs to maintain the accounts on Accrual Based (Double Entry) Accounting System from 1 April 2010.  The Local Self Government Department intimated (August 2017) that all the ULBs were maintaining the accounts on Accrual Based (Double Entry) Accounting System. However, Director, LFAD intimated (May 2017) that only 48 ULBs were maintaining the accounts on the above system.	<a href="https://cag.gov.in/sites/default/files/audit_report_files/Report_No_2_of_2018_-_Local_Bodies_Government_of_Rajasthan.pdf">https://cag.gov.in/sites/default/files/audit_report_files/Report_No_2_of_2018 - Local Bodies Government of Rajasthan.pdf</a> (Page no. 77)
3	Tamil Nadu	Accrual-based accounting system is followed in all the ULBs. GCC stated (October 2017) that in conformity with the National Municipal Accounting Manual (NMAM), the chart of accounts was revised and accounts upto 2015-16 were finalised. CMA stated (December 2017) that consequent upon the introduction of NMAM, GoTN prepared a new Municipal Accounting Manual incorporating the principles laid down in NMAM, to suit the requirement of ULBs in Tamil Nadu on the principles of need base and not merely to coincide with NMAM.  CMA further stated that accounts from 2014-15 were compiled based on this newly updated Municipal	<a href="https://cag.gov.in/sites/default/files/audit_report_files/Report_No_1_of_2018_-_Local_Bodies_Government_of_Tamil_Nadu.pdf">https://cag.gov.in/sites/default/files/audit_report_files/Report_No_1_of_2018 - Local Bodies Government of Tamil Nadu.pdf</a> (Page no. 22)

		Accounting Manual adopting new accounting software created on the basis of new coding structure.	
4	Madhya Pradesh	<p>On recommendation of the Eleventh Finance Commission, Comptroller &amp; Auditor General (C&amp;AG) of India constituted a Task Force to recommend budget and accounting formats for ULBs. The Task Force constituted by C&amp;AG, suggested the adoption of National Municipal Accounting Manual (NMMAM) for accrual basis accounting by ULBs. The Urban Development and Housing Department (UDHD), Government of Madhya Pradesh (GoMP), published (July 2007) Madhya Pradesh Municipal Accounting Manual (MPMAM), as suggested in NMMAM, for adoption of accrual basis accounting system by ULBs from 1 April 2008.</p> <p>Test check of records of 63 ULBs during the year 2015-16 revealed that four ULBs prepared their budget and accounts as per MPMAM and 24 ULBs3 did not prepare their budget and accounts as per MPMAM but they were preparing their accounts as per the existing accounting rules of Madhya Pradesh Municipal Corporation, Act 1956 and Municipalities Act, 1961. Remaining 35 ULBs did not produce relevant records/information to Audit.</p> <p>In reply, UADD stated (August 2016) that MPMAM was implemented in 154 ULBs4 out of 379 ULBs of the State. Thus, only 41 per cent of ULBs could implement MPMAM as of August 2016, though it was adopted by State Government in April 2008.</p>	<a href="https://cag.gov.in/sites/default/files/s/audit_report_files/Report_No.4_of_2017_Local_Bodies_Government_of_Madhya_Pradesh.pdf">https://cag.gov.in/sites/default/files/s/audit_report_files/Report_No.4_of_2017_Local_Bodies_Government_of_Madhya_Pradesh.pdf</a> (Page no. 32)
5	Jharkhand	<p>Preparation of Annual Accounts contributes towards ensuring accountability in the ULBs. As per section 112 of JM Act, 2011 the Municipal Commissioner or the EO shall prepare and maintain accounts of income and expenditure of the MC on Accrual Based Double Entry Accounting System.</p> <p>The UD&amp;HD does not maintain consolidated information about finalisation of Annual Accounts of ULBs. Hence, status of preparation of Annual Accounts by all the ULBs in the State could not be commented upon. However, in 20 test-checked ULBs it was observed that only eight (Adityapur, Chas, Chatra, Gumla, Jamshedpur, Jugsalai, Mango and Pakur) had been preparing their Annual Accounts and of this, six ULBs had been preparing it on accrual basis while two had been preparing it on cash basis.</p> <p>Thus, in absence of annual accounts of 12 ULBs and failure in maintenance of accrual based accounts of two ULBs, financial position of those ULBs along with their Assets and Liabilities could not be</p>	<a href="https://cag.gov.in/sites/default/files/s/audit_report_files/Annual_Technical_Inspection_Report_of_2017_-_Local_Bodies_Government_of_Jharkhand.pdf">https://cag.gov.in/sites/default/files/s/audit_report_files/Annual_Technical_Inspection_Report_of_2017_-_Local_Bodies_Government_of_Jharkhand.pdf</a> (page no. 49)

		verified.		
6	Odisha	<p>Accounts of ULBs are prepared by the respective ULBs and certified by the Director, Local Fund Audit, as per Rule 20(h) of the Orissa Local Fund Audit Rules, 1951.</p> <p>As against the Audit plan to certify 133 Accounts, 113 Accounts of ULBs were certified by the DLFA during 2016-17.</p> <p>Adoption of modern accrual based double entry system of accounting was mandatory for ULB level reform set by the GoI. However, migration to double entry accounting system has been accomplished only in the mission cities<sup>2</sup> since financial year 2012-13. In other ULBs, cash based manual accounting system was prevailing (March 2017).</p>	<p><a href="https://cag.gov.in/sites/default/files/audit_report_files/English_Report%20No1%20of%202018%28ULBs%29.pdf">https://cag.gov.in/sites/default/files/audit_report_files/English_Report%20No1%20of%202018%28ULBs%29.pdf</a> (Page no. 48-49)</p>	
7	Punjab	<p>In terms of the Eleventh Finance Commission recommendations, Government of India (GOI), Ministry of Urban Development in consultation with the CAG, developed (November 2004) the National Municipal Accounts Manual (NMAM) with a view to not only increasing transparency and accountability in the utilization of public funds but also to assist ULBs to play their role more effectively and ensure better service delivery.</p> <p>In accordance with this manual, a draft of the State specific manual had been prepared for maintenance of accounts as per the formats and patterns mentioned in the NMAM and the same had been forwarded (October 2012) to the Examiner, Local Fund Accounts, Punjab for necessary vetting and amendment thereof. Some discrepancies in the draft manual were pointed out by the ELFA Punjab and the departmental Council constituted for the purpose. The draft manual was sent for review to M/s CRISIL who had been engaged for this purpose. M/s CRISIL has now re-submitted (September 2015) the draft manual after sorting out the discrepancies pointed out to it. The draft manual was being re-examined by the department. However, the fact remains ATIR on Panchayati Raj Institutions and Urban Local Bodies for the year ended 31 March 2015<sup>14</sup> that even after a lapse of more than 10 years, NMAM could not be adopted till September 2015. The reply of the department regarding the latest status of the manual was awaited (May 2016).</p> <p>The accounts of the ULBs are monitored by the Commissioner in case of Municipal Corporations and the President in case of Municipal Committees and Town Councils. However, there is no provision for</p>	<p><a href="https://cag.gov.in/sites/default/files/audit_report_files/Punjab_Annual_Technical_Inspection_Report_on_PRI_and_ULB_2016.pdf">https://cag.gov.in/sites/default/files/audit_report_files/Punjab_Annual_Technical_Inspection_Report_on_PRI_and_ULB_2016.pdf</a> (Page no. 14)</p>	71

		certification of accounts of the ULBs in the Punjab Municipal Corporation Act, 1976.	
8	Telangana	The ULBs adopted the software Model Accounting System developed by the Centre for Good Governance for maintenance of Accounts. DMA stated that maintenance of database format of the finances of ULBs was adopted in all 72 ULBs. Records of Janagon Municipality showed discrepancies between annual accounts maintained manually and online.	<a href="https://cag.gov.in/sites/default/files/audit_report_files/Local%20Bodies%20AR%202016-17%20Full%20Report.pdf">https://cag.gov.in/sites/default/files/audit_report_files/Local%20Bodies%20AR%202016-17%20Full%20Report.pdf</a> (Page no. 38)
9	Uttar Pradesh	<p>In terms of the Eleventh Finance Commission recommendations, Government of India (GoI), Ministry of Urban Development in consultation with the CAG, developed (November 2004) the National Municipal Accounts Manual (NMAM), for maintenance of accounts on accrual basis. The implementation of accrual based Double Entry Accounting System (DEAS) by the ULBs would increase transparency and accountability in utilisation of public funds by ULBs.</p> <p>However, it was noticed that even after a lapse of more than 12 years, ULBs did not adopt NMAM (August 2016).</p> <p>It was noticed in 21 test-checked ULBs (NNs:2, NPPs:8, NPs:11) that accrual based accounts on DEAS were not prepared in 17 ULBs and partially prepared in four ULBs. Further, quality and reliability criteria of the records could not be ascertained.</p> <p>In reply, for not implementation of NMAM and Annual Accounts on DEAS, Director, Local Bodies, Lucknow stated (July 2016) that the Uttar Pradesh Municipal Account Rules 2012 have been prepared and forwarded to GoUP for their approval.</p>	<a href="https://cag.gov.in/sites/default/files/audit_report_files/Report_of_2016_-_Annual_Technical_Inspection_on_Urban_Local_Bodies_Government_of_Uttar_Pradesh_for_the_year_ending_31_March_2016.pdf">https://cag.gov.in/sites/default/files/audit_report_files/Report_of_2016_-_Annual_Technical_Inspection_on_Urban_Local_Bodies_Government_of_Uttar_Pradesh_for_the_year_ending_31_March_2016.pdf</a> (Page no. 12)
10	Karnataka	<p>On the recommendations of Eleventh Finance Commission, the Government of India (GoI) had entrusted the responsibility of prescribing appropriate accounting formats for the ULBs to the Comptroller and Auditor General of India (CAG).</p> <p>The Ministry of Urban Development, GoI has developed the National Municipal Accounts Manual (NMAM) as recommended by the CAG's Task Force. The State Government has brought out the KMABR based on the NMAM with effect from 1 April 2006. The KMABR was introduced in a phased manner in all the ULBs except BBMP. As of 31 March 2015, all the ULBs were preparing the fund-</p>	<a href="https://cag.gov.in/sites/default/files/audit_report_files/Karnataka_%20Local%20Bodies_Report_4_2016.pdf">https://cag.gov.in/sites/default/files/audit_report_files/Karnataka_%20Local%20Bodies_Report_4_2016.pdf</a> (Page no.57)



11	Jammu & Kashmir	<p>based accounts in double entry system. BBMP was maintaining FBAS based on the Bengaluru Mahanagara Palike (Accounts) Regulations, 2001.</p> <p>Government of India (GoI) along with the Comptroller and Auditor General of India (CAG) took an initiative to develop a model 'National Municipal Accounting Manual' (NMAM) which State Governments could adopt to their specific requirements. Accordingly, Jammu and Kashmir Government prepared the J&amp;K Municipal Accounting Manual, 2011 which inter alia provides for preparation of annual financial statements viz. Receipt and Payment Account and Income and Expenditure Statement on the transactions of ULB and a balance sheet depicting the status of assets and liabilities of the ULB at the end of the financial year. However, the manual was not fully adopted by all the ULBs and hence not fully implemented. Although, Srinagar Municipal Corporation (SMC) and Jammu Municipal Corporation (JMC) had prepared annual accounts on accrual basis, yet primary records were being maintained on single entry system by these corporations. Other ULBs, except Municipal Council Kathua, had not prepared annual accounts.</p> <p>Two Examiners/ Chief Accounts Officers, one each at Jammu and Srinagar, functioning under the control of Director, Local Fund, Audit and Pensions, (LFA&amp;P) compile the monthly accounts rendered by the ULBs.</p>	<p><a href="https://caq.gov.in/sites/default/files/audit_report_files/Annual_Technical_Inspection_Report_on_Urban_Local_Bodies_for_the_year_ended_31_March_2015%2C_Government_of_Jammu_and_Kashmir_0.pdf">https://caq.gov.in/sites/default/files/audit_report_files/Annual_Technical_Inspection_Report_on_Urban_Local_Bodies_for_the_year_ended_31_March_2015%2C_Government_of_Jammu_and_Kashmir_0.pdf</a> (Page no. 3)</p>
12	Assam	<p>The Government of Assam had accepted (March 2011) the National Municipal Accounting Manual (NMAM), which recommends introduction of the accrual-based double entry system and improved financial management in all ULBs in India. As per the NMAM, the ULBs are required to maintain their accounts on accrual basis and to prepare financial statements such as Balance Sheets, Income and Expenditure Statements, Statements of Cash flows and Receipt and Payment Accounts, at the end of each quarter.</p> <p>Although the DMA stated that the Accrual Based Double Entry Accounting System has been implemented by few of the ULBs, the details were not provided to audit. Further, no information on the present status of preparation of accounts i.e. up to which years the accounts were finalised, was available with the DMA.</p> <p>During the period covered in audit none of the test checked ULBs had prepared the annual accounts.</p>	<p><a href="https://caq.gov.in/sites/default/files/audit_report_files/Report_No_3_of_2018_-_Local_Bodies_Government_of_Assam.pdf">https://caq.gov.in/sites/default/files/audit_report_files/Report_No_3_of_2018_-_Local_Bodies_Government_of_Assam.pdf</a> (Page no. 67)</p>



		<p>GMC, however, prepared its annual accounts up to 2013-14. As the Annual Accounts were not maintained, head-wise receipts and expenditure and the financial performance of ULBs could not be ascertained.</p> <p>Moreover, due to non-fulfilment of eligibility conditions by the ULBs viz., making available reliable data on ULBs receipt and expenditure and improvement of its own revenue, GoI did not release GPGs to GoA for the period 2012-15. Due to non-receipt of the GPG, issues like preparation of annual accounts, improvement of own revenue remained unaddressed.</p> <p>Further, the objective of creation of database and preparation of accounts remained unachieved even after expenditure of Rs. 1.61 crore in 22 test-checked ULBs.</p>	
13	Bihar	<p>The Ministry of Urban Development, GoI in consultation with the CAG prepared (2004) the National Municipal Accounts Manual for maintenance of accounts on accrual basis by the ULBs. Section 86, 87 &amp; 88 of the BMA, 2007 also stipulate that the State Government shall prepare a Bihar Municipal Accounting Manual for implementation of accrual based Double Entry Accounting System and the Chief Municipal Officer shall within four months of the close of a year, cause to prepare a financial statements consisting of a Fund Flow Statement, an Income and Expenditure Account, Receipt and Expenditure Account and a Balance Sheet for preceding year.</p> <p>The UD&amp;HD approved and notified Bihar Municipal Accounting Manual (21 March 2016) after nine years of enactment of BM Act, 2007. It was observed that 13 test checked ULBs<sup>51</sup> did not prepare the financial statements for the period 2012-16. The Executive Officers of the ULBs concerned replied that the financial statements would be prepared in future.</p> <p>The UD&amp;HD notified (January 2014) the 'Bihar Municipal Accounting Rules, 2014 for preparation and maintenance of financial statements on accrual based Double Entry System in the municipalities (1 April 2014).</p> <p>However, The Additional Secretary, UD&amp;HD stated (October 2016) that the ULBs were maintaining their accounts on both of the single entry and double entry system in parallel and as soon as the new Double Entry Accounting System is migrated in all aspect and runs smoothly, the old accounting</p>	<p><a href="https://cag.gov.in/sites/default/files/s/audit_report_files/Report_No.4_of_2017_-_Local_Bodies_Government_of_Bihar.pdf">https://cag.gov.in/sites/default/files/s/audit_report_files/Report_No.4_of_2017_-_Local_Bodies_Government_of_Bihar.pdf</a> (Page no. 49)</p>

14	Maharashtra	<p>system would be discontinued.</p> <p>Section 93 of The Maharashtra Municipal Corporation Act, 1949 and Section 123 of the MbMC Act, 1888 provide that the accounts of the Municipal Corporations should be maintained in the formats prescribed by the Standing Committees. In pursuance of the 11th FC recommendations, the Ministry of Urban Development, GoI in consultation with the Comptroller and Auditor General of India had finalised the National Municipal Accounts Manual (NMAM) for implementation of accrual based accounting system by ULBs in November 2004.</p> <p>The GoM adopted (July 2005) the NMAM for implementation from 2005-06. As per the NMAM guidelines, all Municipal Corporations were to maintain their accounts on accrual basis from 2005-06. The Steering Committee constituted by the GoM also recommended (January 2007) implementation of accrual system of accounting in the ULBs. However, the GoM published (January 2013) the Maharashtra Municipal Account Code, 2013 prescribing the procedure for maintenance of accounts of receipts and disbursements for the Municipal Councils only. No such Account Code was prepared by the Director, Municipal Administration (DMA) for the Municipal Corporations even after 11 years of adoption of NMAM for implementation from 2005-06. Further, the notification for the implementation of Maharashtra Municipal Account Code, 2013 was issued by GoM in November 2014 i.e. after a delay of nearly two years. Further information regarding maintenance of accounts as per Maharashtra Municipal Account Code, 2013 was awaited from the Department (February 2017).</p> <p>Information furnished by 17 of 26 Municipal Corporations (except Panvel) revealed that the accounts for the years 2015-16, 2014-15, 2013-14, 2012-13 and 2009-10 had been prepared by six, two, three, two and one Municipal Corporations respectively. Thus, preparation of accounts by ULBs were in arrears.</p> <p>Of the total 358 Municipal Councils including NPs, the Department furnished information of annual accounts in respect of 239 Municipal councils. Of these, one, two, five and 181 Municipal Councils had finalized their accounts for the years 2009-10, 2012-13, 2013-14 and 2015-16 respectively.</p>	<a href="https://cag.gov.in/sites/default/files/audit_report_files/Report_No.5_of_2017_%E2%80%933_Local_Bodies_Government_of_Maharashtra.pdf">https://cag.gov.in/sites/default/files/audit_report_files/Report_No.5_of_2017_%E2%80%933_Local_Bodies_Government_of_Maharashtra.pdf</a> (Page no. 33)
15	Manipur	<p>The Ministry of Urban Development, GoI and CAG of India developed the National Municipal Accounts Manual (NMAM) (December 2004) which is based on accrual based double entry accounting system for greater transparency and control over finances. The ULBs were required to prepare their budget and</p>	<a href="https://cag.gov.in/sites/default/files/audit_report_files/Manipur_Local_Bodies_Report_2015.pdf">https://cag.gov.in/sites/default/files/audit_report_files/Manipur_Local_Bodies_Report_2015.pdf</a>

		maintain their accounts in the formats as prescribed in the NMAM with appropriate codifications and classifications. The State Government also issued an order to all ULBs in March 2011 for adoption of NMAM in maintenance of their accounts with immediate effect. It was, however, observed in audit that none of the test-audited ULBs had adopted NMAM as of March 2014. All ULBs test-audited maintained only cash books, receipts and payments accounts. Thus, accounts of the ULBs do not depict their true and correct financial position.	(Page no. 32)
16	Meghalaya	<p>The Ministry of Urban Development, Government of India in consultation with the Comptroller and Auditor General of India developed the National Municipal Accounts Manual (NMAM) in 2004. The NMAM is based on double entry accrual based accounting system for greater transparency and control over finances. The Thirteenth Finance Commission (XIII FC) had also recommended for implementation of an accounting framework consistent with the accounting format and codification pattern suggested in the NMAM in all the ULBs. Further, section 151E of the Meghalaya Municipal Act, 1973 (as amended) inserted vide Meghalaya Municipal (Amendment) Act, 2012 stipulates that the Board shall prepare and maintain accounts of the municipality in such manner as may be prescribed in the Meghalaya Municipal Accounting Manual. As per section 151H of the Act ibid, the Board shall approve the accounts of the previous financial year within four months of the next financial year.</p> <p>Accordingly, the GoM developed a state specific manual based on NMAM and notified on 22 February 2012, the Meghalaya Municipal Accounting Manual (MMAM) for adoption. The MBs were to prepare their annual accounts in line with that of the NMAM. The State Government also directed all the CEOs to follow the double entry system of accounting in respect of all the MBs in the State.</p> <p>Scrutiny of records of all the six MBs in the State revealed that in five MBs (Jowai, Tura, Williamnagar, Baghmara and Resubelpara), the annual accounts were not maintained as per the system prescribed in MMAM and only the Shillong MB had been successful in preparing the annual accounts upto 2012-13 only. No reply was received by Audit from the Municipal Boards on non-maintenance of accounts.</p>	<a href="http://agmegh.cag.gov.in/audit/reports/Annual%20Technical%20Inspection%20Report%202012-13.pdf">http://agmegh.cag.gov.in/audit/reports/Annual%20Technical%20Inspection%20Report%202012-13.pdf</a> (Page no.4)
17	West Bengal	Accounting Manual for ULBs (except Kolkata Municipal Corporation) in West Bengal, based on the National Municipal Accounts Manual, was prepared in February 2006 for switching over to double entry accounting system. Accordingly, Section 84 (effective from October 2006) of the West Bengal Municipal Act, 1993 and Rule 22 (2) (effective from January 2007) of the West Bengal Municipal (Finance and	<a href="https://cag.gov.in/sites/default/files/audit_report_files/West_Bengal_ULB_Report_of_2014.pdf">https://cag.gov.in/sites/default/files/audit_report_files/West_Bengal_ULB_Report_of_2014.pdf</a> (Page no. 4)

		Accounting) Rules, 1999 were amended for mandatory preparation of Balance Sheet, Income & Expenditure Account, Receipt & Payment Account and Cash Flow Statement with effect from the financial year 2006-07 for the ULBs in Kolkata Metropolitan Area and from 2007-08 for other ULBs.		
18	Mizoram	<p>The need for municipal reforms has assumed urgency as proper financial reporting by ULBs would be an important instrument to achieve the objective of accountability. Considering the importance of maintenance of accounts, the Eleventh Finance Commission in its recommendation has entrusted the responsibility for exercising control and supervision over the proper maintenance of accounts and the audit of ULB to the Comptroller and Auditor General of India (C&amp;AG). Accordingly, the Ministry of Urban Development, Govt in consultation with the C&amp;AG developed the National Municipal Accounts Manual (NIMAM) (December 2004) which is based on accrual based double entry accounting system for greater transparency and control over finances. The ULBs were required to prepare their budget and maintain their accounts in the formats as prescribed in NIMAM with appropriate codifications and classifications.</p> <p>Further, in terms of Paragraph 10.116 of the Thirteenth Finance Commission's (ThFC) guidelines, the State should implement an accounting framework consistent with the accounting format and codification pattern suggested in the NIMAM. Accordingly, State Government had Notified (March 2011) that the AMC is required to prepare its budget and maintain accounts in the formats prescribed by the NIMAM with appropriate codifications and classifications.</p> <p>It was, however, noticed that the preparation of Annual Budget and maintenance of accounts of the AMC were not in accordance with the prescribed formats in NIMAM. The AMC is maintaining the accounts in cash based single entry system.</p> <p>Thus, the objective of accountability through proper financial reporting was not achieved by the AMC.</p>		<a href="https://cag.gov.in/sites/default/files/audit_report_files/Mizoram_TL_ULB_RLB_2012.pdf">https://cag.gov.in/sites/default/files/audit_report_files/Mizoram_TL_ULB_RLB_2012.pdf</a> (Page no. 4)
19	Sikkim	<p>The Urban Development and Housing Department, Government of Sikkim had drafted (March 2008) the Sikkim Urban Local Bodies Accounting Manual based on NIMAM. The Manual was in the process of approval by the Government. Till date of audit, the accounts were maintained under the Double Entry System.</p>		<a href="https://cag.gov.in/sites/default/files/audit_report_files/Sikkim_TL_ULB_PRI_2012.pdf">https://cag.gov.in/sites/default/files/audit_report_files/Sikkim_TL_ULB_PRI_2012.pdf</a> (Page no.49)
20	Chhattisgarh	Department stated that all the Municipal Corporation, 28 out of the 32 Municipal Councils and 73 out of		<a href="https://cag.gov.in/sites/default/files/audit_report_files/Chhattisgarh_TL_ULB_PRI_2012.pdf">https://cag.gov.in/sites/default/files/audit_report_files/Chhattisgarh_TL_ULB_PRI_2012.pdf</a> (Page no.49)

		<p>the 127 Nagar Panchayats have implemented the accrual system of accounting. In addition to this 20 administrative offices of the UADD have also implemented the accrual system of accounting.</p> <p>As per the decision taken in the National Seminar organized (September, 2003) by the Ministry of Urban Development, GOI, a Steering Committee was to be formed in all the States to oversee the implementation of budget and accounting formats as suggested by the Task Force. The formation of any such committee was not intimated by the department.</p>	<a href="https://caag.gov.in/sites/default/files/audit_report_files/Chhattisgarh_ULB_PRI_2012.pdf">s/audit report files/Chhattisgarh ULB PRI 2012.pdf</a> (Page no. 3)
21	Gujarat	<p>As per ThFC recommendations, an accounting framework consistent with the accounting format and codification pattern suggested in the National Municipal Accounts Manual (NMAM) was to be adopted by 2011-12. All ULBs were to thus introduce accrual based double entry accounting system as per the NMAM.</p> <p>The MCs and NPs have adopted the accrual based double entry accounting system since 2006-07. NMAM envisages all States to develop State specific Municipal Accounts Manual. The draft Municipal Accounts Manual has been approved by the Government. The vetting by the Legislative and Parliamentary Affairs Department and publishing in the Government Gazette is however pending. The annual accounts for the year 2016-17 in respect of 30 NPs are yet to be finalised.</p>	<a href="https://caag.gov.in/sites/default/files/audit_report_files/Report_No_5_of_2018_-_Local_Bodies_Government_of_Gujarat.pdf">https://caag.gov.in/sites/default/files/audit_report_files/Report No 5 of 2018 - Local Bodies Government of Gujarat.pdf</a> (Page no.58)
22	Himachal Pradesh	<p>Instruction has been issued by the Director, Urban Development Department to all the ULBs to maintain their account from April 2009 on an Accrual basis. All 49 ULBs test checked in audit had maintained their account on accrual system.</p> <p>The Himachal Pradesh Account Manual for ULBs has been prepared and adopted by the state Government (April 2007) on the basis of National Municipal Accounts Manual (NMAM).</p> <p>The ULBs were also directed (April 2009) to switch over to the double entry system. In the absence of specific provisions in the state's Act/Rule, certification of accounts by the independent agency remain non-existent in the ULBs.</p>	<a href="https://caag.gov.in/sites/default/files/audit_report_files/Himachal_Pradesh_Local_Bodies_2012-13.pdf">https://caag.gov.in/sites/default/files/audit_report_files/Himachal Pradesh Local Bodies 2012-13.pdf</a> (Page no. 21)
23	Goa	<p>The Ministry of Urban Development, Government of India in consultation with the Comptroller and Auditor General of India (CAG) prepared (November 2004) National Municipal Accounts Manual</p>	<a href="https://caag.gov.in/sites/default/files/audit_report_files/Goa_ULB_P">https://caag.gov.in/sites/default/files/audit_report_files/Goa ULB P</a>



		(NIMAM) with accrual basis accounting and provided revised formats of accounts. The eight formats prepared by the CAG for creation of database of finances of ULBs were sent to the Finance Secretary in September 2003. Based on this, the State Government issued (January 2008) Notification amending the Goa Municipal Account Code, incorporating the Accrual Based Accounting Formats. However, the ULBs are maintaining their accounts on cash basis and none of the MCs have prepared the Income and Expenditure Accounts and the Balance Sheet using the accrual based double entry system (September 2013). The DMA replied (November 2013) that all the ULBs were directed to adopt the Accrual Based Accounting Formats.	<a href="#">RI 2011.pdf</a> (Page no.8)
24	Tripura	Based on the recommendations of Eleventh Finance Commission, the Ministry of Urban Development, GOI in consultation with Comptroller and Auditor General of India developed the National Municipal Accounts Manual (NMAM) which was based on double entry accrual based system of accounting. The Urban Development Department (UDD), Government of Tripura had drafted (June 2010) the 'Tripura Municipal Accounting Manual' based on the NMAM. Though the Manual had been finalised in 2011 but was not yet implemented by the ULBs. The UDD instructed the Agartala Municipal Council and 15 Nagar Panchayats to switch over to the Accrual Based Double Entry Accounting System explicitly w.e.f. April 2011. However, none of the ULBs had introduced the same.	<a href="https://cag.gov.in/sites/default/files/audit_report_files/Tripura_ULB_PRI_2012.pdf">https://cag.gov.in/sites/default/files/audit_report_files/Tripura_ULB_PRI_2012.pdf</a> (Page no.33)
25	Kerala	In respect of the accounting formats based on NAMAM for ULBs, the Government has issued new accounting rules, The accrual system of accounting has been implemented in all the ULBs as of March, 2012.	<a href="https://cag.gov.in/sites/default/files/audit_report_files/Kerala_TL_Local_Self_Government_Institutions_2010-11.pdf">https://cag.gov.in/sites/default/files/audit_report_files/Kerala TL Local Self Government Institutions 2010-11.pdf</a> (Page no.20)

Extract from C&AG Report- Maintenance of Account by PRIs

#	States	Maintenance of Accounts by PRIs	Link
1	Andhra Pradesh	<ul style="list-style-type: none"> <li>PRIs maintain accounts on cash basis. Gol prescribed a Model Accounting System in consultation with the Comptroller and Auditor General of India. State Government issued orders (September 2010) for adopting this format using PRIASoft (Panchayat Raj Institutions Accounting Software) developed by National Informatics Centre (NIC).</li> <li>Out of total 13,593 (13-ZPPs, 660-MPPs and 12,920-GPs) PRIs in the State, 7,931 PRIs were using PRIASoft for maintaining accounts while rest of the PRIs (5,662) were maintaining the accounts manually.</li> <li>Against 7,931 PRIs using PRIASoft, 3,461 PRIs, finalised their accounts for the year 2016-17 (November 2017) and in rest of the 4,470 PRIs, finalisation of accounts was in progress. Records of 44 test-checked PRIs showed that seven PRIs (MPDOs of Aktividu, Chintalapudi, Palkol, Rajamahendravaram, Samalkot, Undrajavaram and ZPP Kakinada) were not maintaining the accounts through PRIASoft.</li> <li>Further, discrepancies were noticed between annual accounts maintained manually and those uploaded in PRIASoft in respect of 10 PRIs (GPs: Darsi, Devarapalli, Dowleswaram, Gargeyapuram, Inkollu, Paravada, Parchur, Tangutur MPPs: Mandapeta and Kurnool).</li> </ul>	<a href="https://cag.gov.in/sites/default/files/audit_report_files/Report_No_6_of_2018_-_Local_Bodies_Government_of_Andhra_Pradesh.pdf">https://cag.gov.in/sites/default/files/audit_report_files/Report_No_6_of_2018_-_Local_Bodies_Government_of_Andhra_Pradesh.pdf</a> (Page 10)
2	Rajasthan	<p>As per provisions contained in Rule 245 of RPRR, 1996, a quarterly statement of income and expenditure is required to be prepared in prescribed proforma by each PRI and sent to next higher authority. Similarly, at the end of the year a GP/PS is required to prepare an abstract of annual accounts in prescribed proforma vide rule 246 of Rules ibid showing its income and expenditure under each head of budget and forward it to the State Government through ZP by first May of the following year. Abstracts of annual accounts is required to be accompanied by a statement of grants-in-aid received and spent during the year, statement of loans and amount outstanding, a list of works undertaken under the various schemes and a statement of assets and liabilities.</p> <p>Provisions regarding maintenance of records viz. cash book, asset register, advance register, stock register and other records have also been enumerated in the RPRR, 1996.</p>	<a href="https://cag.gov.in/sites/default/files/audit_report_files/Report_No_2_of_2018_-_Local_Bodies_Government_of_Rajasthan.pdf">https://cag.gov.in/sites/default/files/audit_report_files/Report_No_2_of_2018_-_Local_Bodies_Government_of_Rajasthan.pdf</a> (Page 12-13)

	<p>Test check of 359 PRIs (ZPs: 20, PSs: 45 and GPs: 294) revealed that 16 PSs did not prepare quarterly accounts and 10 PSs did not prepare annual accounts. 25 PSs were not maintaining separate cash book for different schemes. Out of 20 test checked ZPs, 10 ZPs did not maintain separate cash books for different schemes and five ZPs did not prepare quarterly accounts (Jodhpur, Bharatpur, Churu, Kota and Rajsamand) and six ZPs did not prepare annual accounts (Jodhpur, Tonk, Jhunjhunu, Kota, Chittorgarh and Bundi). Out of the total 295 Panchayat Samitis in the State, 131 submitted annual accounts to the State Government. The remaining 164 PSs were not submitted accounts to the State Government as of September 2017. Test checked GPs were not preparing quarterly accounts statements and annual accounts. These were maintained as initial receipts and expenditure statements called 'Goshwara'. 172 GPs out of the test checked 294 GPs had not submitted accounts to the State Government.</p> <p>The entire accountability process has thus been restricted to furnishing of a simple 'Goshwara' at GP level and quarterly and annual accounts statements at PS and ZP level, against the provisions of the RPRR 1996, which prescribed different formats for the accounts.</p> <p>PRIASoft is a centralised accounting package that facilitates maintenance of accounts under Model Accounting System. Data is entered at District/Block /GP level and is integrated at State level. It was noticed that the PRIs were entering transactions relating to the grants of Central and State Finance Commission and Untied funds. According to the information provided by the Department, 10 out of 33 ZPs, 30 out of 295 PSs and 644 out of 9,894 GPs had closed their year book for the year 2016-17 and six ZPs did not make any entry in PRIASoft during the year. In eight other ZPs only opening balances were entered whereas transactions and vouchers were not entered.</p> <p>There was little improvement this year as 684 PRIs closed their year book over the previous year's 282 PRIs. The Department did not furnish any specific reply.</p> <p>As per Rule 247(2) of RPRRs, 1996, every ZP is required to prepare annual accounts of receipts and expenditure and furnish the same to the State Government by 15 May of every year. Out of 33 ZPs of Panchayati Raj Cell, 21 ZPs submitted their annual accounts within the prescribed time, while ZP, Barmer and Bhilwara submitted their accounts for the year 2016-17 with a delay of 37 and 45 days respectively. Remaining 10 ZPs14 did not submit their annual account to PRD as of October 2017.</p>	
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3	Tamil Nadu	<p>A new simplified accounting framework, namely "Model Accounting System for Panchayats" was developed in 2009 to bring about transparency and accountability in the maintenance of accounts of PRIs. Panchayat Raj Institutions Accounting Software (PRIA Soft) was developed by National Informatics Centre in consultation with Ministry of Panchayati Raj, GoI to establish centralised accounting software for use by all the three tiers of PRIs.</p> <p>DRDPR stated (November 2017) that all the DPs, BPs and VPs had completed online entries of accounts using PRIA Soft application upto 2016-17.</p>	<a href="https://cag.gov.in/sites/default/files/audit_report_files/Report%20No%201%20of%202018%20-%20Local%20Bodies%20Government%20of%20Tamil%20Nadu.pdf">https://cag.gov.in/sites/default/files/audit_report_files/Report No.1 of 2018 - Local Bodies Government of Tamil Nadu.pdf</a> (page no. 7)
4	Madhya Pradesh	<p>Comptroller and Auditor General (C&amp;AG) of India and Ministry of Panchayati Raj, Government of India (GoI) developed an accounting framework and codification pattern consistent with the Model Panchayat Accounting System (MPAS), which was to be introduced from 1 April 2010. MPAS provides for preparation of Receipt and Payment accounts, Consolidation abstract register, Statement of receivable and payable, Register of movable property, Register of immovable property, Inventory register, Demand and collection register etc. Government of Madhya Pradesh (GoMP) adopted MPAS with effect from August 2010.</p> <p>Test check of 1,132 PRIs during the year 2015-16 revealed that none of the PRIs (24 ZPs, 88 JPs, and 1,020 GPs) was maintaining the accounts in MPAS formats. However, their accounts were maintained as per existing Accounting Rule of MP Panchayat Raj Avam Gram Swaraj Adhiniyam, 1993. Further, it was also noticed that PRD was not maintaining consolidated information regarding finalisation of annual accounts of PRIs.</p> <p>In reply, PRD stated (January 2017) that instructions would be issued for maintaining the accounts in MPAS formats. However, at present, accounts were also maintained on Panchayat Darpan Website Portal.</p> <p>Fact remains that none of the test checked PRIs was maintaining the accounts in MPAS formats, though adopted by GoMP with effect from August 2010.</p>	<a href="https://cag.gov.in/sites/default/files/audit_report_files/Report%20No.4%20of%202017%20Local%20Bodies%20Government%20of%20Madhya%20Pradesh.pdf">https://cag.gov.in/sites/default/files/audit_report_files/Report No.4 of 2017 Local Bodies Government of Madhya Pradesh.pdf</a> (page no. 7)
5	Jharkhand	<p>The Jharkhand Panchayat Raj (Budget and Accounts) Rules, 2010 prescribes for preparation of Annual Accounts/Reports of PRIs by the CEO/EO9 and submission by 30 May every year to General Administrative Committee of PRIs for its approval and the same shall be approved and accepted by the General Assembly of</p>	<a href="https://cag.gov.in/sites/default/files/audit_report_files/Annual%20Technical%20Inspection">https://cag.gov.in/sites/default/files/audit_report_files/Annual Technical Inspection</a>

		<p>each tier of PRIs on or before 15 June every year. The Annual Accounts/Reports, after its approval by each tier of PRIs, shall be sent to the Divisional Commissioner and the Director, RDD (PR) by 30 June every year.</p> <p>The RDD (PR) does not maintain consolidated information about finalisation of Annual Accounts of PRIs. Hence, status of preparation of Annual Accounts by all the PRI units in the State could not be commented upon. However, in 13 ZPs, 36 PSs and 70 GPs audited during 2015-16, it was observed that only five 10 ZPs had prepared the Annual Accounts for 2015-16 as of December 2016 while rest of the test checked PRIs did not prepare the Annual Accounts for 2015-16 as of February 2017. Thus, the receipt and expenditure figures and the financial performance of the test checked PRIs for the year 2015-16 could not be verified in audit.</p>	<a href="#">Report of 2017 - Local Bodies Government of Jharkhand.pdf</a> (page no. 12 )
6	Odisha	<p>Accounts of PSs are prepared by the respective PS and Chartered Accountants are engaged for maintenance of GP Accounts. Accounts of PRIs are certified by the Director, Local Fund Audit as per Rule 20 (h) of the Orissa Local Fund Audit Rules, 1951.</p> <p>Out of 4,963 Accounts of PRIs planned for audit, 4,783 Accounts were certified by the Director, Local Fund Audit during 2016-17.</p> <p>Government had implemented (April 2014) Panchayati Raj Institutions Accounting Software (PRIASoft) developed by NIC on Model Accounting System for maintenance of accounts of PRIs. However, only 26 out of 30 ZPs, 303 out of 314 PSs and 4,779 out of 6,801 GPs have uploaded their vouchers in the PRIASoft.</p>	<a href="https://cag.gov.in/sites/default/files/audit_report_files/English_Report%20No1%20of%202018%28LBs%29.pdf">https://cag.gov.in/sites/default/files/audit_report_files/English_Report%20No1%20of%202018%28LBs%29.pdf</a> (page no. 11)
7	Punjab	<p>The Deputy Chief Executive Officer was responsible for the maintenance of accounts of ZP with the assistance of the Accounts Officer. The BDPO-cum Executive Officer maintained the accounts of Panchayat Samiti while Gram Sachiv/ Secretary maintained accounts of GP. The certification of accounts was being done by Deputy Chief Executive Officer, Executive Officer and Sarpanch in respect of ZPs, PSs and GPs respectively. ELFA being a statutory auditor was responsible for conducting audit of PRIs.</p> <p>The Ministry of Panchayati Raj, Government of India in consultation with the Comptroller and Auditor General of India developed the Model Accounting Structure (MAS), 2009. The model formats developed under MAS was to benefit State Government in terms of tracking the flow and usage of funds while the Panchayats were to gain in terms of better financial management, enhanced credibility and assessing Panchayat finances for devising strategies to make Panchayats financially viable. Subsequently, in December 2013, Director, Rural</p>	<a href="https://cag.gov.in/sites/default/files/audit_report_files/Punjab_Annual_Technical_Inspection_Report_on_PRI_and_ULB_2016.pdf">https://cag.gov.in/sites/default/files/audit_report_files/Punjab_Annual_Technical_Inspection_Report_on_PRI_and_ULB_2016.pdf</a> (page no. 1 )

		Development directed all the Additional Deputy Commissioners (Development) to create a data base on the basis of proformas as prescribed in MAS so as to make the MAS functional from April 2014. Accordingly, MAS has been adopted (April 2015) and voucher entries were being made in the software and the reports were being generated through the MAS.	
8	Telangana	<p>PRIs maintain accounts on cash basis. A Model Accounting System was prescribed by GoI in consultation with the Comptroller and Auditor General of India. State Government issued orders (September 2010) for adopting this format using PRIASoft, i.e., Panchayat Raj Institutions Accounting Software developed by National Informatics Centre (NIC).</p> <p>Government confirmed (September 2014) that online accounting was completed in all the PRIs. However, discrepancies in annual accounts maintained manually and PRIASoft were noticed in respect of 22 PRIs 27 (58 per cent) out of 38 PRIs test checked in 2016-17.</p>	<a href="https://cag.gov.in/sites/default/files/audit_report_files/Local%20Bodies%20AR%202016-17%20Full%20Report.pdf">https://cag.gov.in/sites/default/files/audit_report_files/Local%20Bodies%20AR%202016-17%20Full%20Report.pdf</a> (page no.11 )
9	Uttar Pradesh	<p>The Eleventh Finance Commission (EFC) recommended for exercising control and supervision over proper maintenance of accounts and their audit for all the three tiers of PRIs. Thirteenth Finance Commission also recommended that the State Government would be eligible to draw its Performance Grant for succeeding fiscal year on production of a certificate that accounting system as recommended by the CAG has been introduced in all the Rural and Urban Local Bodies.</p> <p>The CAG had prescribed Model Accounting System developed by National Informatics Centre for PRIs on web based software (PRIASoft) comprising of eight accounting formats. Ministry of Panchayati Raj (MoPR), GoI advised (October 2009) the State Government to introduce PRIASoft with effect from April 2010. Subsequently (January 2011), the State Government also made it mandatory to maintain accounts on PRIASoft with effect from 1 April 2010. However, out of eight formats, reports in only three formats (Annual Receipt &amp; Payment Account, Consolidated Abstract Register and Monthly Reconciliation Statement) were being generated by ZPs and KPs as of October 2015. In GPs, only Annual Receipt and Payment Account and Consolidated Abstract Register were being generated as of September 2016.</p> <p>Ministry of Panchayati Raj directed all States that a State Level Committee for strengthening of accounting system in the PRI, was to be framed. In compliance to the said order GoUP constituted a State Level Model Accounting system monitoring Committee to implement the smooth functioning of MAS/PRIASoft and</p>	<a href="https://cag.gov.in/sites/default/files/audit_report_files/Report of 2016 - Annual Technical Inspection on Panchayati Raj Institutions Government of Uttar Pradesh for the year ending 31 March 2016.pdf">https://cag.gov.in/sites/default/files/audit_report_files/Report of 2016 - Annual Technical Inspection on Panchayati Raj Institutions Government of Uttar Pradesh for the year ending 31 March 2016.pdf</a> (page no. 20)

		settlement of its bottlenecks.  It was noticed that only one State Level Committee meeting was held on 02 June 2015 during 2014-16 and 100 per cent accounts were not closed in PRIs during 2013-15 and status of 2015-16 was not provided.  On being pointed out, Director, PR stated that necessary action will be taken for regular meeting of the committee (October 2016).	
10	Karnataka	<p>The State Government enacted the KPR (GP B&amp;A) Rules, which provided for mandatory preparation of accounts based on DEAS in GPs on accrual basis with effect from April 2007. The State Government decided (July 2007) to avail of the services of the Chartered Accountant (CA) firms to introduce DEAS in GPs. —</p> <ul style="list-style-type: none"> <li>• Eight test-checked GPs had not maintained grant register, advance register, deposit register and double entry cash book as envisaged in the KPR (GP B&amp;A) Rules. Thus, Audit could not ascertain the complete financial position of the GPs.</li> <li>• As per KPR (GP B&amp;A) Rules, the annual accounts of the GPs shall be placed before the elected bodies for consideration and approval before 30 June of every year. However, 11 test-checked GPs had not placed the annual accounts in DEAS before the elected bodies.</li> <li>• Out of 2,815 GPs audited by the Karnataka State Accounts Department (KSAD) in 24 ZPs, the annual accounts of 1,621 GPs (58 per cent) were not certified due to non-production of accounts in the prescribed and complete form.</li> </ul>	<a href="https://cag.gov.in/sites/default/files/audit_report_files/Karnataka_%20Local%20Bodies_Report_4_2016.pdf">https://cag.gov.in/sites/default/files/audit_report_files/Karnataka_%20Local%20Bodies_Report_4_2016.pdf</a> (page no. 8)
11	Assam	<p>PRIs, with their increasing role, funds and enhanced accountability, are required to spend and record public money with utmost care. Such diligence could be achieved only if the financial recording and reporting systems are well established and functional. Accordingly, the Model Accounting System (MAS) for Panchayats was introduced in October 2009 by Ministry of Panchayati Raj. Though the GoA had accepted the MAS, the Commissioner, P&amp;RD, could not furnish data on the present status of its implementation by PRIs.</p> <p>The PRIs had also not adopted completely the accounting formats prescribed by the CAG. PRIs were generating only three (Annual Receipt and Payment, Consolidated Abstract Register and Monthly Reconciliation Statement) out of eight reports prescribed by the CAG from receipt and payment data as recorded in their Cash Book. Due to this, a clear picture of revenue and expenditure of PRIs could not be seen.</p>	<a href="https://cag.gov.in/sites/default/files/audit_report_files/Report_No_3_of_2018_-_Local_Bodies_Government_of_Assam.pdf">https://cag.gov.in/sites/default/files/audit_report_files/Report_No_3_of_2018_-_Local_Bodies_Government_of_Assam.pdf</a> (page no. 15 & 23)



Instances of annual accounts not maintained by PRIs have been brought to the notice of State Government on several occasions, through Inspection Reports and Annual Technical Inspection Reports (ATIRs)/Audit Reports.

The 4<sup>th</sup> ASFC made suggestions for PRIs for proper maintenance of accounts and their audit. The status of action taken by these PRIs is shown in Table below:

**Status of action taken by PRIs in respect of maintenance of accounts**

<b>Sl. No.</b>	<b>Suggestions</b>	<b>Status of action taken</b>
1	The 4 <sup>th</sup> ASFC suggested that annual budget estimates showing the details of estimated receipt and expenditure during the year shall be prepared by each PRI (ZP, AP and GP).	The budget covering overall receipt and expenditure of the PRIs was not prepared as per the format prescribed by the AP Act, 1994. PRIs prepared the budget only in respect of funds generated through their own revenue sources only.
2	The 4 <sup>th</sup> ASFC suggested that annual and monthly accounts as per the format prescribed by the CAG showing the details of income and expenditure shall be prepared.	Annual accounts were not prepared at AP and GP level. Monthly accounts were also not prepared at any level of PRI (ZP, AP and GP).
3	The 4 <sup>th</sup> ASFC suggested that audit of accounts of each level of PRI should be conducted and delay in reply to audit observations shall be eliminated.	Although Director of Audit Local Fund audited the accounts of the PRIs, there were significant shortfalls in coverage of audit by it due to shortage of staff. (Reference para 1.5.1.1.). In respect of audit by the office of the AG (Audit), Assam, replies to 6,353 audit observations with money value of ₹ 2366.29 crore were pending as of March 2017.

		It was also observed that the selected PRIs generated only three reports viz., Annual Receipt and Payment, Consolidated Abstract Register and Monthly Reconciliation Statement. Other five reports namely Receivable and Payable Register, Register of Immovable Property, Register of Movable Property, Inventory Register, Demand, Collection and Balance Register had not been prepared as prescribed by the CAG. Against the above backdrop, the maintenance of accounts by PRIs was far from satisfactory. Accounting formats prescribed by the CAG had also not been adopted in entirety and hence, a true picture of the financial status of PRIs was not easily ascertainable.	
12	Bihar	<p><b>Maintenance of Accounts by PRIs</b></p> <p>The Panchayats were required to maintain accounts as per Section 30, 58 and 85 of the BPRA, 2006. No separate rules were framed under the existing BPRA and at the best, the provisions of the BPRA 1947 and Panchayat Samiti and Zila Parishads (Budget and Accounts) Rules, 1964 were being followed. The revised Budget and Accounts Rules for PRIs were to be framed by September 2013 but, the Budget and Accounts Rules for PRIs were not framed (January 2017). In six test checked ZPs, accounts were found maintained in single entry system. The PRIs were maintaining accounts on cash basis in single entry system.</p> <p><b>Model Accounting System and PRIASoft</b></p> <p>Model Accounting System (MAS) was prescribed (2009) by GoI in consultation with the CAG of India for exercising proper control and securing better accountability. Consequently, the PRD, GoB notified (July 2010) that the accounts of PRIs would be maintained in the MAS formats from 1 April 2010. In Bihar, the MAS was implemented through Panchayat Raj Institutions Accounting Software (PRIASoft) developed by the National Informatics Centre (NIC). It aims at computerization of accounts of all the three levels of PRIs through MAS. It was observed that accounting work was done in PRIASoft till 2014-15 and out of total eight MAS formats, only three formats were being generated. However, accounting work in PRIASoft was discontinued since 17 April 2015 and e-Panchayat module was introduced thereafter. Thus, after a lapse of six years from adoption of MAS formats, maintenance of accounts in MAS formats remained unimplemented.</p>	<a href="https://cag.gov.in/sites/default/files/audit_report_files/Report_No.4_of_2017_-_Local_Bodies_Government_of_Bihar.pdf">https://cag.gov.in/sites/default/files/audit_report_files/Report_No.4_of_2017_-_Local_Bodies_Government_of_Bihar.pdf</a> (page no 16. )
13	Maharashtra	Under the provisions of Section 136 (2) of the ZP/PS Act, the BDOs forward the accounts approved by the PSs to the ZPs and these form part of the ZPs' accounts. Under provisions of Section 62 (4) of the VP Act, the Secretaries of the GPs are required to prepare annual accounts of GPs. A Performance Audit on quality of maintenance of accounts in PRIs in Maharashtra State was conducted and commented in Chapter II of the Report of the Comptroller and Auditor General of India (Local Bodies), GoM for the year ended 31 March	<a href="https://cag.gov.in/sites/default/files/audit_report_files/Report_No.5_of_2017_%E2%80%933_Local_Bodies_Government_of_Maharashtra.pdf">https://cag.gov.in/sites/default/files/audit_report_files/Report_No.5_of_2017_%E2%80%933_Local_Bodies_Government_of_Maharashtra.pdf</a>

		2008.	<p>In accordance with the provisions of Section 136 (1) of the ZP/PS Act and Rule 66 A of The Maharashtra Zilla Parishads and Panchayat Samitis Account Code, 1968, CEOs of ZPs are required to prepare annually, statements of accounts of revenue and expenditure of the ZPs along with statements of variations of expenditure from the final modified grants on or before 10 July of the following financial year to which the statements relate. The accounts are then placed before the Finance Committee and finally before the ZPs for approval along with the Finance Committee reports.</p> <p>The abstracts of the approved accounts of the ZPs/PSs are prepared by CAFO and forwarded to DLFA for audit, certification and publication in the Government Gazette.</p> <p>As per Section 136 (1) of ZP/PS Act and Rule 66 A of The Maharashtra Zilla Parishads and Panchayat Samitis Account Code, 1968, the prescribed date for approval of annual accounts of ZPs for a financial year is 30 September of the following year and accounts of ZPs are required to be published in the Government Gazette by 15 November of the year. Accordingly, the accounts for 2015-16 should have been finalised by September 2016 and published by November 2016. As per Government Resolution (September 2015), all the ZPs were to prepare accounts in all eight Model Accounting System formats.</p> <p>The Department stated (January 2017) that annual accounts for the year 2013-14 had been received from all the ZPs and would be placed in the State Legislature soon. Annual accounts for the year 2014-15 had been received from four ZPs (Thane, Sindhudurg, Nandurbar and Solapur) and were under finalisation. Thus, preparation of accounts by ZPs was in arrears.</p>	(page no.11)
14	Manipur	<p>Sections 43 and 73 of MPR Act, 1994 stipulate that the accounts of GPs and ZPs shall be kept in such form and manner as may be prescribed. Test-check of records of four ZPs and 21 GPs showed that accounts were maintained on cash basis. However, the basic records such as consolidated cash books, grants-in-aid register, bill register, advance register, stock and issue register etc. were not maintained in all the test-audited PRIs except the 9 test audited GPs of Imphal East District. Accounts to assess the income and expenditure of the PRIs were not maintained in all the test-audited PRIs. Audit also observed that Model Accounting System (MAS) for PRIs prescribed by the Ministry of Panchayati Raj, Government of India in consultation with the CAG of India which the State Government had agreed to adopt with effect from April 2013 was not adopted in</p>	<p><a href="https://cag.gov.in/sites/default/files/audit_report_files/Manipur_Local_Bodies_Report_2015.pdf">https://cag.gov.in/sites/default/files/audit_report_files/Manipur_Local_Bodies_Report_2015.pdf</a> (page no. 13)</p>	

15	West Bengal	<p>any of the GPs and ZPs as of March 2014 due to lack of skilled personnel.</p> <p>PRIs maintain their accounts as per formats prescribed in West Bengal Panchayat Act, 1973 and Rules framed thereunder. The accounts are maintained on cash basis double entry system. Two software programmes namely, Integrated Fund Monitoring and Accounting System (IFMAS) for ZPs and PSs and Gram Panchayat Management System (GPMS) for GPs were developed for generation of accounts.</p> <p>Ministry of Panchayati Raj, GoI in consultation with Comptroller and Auditor General of India, prescribed Model Accounting System (MAS) for Panchayats for exercising proper control and securing better accountability. P&amp;RDD prepared a coding structure comprising three tier budget head for receipt of grants-in-aid and four tier budget head for expenditure consistent with MAS after minor modifications and issued instruction (March 2012) to all PRIs that the accounts should be maintained in prescribed format with effect from April 2011 and eight database formats were also to be generated as prescribed in the MAS.</p> <p>During audit of accounts of PRIs for the year 2012-13, it was noticed that accounts were not maintained as per the codification structure prescribed by P&amp;RDD. When enquired, the department intimated (June 2013) that different aspects of MAS like cash based accounting, yearly closing, recording of all transaction in Cash Book and other Ledgers, monthly reconciliation, preparation of monthly receipt and payment report etc. were in practice in all three tiers of PRIs in West Bengal. The issue of classifying funds according to National Accounting Code (NAC) is being addressed by the Government. The mapping of existing heads as per State Rules was completed for GPs and their accounts were uploaded in PRIASOFT portal. The mapping of PS accounting heads was in process and is expected to be completed by December 2014.</p>	<a href="https://cag.gov.in/sites/default/files/audit_report_files/We%20Bengal%20Panchayati%20Raj%20Institutions%20Report%202016.pdf">https://cag.gov.in/sites/default/files/audit_report_files/We est Bengal Panchayati Raj Institutions Report 2016.pdf</a> (page no. 4 )
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16	Sikkim	<p>The Sikkim Gram Panchayat (Financial) Rules, 2004 [Rule 7(1) &amp; 7(2)] stipulated maintenance of various records such as (i) Cash Book, (ii) Monthly Receipt and Payment Register, (iii) Annual Receipts and Payment Accounts, (iv) Monthly Reconciliation Statement, (v) Inventory Register for Moveable Assets, (vi) Inventory Register for Immoveable Assets, and (vii) Balance Sheet for proper depiction of accounts of the Gram Panchayat Funds.</p> <p>Scrutiny of records in 83 GPs revealed that many records and registers as indicated above were not maintained properly. The following deficiencies were seen:</p> <ul style="list-style-type: none"> <li>• Maintenance of Cash Books in 83 GPs disclosed that (i) Cash Book balances were not certified in any of the GPs by the President of the GPs; (ii) none of the GPs had reconciled the Cash Book balances with the balances maintained by the Banks;</li> <li>• Monthly Receipt and Payment Registers were not maintained;</li> <li>• Annual Receipts and Payments Accounts were not maintained;</li> <li>• Registers for Moveable and Immoveable Assets were not maintained; and</li> <li>• Balance Sheets were not prepared.</li> </ul> <p>Besides, Advance Registers were not maintained by PRIs. Database formats as suggested by the C&amp;AG were also not initiated by any of the GPs and the ZPs. The Model Accounting Structure for PRIs prescribed by the Ministry of Panchayat Raj, Government of India (2009) in consultation with the C&amp;AG, was accepted (April 2010) by the State Government and the software PRIASoft for maintenance of accounts developed by NIC was also not adopted by any of the GPs and ZPs.</p>	<a href="https://cag.gov.in/sites/default/files/audit_report_files/Sikkim_TL_ULB_PRI_2012.pdf">https://cag.gov.in/sites/default/files/audit_report_files/Sikkim_TL_ULB_PRI_2012.pdf</a> (page no. 16)
17	Gujarat	<p>State Government decided (September 2004) to accept the Model Accounting System (MAS) prescribed by the CAG. It provided four-tier classification of accounts viz. major head, minor head, sub head and object head. The State Government issued (March 2011) instructions for maintaining accounts as per double entry accrual accounting system in Gujarat Rural Accounting Management (GRAM) software. It shall also include eight formats prescribed in MAS in addition to the requirement of respective Financial Rules of PRIs. Audit observed that the State has adopted these eight formats of MAS in the GRAM software. Audit also observed that the web based software (PRIASoft) developed by the GoI for maintenance of accounts of PRIs had not been adopted by the State Government.</p>	<a href="https://cag.gov.in/sites/default/files/audit_report_files/Report_No_5_of_2018_-_Local_Bodies_Government_of_Gujarat.pdf">https://cag.gov.in/sites/default/files/audit_report_files/Report_No_5_of_2018_-_Local_Bodies_Government_of_Gujarat.pdf</a> (page no. 8)

18	Himachal Pradesh	<ul style="list-style-type: none"> <li>The PRIs maintain their accounts in the proforma, prescribed under Himachal Pradesh Panchayati Raj General Rules, 1997. Accounts of the Gram Panchayats are maintained by the Panchayat Secretary, appointed by the Director-cum-Special Secretary Panchayati Raj &amp; Rural Development Department (P&amp;RD) and Panchayat Sahayak, appointed on contract basis by the Executive Officer-cum-Block Development Officer.</li> <li>In case of PSs, the accounts are maintained by the accountants of development blocks. Accounts of ZPs are maintained by government officials of the office of DPO-cum-Secretary, ZP. The accounts of the PRIs are not certified in the absence of any provision for certification of PRI accounts in the HP Panchayati Raj (General) Rules, 1997 and HP Panchayati Raj Rules, 2002.</li> <li>The Eleventh Finance Commission (EFC) had recommended that the CAG must exercise control and supervision over maintenance of accounts of all the three tiers of PRIs. The CAG and MOPR, Gol had recommended Model Accounting Structure for PRIs in 2009. The Director, Panchayati Raj Department stated (August 2012) that the State Government had adopted PRIASOFT, a software developed by MOPR for maintaining accounts of PRIs as per the Model Accounting Structure. Presently, the process of data upload is being carried out through this software.</li> </ul>	<a href="https://cag.gov.in/sites/default/files/audit_report_files/Himachal_Pradesh_Local_Bodies_2012-13.pdf">https://cag.gov.in/sites/default/files/audit_report_files/Himachal Pradesh Local Bodies 2012-13.pdf</a> (page no. 5)
19	Goa	<p>Based on the recommendation of the Eleventh Finance Commission, for exercising proper control and securing better accountability, the formats for preparation of budget and accounts and data base on finances of PRIs were prescribed by CAG in 2002. The formats were simplified and reduced to eight numbers in January 2009. However, VPs and ZPs had not adopted the revised accounting formats. Further, the Ministry of Panchayati Raj (MoPR) reiterated (August 2011) the need for adoption of Model Accounting System (MAS) and it was one of the mandatory conditions for the States to become eligible for Performance grant component of FC-XIII grants. The MoPR has also launched (September 2010) a simple Accounting Software called Panchayati Raj Institution Accounting Software (PRIA Soft).</p> <p>A State Level Monitoring Committee (SMC) for adoption and implementation of MAS and PRIA Soft was constituted (April 2012). The DOP replied (November 2013) that an amount of Rs. 28.68 lakh released by MoPR was utilised for imparting training to officials on MAS and PRIA Soft. The work of the implementation of the project was proposed to be allotted to M/s Goa Electronics Limited (GEL) and approval from the State Government is still awaited (May 2014).</p>	<a href="https://cag.gov.in/sites/default/files/audit_report_files/Goa_ULB_PRI_2011.pdf">https://cag.gov.in/sites/default/files/audit_report_files/Goa ULB PRI 2011.pdf</a> (page no. 30)

20	Tripura	<p>Rural Development (Panchayats) Department, Government of Tripura instructed PRIs to maintain the accounts in New Accounting Structure 2009 w.e.f. 01.04.2010 as devised by the Ministry of Panchayati Raj, Government of India in consultation with the Comptroller and Auditor General of India. The PRIs started maintaining their accounts as per the new Accounting Structure from the year 2011-12. The PRIs also maintain their accounts in Panchayati Raj Institutions Accounting Software (PRIASoft). Due to lack of internet connectivity in the GPs, the accounts in PRIASoft are not being maintained on daily basis and the concerned Panchayat Secretaries maintain the same at the blocks in periodical manner with the help of Data Entry Operators.</p>	<p><a href="https://cag.gov.in/sites/default/files/audit_report_files/Tripura_ULB_PRI_2012.pdf">https://cag.gov.in/sites/default/files/audit_report_files/Tripura_ULB_PRI_2012.pdf</a> (page no. 14)</p>
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# Accrual Accounting For Local Bodies:

ELECTED REPRESENTATIVES & STAKEHOLDERS



**The Institute of Chartered Accountants of India**  
*(Set up by an Act of Parliament)*

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First Edition: January 2009  
ISBN No. 978-81-8441-167-6

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Published by  
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The Institute of Chartered Accountants of India  
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New Delhi – 110 002  
India

Printed by

# FOREWORD

## FOREWORD

The system of Governance in India has many constituents, one of which is the local bodies such as Municipal Corporation, Municipalities, Panchayats etc. In a changing environment, attempts are being made to make the local bodies accountable for their actions. Proper financial reporting by local body is perhaps the most important means to achieve the objectives of accountability and transparency. Traditionally, the local bodies have been following cash basis of accounting for financial reporting since their budgets, which are prepared on the cash basis, have been the principle means of financial control.

In today's scenario, the local bodies are a paradigm shift with regard to their financial reporting system. Some of the local bodies have made sincere efforts to shift from the existing cash basis of accounting to variants of accrual system of accounting. This is a welcome step by such bodies towards a more accountable and transparent financial reporting system. The Government of India has taken number of initiatives particularly Jawaharlal Nehru National Urban Renewal Mission (JNNURM) to bring the accounting reforms in the local bodies in India.

The local bodies in India, especially in view of the accounting reforms, are changing rapidly, with more and more such bodies wishing to change over to accounting systems and practices which would noticeably improved their levels of financial transparency and provide all of them with a much clearer picture of their financial position. This booklet titled 'Accrual Accounting for Local Bodies: Elected Representatives & Stakeholders' seeks to provide introductory information to the elected representatives and stakeholders about the accrual accounting benefits. I thank CA. Jayant Gokhale and the Technical Directorate for visualizing and bringing out this booklet.

I sincerely hope that this booklet would be useful to the elected representatives and stakeholders of the local bodies as well as others concerned.

New Delhi  
January 30, 2009

**CA. Ved Jain**  
President



## PREFACE

In the nation's journey towards becoming an economic power, local bodies are going to be key players in making available the best of infrastructure to the country citizens. The Jawaharlal Nehru Urban Renewal Mission (JNNURM) has made funds to the extent of Rs. 50,000 crores for supporting urban reforms and after adding the contribution of states and municipalities the funding would be about Rs.126000 crores over a period of seven years. Accounting reforms and change to an accrual accounting system is a vital ingredient of the reform process. The accounting reform is intended for providing financial information to various users such as, citizens, elected representatives, administrators, investors, creditors, executives, legislatures, State Audit Departments, and State Urban Development and Panchayati Raj Departments in a timely and organised manner. The Committee on Accounting Standards for Local bodies has recognised the need for creating awareness amongst various stakeholders about the benefits of the accounting reform process in local bodies.

The purpose of this booklet is to present the salient features of the accrual accounting system for those who are charged with the governance of the local bodies in India. It brings out the distinguishing features of the two systems of accounting: the traditional cash accounting system and modern accrual accounting system, and the manner in which they impact income, expenses, assets and liabilities of a local body. It also discusses how double entry accrual accounting can prove beneficial for local bodies. Some misconceptions about accrual accounting have also been clarified, to reduce the perceived information gap about the system and its use. It is hoped that this booklet will give a clear picture of the role of the accrual accounting in effecting financial reforms and remove all apprehensions about it. To enable this potential to be fully realised, the said booklet will also be released shortly in various regional languages so that the benefits are appreciated by the grass-root level administrators, corporators and councillors and citizens at large.

I sincerely appreciate the efforts put in by Dr. Avinash Chander, Technical Director and CA. Keshav Datt, Secretary to the Committee on Accounting Standards for Local Bodies, of the Institute of Chartered Accountants of India, in preparing the draft of the Booklet.

I firmly believe that this booklet would be immensely helpful to the elected representatives and stakeholders of the local bodies in India and others concerned.

New Delhi  
January 30, 2009

**CA. Jayant Gokhale**  
Chairman  
Committee on Accounting Standards for Local Bodies

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## INTRODUCTION

- What is the amount of property tax to be received from the citizens of a particular area?
- What is the total value of the land, buildings, roads, bridges, etc. under the control of a local body?
- What is the cost of supplying water to the citizens of the area?
- What is the amount of subsidy for providing services such as water, electricity, education, health, etc. to the citizens of the area?
- How much is the liability of the local body towards its creditors?
- What is the efficiency level of financial performance of a local body and how can it be improved?

All the above questions and many more similar questions may be asked by common people, taxpayers, voters, service recipients, NGOs and advocacy groups, especially because of the Right to Information Act, which encourages people to seek information on anything. But answers to these questions are not readily available under the cash basis of accounting system. Even if one tries to go beyond cash accounting records and data, one can only respond by providing approximate estimates, which cannot be certified by the C&AG, Local Fund Auditors, and Chartered Accountants.

Double entry based accrual accounting is the only system that helps to provide satisfactory answers to the above questions. It also provides financial information characterised by a high degree of transparency and accountability to user groups.

Since the governance of local bodies is by and large in the hands of elected representatives, who have to keep in view the expectations of the citizens of their area, we felt that a booklet on accrual accounting be prepared for their use.

## USER GROUPS AND THEIR INFORMATION NEEDS

**Key users of the financial information of local bodies are:**

- i. Citizens: They include:
  - Taxpayers
  - Voters
  - Service recipients
  - Members of advocacy groups



- Organisers of NGOs
- Public finance researchers
- Lending Agents
- Investors

All of them are interested in information about the financial position and operational results of a local body, as indicators of increase or decrease in the level of services provided, and future tax burden.

ii. **Elected Representatives**

Elected representatives have to work out how much money is available for providing services, and how to optimize services with limited funds, so as to keep the taxes low. They also have to know the amount of money that has been spent in their constituency.

iii. **Government Authorities sanctioning / releasing grants / funds and monitoring their utilization.**

iv. **Executive**

Executives have to perform the difficult task of managing financial resources. They have to balance the dictates of the legislative intent in the budget, political exigencies of the elected representatives, the need for financial prudence required by creditors, observance of financial discipline and what new projects can be taken up with additional finance etc.

v. **Creditors**

Creditors' objective is to ensure the prudent management of resources so as to safeguard their interests in the entity.

vi. **State Audit**

State audit is a government department that has to ensure that the subject entities have complied with statutory requirements, contractual obligations, and debt covenants, and conducted all their financial transactions in accordance with relevant rules and regulations. It is also responsible for ensuring that financial reporting provides a true and fair view of the financial performance and condition of the entity.

vii. **State Urban Development/ Panchayati Raj Departments**

These departments represent the state government, which, in some cases, provides nearly 90 percent of the local government resources through grants for general and special purposes. These departments need to know the financial position of a local government to assess its fund requirements for the coming years. The state government also needs to know whether the ULB/ PRI conducts its affairs with financial prudence and within the limits set by its sanctioned budget.

## BASIS OF ACCOUNTING

Cash basis and accrual basis are two well known methods of accounting. Local Bodies with their dependence on tax incomes have traditionally relied upon the cash basis financial reporting system.

### A. Cash Accounting

The adoption of cash basis of accounting by local bodies owes its origin to the pre-eminence of the budget as the principal means of financial control in the government. In the case of governments, the budget is a formal document that sets forth the objects and purposes for which expenditure is incurred during a period and the sources from which funds are raised to meet this expenditure. The cash basis of accounting measures actual receipts and payments under various budget heads to facilitate a comparison of actual performance vis-à-vis budgeted targets.

In the cash basis method, income is recognised when cash is received and expenditure is recognised when cash is paid, the matching of cash receipts and disbursements serves to determine operating results during an accounting period. This method is simple in its application, but in most cases, it does not fully match all the expenses incurred to the incomes generated in a given period. For example, the purchase of equipment or a building is not depreciated over time, but is fully expensed at the moment of purchase.

Cash basis of accounting fails to achieve most of the financial reporting objectives. It is because the timings of cash receipts and cash payments may not coincide with earning of revenues or incurring of expenses. Furthermore, measurement of performance based on cash basis of accounting is susceptible to manipulation through a variation in the timings of cash receipts or payments. For example, postponing the payment of certain bills by a few days can conceal a budgetary deficit. Another major weakness of cash basis of accounting is that no distinction is made between receipts or payments on capital account and those on revenue account. Thus, no distinction is made between expenditure on construction of infrastructural facilities such as roads, water distribution system, bridges etc. and expenditure on routine items such as salaries, rents etc. Similarly, a substantial expenditure on major changes to a building that result in an increase in its life is treated as no different from the revenue expenditure on normal repairs and maintenance. Similarly, refundable deposits are treated no differently from charges for service rendered.

### The major limitations of cash basis of accounting are:

- Incorrect measurement of income and expenditure
- No statement of assets and liabilities

Because of these limitations, many governments and governmental bodies have switched to the accrual accounting.



## B. Accrual Accounting

Accrual accounting recognises financial transactions when they occur, and not when cash is received or disbursed. The accrual method is founded on the principle that all incomes earned during a given period are matched with the expenses incurred for earning those incomes. In other words, incomes are recorded in the period in which they are generated, and expenses are recognised by measuring the goods and services consumed to generate those incomes; and the multi-year benefits associated with long-lasting assets are matched with the time(s) when they are expected to be used.

The accrual method provides a better measurement of net income because it matches expenses incurred with incomes earned for given period and it reflects income in the period to which they belong i.e., the period in which they were earned. Net income is thus, clearly shown as the difference between incomes earned and the expenses incurred for generating those incomes; that is, the difference between the results obtained and the efforts expended to achieve those results. Since accrual accounting provides more complete and useful information than the cash based accounting, most organizations use this form of accounting to support their decision-making and financial reporting.

## C. Difference between Cash Basis and Accrual Basis Accounting

The major difference between accrual accounting and accounting based on cash receipts and payments is in the timing of recognition of revenues, expenses, gains and losses. It is possible that cash receipts during a particular period largely reflect the effects of activities of the enterprise in the earlier periods, while many of the cash payments may relate to activities and efforts expected in future periods. Thus, an account showing cash receipts and cash payments of an enterprise for a short period cannot indicate how much of the cash received is the return of investment and how much is the return on investment and thus cannot indicate whether or to what extent the enterprise is successful or unsuccessful.

The following examples of ABC Local Body illustrate the difference between cash and accrual methods of determining net income:

### Example 1

The ABC Local Body provided services during the month of August for which it charged Rs. 1,000. It received two payments for its services: Rs. 600 on 14 August and Rs. 400 on 10 September. Wages and salaries (the only expense) amounting to Rs. 550 were paid on 31 August. No other services were provided during September.

Accounting	Cash Basis		Accrual Basis	
Month	August	September	August	September
Revenue	Rs. 600	Rs. 400	Rs. 1,000	Rs. 0
Expenditure	Rs. 550	Rs. 0	Rs. 550	Rs. 0
Net Income	Rs. 50	Rs. 400	Rs. 450	Rs. 0



Using the cash basis method, incomes are recorded in the months when cash is received, and expenditures are recorded in the month when cash disbursements occur. Thus, the net income for August stands at Rs. 50 and for September at Rs. 400, *even though no work was done during the latter month*. The accrual basis, after making adjustments, matches all incomes in the period when they are earned against all expenditures incurred to earn that income. The net income now stands at Rs. 450 for August and Rs. 0 for September, reflecting the fact that all the services were provided in August.

### Example 2

ABC Local Body supplied following information about the income and expenses for the financial year 2007-08.

	Rs.
Income from property taxes due and received during the year	1,20,000
Property taxes received in advance	15,000
Property taxes due but not received	12,000
Expenses paid for school education during the year	80,000
Expenses paid in advance for school education	20,000
Expenses incurred but not paid for school education	10,000

The income and expenditure accounts of ABC Local Body under (a) Cash basis (b) Accrual Basis of accounting will be as follows:

#### (a) Cash Basis

	Rs.	Rs.
Incomes:		
Income from property taxes due and received during the year	1,20,000	
Property taxes received in advance	15,000	
Total Income (A)		1,35,000
Expenses:		
Expenses paid for school education during the year	80,000	
Expenses paid in advance for school education	20,000	

Total Expenses (B)		<b>1,00,000</b>
Net Income (A – B)		35,000

(b) *Accrual Basis*

	Rs.	Rs.
Incomes:		
Income from property taxes due and received during the year	1,20,000	
Property taxes due but not received	12,000	
Property taxes received in advance	(15,000)	
Total Income (A)		1,17,000
Expenses:		
Expenses paid for school education during the year	80,000	
Expenses incurred but not paid for school education	10,000	
Expenses paid in advance for school education	(20,000)	
Total Expenses (B)		70,000
Net Income (A – B)		47,000

The above illustration clearly brings out the difference between the two bases of accounting. The Net Income of Rs. 47,000 under accrual basis of accounting reflects the true income of the ABC Local Body during the year whereas under cash basis, the Net Income of Rs. 35,000 is the difference between the receipts and disbursements during the year. Thus, accrual basis of accounting is a scientific method for measuring accounting transactions, which is being accepted globally by governments for reporting their financial transactions.

**A comparative analysis of the basis of accounting is described in the table given below:**

Distinction between cash basis and accrual basis of Accounting

Elements	Cash Basis	Accrual Basis
Incomes	<p>When cash is received.</p> <p><b>Examples:</b></p> <ul style="list-style-type: none"> <li>▪ On collection of property taxes</li> <li>▪ On collection of fees and fines</li> <li>▪ On transfer of grant money to the bank account</li> </ul>	<p>When the incomes are earned.</p> <p><b>Examples:</b></p> <ul style="list-style-type: none"> <li>▪ On property taxes becoming receivable – on issuance of demand note</li> <li>▪ On receipt of sanction letter for grant</li> <li>▪ In case of revenue sharing agreement with other agencies, as in case of utilities, when the other entity has earned the revenue of which a part is to be shared with the ULB/ PRI</li> </ul>
Expenditures	<p>When cash is paid out.</p> <p><b>Examples:</b></p> <ul style="list-style-type: none"> <li>▪ When salaries are paid</li> <li>▪ When supplier bills are paid</li> </ul>	<p>When the expense is incurred and a liability arises.</p> <p><b>Examples:</b></p> <ul style="list-style-type: none"> <li>▪ When at month end, salaries become payable to employees</li> <li>▪ When on receipt of supplies payment becomes due to a supplier</li> </ul>

## The cash collections / cash payments vis- a- vis revenue/ expense recognition under accrual basis are further illustrated below:

### Cash Collection vs Revenue Recognition

Cash Collection	Prior Period	Current Period	Subsequent Period
Cash received in current period <b>concurrent</b> with earning of		<ol style="list-style-type: none"> <li><b>Income earned</b></li> <li>Cash increased</li> </ol>	
Cash received in prior period <b>before</b> earning of income	<ol style="list-style-type: none"> <li>Obligation to provide goods or render services increased</li> <li>Cash increased</li> </ol>	<ol style="list-style-type: none"> <li><b>Income earned</b></li> <li>Obligation to provide goods or render services decreased</li> </ol>	
Cash received in subsequent period <b>after</b> earning of income		<ol style="list-style-type: none"> <li><b>Income earned</b></li> <li>Debtors increased</li> </ol>	<ol style="list-style-type: none"> <li>Cash increased</li> <li>Debtors decreased</li> </ol>





### Cash Payment vs Expense Recognition

Cash Payment	Prior Period	Current Period	Subsequent Period
Cash paid in current period <b>concurrent</b> with using resource to generate		<ol style="list-style-type: none"> <li><b>Expense incurred</b></li> <li>Cash decreased</li> </ol>	
Cash paid in prior period <b>before</b> using resource to generate income	<ol style="list-style-type: none"> <li>Cash decreased</li> <li>Prepayment increased</li> </ol>	<ol style="list-style-type: none"> <li><b>Expense incurred</b></li> <li>Prepayment decreased</li> </ol>	
Cash paid in subsequent period <b>after</b> using resource to generate income		<ol style="list-style-type: none"> <li><b>Expense incurred</b></li> <li>Liability to pay for resources used increased</li> </ol>	<ol style="list-style-type: none"> <li>Cash decreased</li> <li>Liability to pay for resources used decreased</li> </ol>



## SUBSTANTIAL IMPACT OF ACCRUAL ACCOUNTING

The accrual accounting impacts assets, liabilities, incomes and expenses, but the major impact is on:

### 1. Fixed Assets

By using cash accounting, the value of local body's fixed assets, such as a building or buildings, vehicles and equipment, is not shown in the local body's balance sheet. The purchase price of a fixed asset is fully expensed in the year of purchase and therefore the transaction has an immediate impact on the annual budgetary balance. In the accrual method, these capital expenditures are recorded as assets on the local body's balance sheet. The annual cost of using the asset is reported as the estimated annual depreciation on the value of the fixed assets, plus outlays for operation and maintenance.

### 2. Liabilities

In the cash accounting system, liabilities and provisions, such as outstanding expenses, creditors, tax refunds, incomes received in advance and unpaid bills of works contractors are not shown in a local body's balance sheet. Accrual accounting includes a more comprehensive list of liabilities in the balance sheet. These include outstanding expenses, creditors, provisions for tax refunds, incomes received in advance, the value of liabilities related to claims to other parties, to the extent payment is likely and estimable and increased liabilities for employee retirement benefits etc.

### 3 Income from taxes

In cash basis of accounting, tax incomes are recorded on a cash basis in the year in which they are received. Refunds are charged against incomes in the year in which they are paid. In accrual accounting, tax receipts and refunds are generally recorded in the year in which the taxable activity takes place. Accordingly, a receivable account is established for taxes still owing to the local body and a payable account is established for tax refunds owing to taxpayers.

Microsoft Excel - Cash Flow Accounting Template (Time 1.0)

My Business Name:  Cash Accounting for: **April-06** Import  Add Budget  Not Selected  31-Mar-06

	Cash out	Cash received	Current receivable	Budget	A/C Budget	Next Month Budget
<b>Income</b>						
Cash sales	0.00	0.00	0.00	0.00	0.00	0.00
Tax refund	0.00	0.00	0.00	0.00	0.00	0.00
Sales - receivable	0.00	37,069.79	27,236.94	34,000.00	-6,763.06	77,500.00
Interest, other income	0.00	0.00	0.00	0.00	0.00	0.00
Other receipts	0.00	0.00	0.00	0.00	0.00	0.00
<b>Total income to date</b>		37,069.79	27,236.94	34,000.00	-6,763.06	77,500.00
<b>Less Disbursements</b>						
Purchase for resale	-6,871.47	-6,871.47	-6,871.47	-6,871.47	-6,871.47	-6,871.47
Staff salaries	-4,500.00	0.00	0.00	-4,500.00	-4,500.00	-4,500.00
Employer taxes	0.00	-1,084.47	-1,084.47	-1,084.47	-1,084.47	-1,084.47
Insurance (other than health)	0.00	0.00	0.00	0.00	0.00	0.00
Interest expense	0.00	0.00	0.00	0.00	0.00	0.00
Office supplies	0.00	739.79	0.00	0.00	-739.79	0.00
Meals and entertainment	0.00	0.00	0.00	0.00	0.00	0.00
Utilities	0.00	0.00	0.00	0.00	-6,236.47	0.00
Office rent & services	-2,500.00	0.00	0.00	-2,500.00	-2,500.00	-15,000.00
Staff expense	0.00	-1,000.00	-1,000.00	0.00	-1,000.00	0.00
Auto expenses	0.00	0.00	0.00	0.00	0.00	0.00
Printing	0.00	0.00	0.00	0.00	0.00	0.00
Advertising	1,440.00	-1,440.00	-1,440.00	-4,300.00	859.44	-4,300.00
Shipping	0.00	0.00	0.00	0.00	0.00	0.00
Mileage	0.00	-1,204.61	-1,204.61	0.00	1,204.61	-1,204.61
Security	0.00	0.00	0.00	0.00	0.00	0.00
Telephone	0.00	-1,000.00	-1,000.00	0.00	1,000.00	-1,000.00
Traveling	0.00	0.00	0.00	0.00	0.00	0.00
Auto	0.00	-4,000.00	-4,000.00	0.00	4,000.00	0.00
Salaries	0.00	0.00	0.00	0.00	0.00	0.00
Sales Taxes	0.00	0.00	0.00	0.00	0.00	0.00
Consultants	0.00	0.00	0.00	0.00	0.00	0.00
Other expenses	0.00	0.00	0.00	0.00	0.00	0.00
Equipment lease	0.00	0.00	0.00	-1,500.00	-1,500.00	0.00

**THIS MONTH FORECAST**

Income received	37,069.79
Expenses paid	-41,715.24
Balance	-4,645.45
Receivable this month	27,236.94
Payable this month	22,582.49
Balance	4,654.45
Forecast Surplus/Deficit	0.00
Forecast Month end cash	1,207.22

The Cash Flow Statement is reported from data entered from the Current Month spreadsheet, joined into Category totals.

## BENEFITS OF ACCRUAL ACCOUNTING

The availability of complete information to all the stakeholders enables them to hold a local body accountable for the stewardship of public resources. It also improves the local body's ability to meet its short-term and long-term financial obligations.

- The local body's balance sheet provides a comprehensive picture of its assets and liabilities.
- The annual budgetary balance reflects the impact of economic events during the given fiscal year. In particular, year-to-year changes in recorded tax incomes reflect accurately year-to-year changes in the tax base and tax rates, as these changes are not affected by lags in tax collection and the payment of refunds.
- The annual budgetary balance reflects the impact of local body's decisions during the fiscal year. In particular, the decisions that result in increase in its liabilities, for resources received are recorded in the year in which the economic event takes place. Under cash accounting, the full cost of some of those decisions would not be shown in the local body's financial statements until all of the resulting cash payments were made many years later.

It is expected that the use of accrual accounting will also help local body managers and decision-makers to manage the tasks of resource allocation and take sound risk assessment decisions.

- Since all assets (financial and non-financial) are recorded in local body's financial accounts, managers will become more careful about the management of assets under their control and pay proper attention to issues such as maintenance requirements, replacement policies, identification and disposal of excess assets, loss caused by theft or damage and the full impact of assets on services delivery.
- Because the method recognises existing and potential liabilities, managers will pay greater attention to the management of liabilities under their control and become aware of their responsibility for those liabilities, and the need to develop plans for managing them, including identifying the impact of existing liabilities on future resources.
- Since all operational costs are recorded in local body's accounts, managers get a complete picture of its financial performance (all costs and incomes). This will help them to consider all the costs in making decisions, such as the evaluation of the cost-effectiveness of in-house delivery versus contracting out of services, the appropriateness of a cost-recovery policy or the amount to charge other agencies for services provided.
- Local Bodies will be able to leverage their assets better and borrow at competitive rates.



## ACCRUAL ACCOUNTING SYSTEM IN LOCAL BODIES: SOME MYTHS

There is a misconception among some functionaries of local bodies with respect to the accrual accounting system. The misconceptions vis-à-vis the facts are given below:

Myths	Reality
Cash accounting is time-tested and the change to accrual system is unwarranted.	Cash basis of accounting fails to meet several financial reporting objectives. It is because the timing of cash receipts and cash payments may not coincide with earning of revenues or incurring of expenses. Furthermore, measures of performance based on cash basis of accounting are susceptible to manipulation through a variation in the timings of cash receipts or payments.
Accrual accounting system favours Chartered Accountants.	Local bodies are subjected to audit by the State Local Fund Auditors and/or Technical Guidance and Supervision of CAG. Chartered Accountants only help in accounting issues.
The system requires huge investment in computers and expensive accounting software.	Local bodies do not require high-end computer systems. Depending upon the body's size and volume of work, computer costs will range between Rs. 1,00,000 and Rs. 2,00,000. More than 90% of local bodies will require an outlay of less than Rs. 3,00,000 on computer hardware and less than Rs. 50,000 on packaged software.
Accrual accounting will lead to staff redundancy.	In most local bodies, the accounts section is understaffed. The staff requirement will remain more or less the same.

<p>Double entry accrual accounting system means double workload.</p>	<p>In the existing cash accounting system too, municipal bodies maintain a second set of records for cross checking, though these records are disjointed. In the double entry accrual accounting system, the second set of records becomes a meaningful part of the accounting system. Even in manual form, the double entry accounting system does not double the workload. Its computerised form reduces and simplifies the workload.</p>
<p>The adoption of accrual accounting implies that a local body is in a position to borrow from the market.</p>	<p>Borrowing from the market depends on a local body's overall financial position and the bankability of its projects. Mere accounting reforms cannot help it to borrow from the market. Accounting reforms help it to translate its financial results into a language or format with which the market is conversant and comfortable. Accounting reforms only lend reliability and credibility to the financial statements submitted by a local body for borrowing.</p>
<p>Accrual accounting implies a better financial position of a local body.</p>	<p>Accounting reforms are not a magic wand, and may not improve a local body's financial position. Accrual accounting can improve the financial position of local bodies by making available qualitative data to take appropriate financial decisions.</p>



## About the Committee on Accounting Standards for Local Bodies

Recognising the need for a single set of high quality Financial Reporting Standards, more and more local bodies are shifting from cash basis to accrual basis of accounting. The Council of the Institute of Chartered Accountants of India (ICAI) constituted an independent Committee on Accounting Standards for Local Bodies (CASLB) in March 2005 with the main objective of formulating Accounting Standards for Local Bodies on accrual basis.

The composition of the CASLB is fairly broad-based and ensures participation of all interest-groups in the standard-setting process. Apart from the members of the Council of the ICAI, the CASLB comprises the representatives of the Ministry of Urban Development, Comptroller and Auditor General of India, Controller General of Accounts, National Institute of Urban Affairs, Ministry of Panchayati Raj, Directorates of major Local Bodies, Directorates of Local Fund Audit Departments, Academic Institutions and eminent professionals co-opted by the ICAI.



Apart from formulating Accounting Standards for Local Bodies, the Committee also takes steps for facilitating improvement in accounting methodology and systems of local bodies and acts as a forum to receive feedback from Local Bodies regarding problems faced by them in the adoption of accrual accounting and in application of the Accounting Standards set out in its Preface to the Accounting Standards for Local Bodies.

While formulating Accounting Standards for Local Bodies, the CASLB gives due consideration to the International Public Sector Accounting Standards (IPSASs) prepared by the International Public Sector Accounting Standards Board (IPSASB) of the International Federation of Accountants (IFAC) and tries to integrate them, to the extent possible, to facilitate global harmonization.

## About the Institute of Chartered Accountants of India

The Institute of Chartered Accountants of India (ICAI) is a statutory body established under the Chartered Accountants Act, 1949 (Act No. XXXVIII of 1949) for the regulation of the profession of Chartered Accountants in India. During its nearly six decades of existence, ICAI has achieved recognition as a premier accounting body not only in the country but also globally, for its contribution in the fields of education, professional development, maintenance of high accounting, auditing and ethical standards. ICAI now is the second largest accounting body in the whole world.

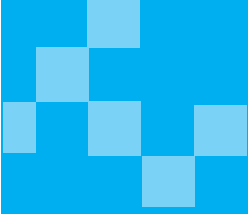
ICAI has its Headquarters at New Delhi with five Regional Offices at Mumbai, Chennai, Kanpur, Kolkata, New Delhi and 117 branches spread all over the country. In addition, it has also set up 19 chapters outside India and an office in Dubai.

The affairs of ICAI are managed by the Council in accordance with the provisions of the Chartered Accountants Act, 1949 and the Chartered Accountants Regulations, 1988. The Council consists of 40 members of whom 32 are elected by the members and remaining eight are nominated by the Central Government to represent the Comptroller and Auditor General of India, Ministry of Corporate Affairs, Ministry of Finance and other stakeholders.

In terms of the Chartered Accountants Act, 1949, the President is the Chief Executive Authority of the Council. The Secretariat of ICAI is headed by the Secretary who is in-charge of the office of ICAI as its Executive Head. The

activities of ICAI can be broadly divided into four parts comprising of Technical Directorate, CPE Directorate, Board of Studies and the Administration, each one headed by a separate head. Other important wings of ICAI are the Examination Department, Disciplinary Cell, Legal Department, Members and Students Services, International Affairs, Research etc. ICAI has also set up the ICAI Accounting Research Foundation under Section 25 of the Companies Act, 1956.





# **Municipal Bonds for Financing Urban Infrastructure in India: An Overview**



**The Institute of Chartered Accountants of India**

*(Set up by an Act of Parliament)*

**New Delhi**





# **Municipal Bonds for Financing Urban Infrastructure in India: An Overview**



**The Institute of Chartered Accountants of India**

(Set up by an Act of Parliament)

New Delhi

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Edition : February, 2018

Committee/Department : Committee on Accounting Standards for Local Bodies

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Published by : Technical Directorate, Institute of Chartered Accountants of India, ICAI Bhawan, Post Box No. 7100, Indraprastha Marg, New Delhi - 110 002.

Printed by : Perfact Impression Pvt. Ltd.  
Tel: +91-11-24602233/77

## Foreword

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India is a fast growing economy with a thriving democracy endowed with potential to reap demographic dividend in the years to come. Urbanisation is increasing at a fast pace, which in turn, changing the profiles of cities and towns, and increasing demand for urban infrastructure in India. In this regard, a well-functioning Local Government is a key to the delivery of urban services and infrastructure. In India, the third tier of the Government (Local-self Government), i.e., Local Bodies came into existence in the year 1992 post 73rd and 74th Constitutional Amendments. Many responsibilities were placed on the local bodies with this decentralisation initiative. As per the report of High Powered Expert Committee (HPEC) of Ministry of Urban Development, approximately ₹ 40 lakh crore is the estimated requirement for developing infrastructure during 2011-2031. Without adequate resources with the Local-self Government, the quality of services and infrastructure would not be able to meet the expected level of demand. Therefore, the topic of municipal finances is central to effective service delivery and creation of high quality urban infrastructure.

Globally amongst others, tapping the capital market to raise funds through municipal bonds is one of the innovative paths to enable local bodies raise required resources on timely and fair basis. However, to routinely access capital markets, Urban Local Bodies (ULBs) in India need to have the capacity to develop commercially viable projects and most importantly healthy municipal revenue base. Since issuing bonds is a way of sourcing money from the subscribing public, essential transparency and governance aspects also gain importance. Sound financial management system at ULB's level assumes high importance to raise additional funds on the strength, and quality of their own balance sheets.

In this direction, the ICAI, as a partner in nation building, is making significant efforts to prescribe and support in implementation of high quality Accrual Accounting Framework for Local Bodies that is at par with the internationally accepted accounting and financial reporting Standards for application by Governments of all levels. This would enable local bodies to provide decision useful financial statements and financial information to the investors.

This publication is being issued in a direction to explore the opportunity of financing urban infrastructure through municipal bonds. Other major facets

covered in this publication include salient features of the SEBI regulations, International overview, and how ICAI and its members can support ULBs in improving their accounting discipline in order to access capital market.

I congratulate CA. Jay Chhaira, Chairman, Committee on Accounting Standards for Local Bodies (CASLB); CA. Rajesh Sharma, Vice-Chairman, CASLB; and other Members of the CASLB for bringing out this publication. The Contribution made by the Study Group under Convenorship of CA. M. P. Vijay Kumar, Central Council Member, ICAI and Member, CASLB, is appreciated.

I also thank the Pune Municipal Corporation (PMC) for sharing their experience of the municipal bond issue post issuance of the SEBI Regulations, 2015 and assisting the Study Group in understanding various aspects relating to municipal bond issue and the challenges faced by them while issuance.

I am sure that this publication would be useful for all concerned including members of the ICAI.

New Delhi

February 2, 2018

**CA. Nilesh Shivji Vikamsey**

**President, ICAI**

## Preface

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The Government of India at all three tiers, i.e., Central Government, State Governments and Local-self Government (Local Bodies) require finances for infrastructure projects and their expenditure. Amongst the three, the Local Bodies have limited funds from their own sources. Consequently, they have to depend heavily on grants from Central and State Governments. It may be noted that existing sources of finances of local bodies are not expected to suffice given scale of infrastructure development and upgradation that is required under Smart Cities Mission and Atal Mission for Rejuvenation and Urban Transformation (AMRUT).

To address these funding issues wholeheartedly, municipal bonds and pool financing can be seen as notable options. Though municipal bonds are in existence in India since 1997, however, only 26 municipal bond issues (including recent bond issue of Pune Municipal Corporation) have taken place since then. In the earlier years, the response from the investors was also not good as these bonds were not tradable and lacked regulatory clarity.

The Securities and Exchange Board of India (SEBI) has issued SEBI (Issue and Listing of Debt Securities by Municipality) Regulations in 2015 (also amended in 2017) that has brought fresh air to the field of municipal bond market. Subsequent to the issuance of SEBI's regulations, Pune Municipal Corporation (PMC) in 2016 raised ₹ 200 crore by their 24x7 Water Supply Project. This bond issue received a good response and was oversubscribed by six times.

The Committee on Accounting Standards for Local Bodies (CASLB) recognising the need for creating awareness about this innovative mean of financing is bringing out this publication that attempts to provide an introductory information regarding municipal bonds covering different facets with regard to municipal bond issue and management such as relevance of municipal bond, overview of global and Indian municipal bond market including SEBI Regulations, bond rating criteria and methodology, etc. The publication also highlights the need of accounting discipline and financial management in local bodies that is an essence for accessing capital market and the role of the ICAI in supporting the cause of accounting reforms in local bodies in India.

I gratefully acknowledge the efforts of Study Group constituted under Convenorship of CA. M. P. Vijay Kumar, Central Council Member, ICAI; comprising of other experts: CA R. S. Murali, Co-convenor; and Members CA. Srikanth Viswanathan and CA. K. Subalakshmi, who have contributed greatly in the formulation of this publication. I also thank PMC for sharing their experience with regard to municipal bond issue with us and Study Group.

I sincerely appreciate the efforts put in by CA. Vidhyadhar Kulkarni, Head, Technical Directorate, Ms. Deepti Dhiman Chadha, Secretary, CASLB, CA. Nikita Gupta, Sr. Executive Officer, and Ms. Nisha Gupta, Data Entry Operator for bringing out this publication.

I believe that this publication would be very useful to all concerned.

New Delhi  
January 27, 2018

**CA. Jay Chhaira**  
**Chairman**  
**Committee on Accounting Standards for Local Bodies**

## Abbreviations

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AMRUT	Atal Mission for Rejuvenation and Urban Transformation
ASICS	Annual Survey of India's City Systems
ASLBs	Accounting Standards for Local Bodies
BoD	Board of Directors
BSE	Bombay Stock Exchange
CA	Chartered Accountants
C&AG	Comptroller and Auditor General
CASLB	Committee on Accounting Standards for Local Bodies
CBLO	Collateralised Borrowing & Lending Obligation
CDLP	Comprehensive Debt Limitation Policy
CGA	Controller General of Accounts
CIDB	Construction Industry Development Board
CME	Corporate Municipal Entity
CR	Confidential Report
CWSSB	Chennai Metropolitan Water Supply and Sewerage Board
EMMA	Electronic Municipal Market Access
FFC	Fourteenth Finance Commission
GBWASP	Greater Bangalore Water Supply and Sanitation Project
GDP	Gross Domestic Product
GO	General Obligation
GOI	Government of India
GoM	Government of Maharashtra
HPEC	High Powered Expert Committee
HR	Human Resource
HUDCO	Housing and Urban Development Corporation
IAS	Indian Administrative Service
ICAI	Institute of Chartered Accountants of India



INCA	Infrastructure Finance Corporation Limited of South Africa
INR	Indian Rupee
IPSASs	International Public Sector Accounting Standards
IT	Information Technology
KPI	Key Performance Indicator
MoF	Ministry of Finance
MoPR	Ministry of Panchayati Raj
MoUD	Ministry of Urban Development
MSRB	Municipal Securities Rulemaking Board
NMAM	National Municipal Accounting Manual
NYSE	New York Stock Exchange
OTA	Office of Technical Assistance, US Department of Treasury
PFDfS	Pooled Finance Development Fund Scheme
PMC	Pune Municipal Corporation
PPP	Public-Private Partnerships
PWD	Public Works Department
RBI	Reserve Bank of India
SBI Caps	SBI Capital Markets Ltd.
SEBI	Securities & Exchange Board of India
SLR	Statutory Liquidity Ratio
SPV	Special Purpose Vehicle
SR	Service Registers
ULB	Urban Local Body
US	United States
USD	US Dollar

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# 1. Background

## 1.1 Prelude to this Study

In India, the changing economic landscape and the need for increasing funds, triggered by the growth in economy, have begun exerting pressure on municipal bodies. Post 74<sup>th</sup> Amendment to the Constitution of India in 1992, the responsibilities of the third tier of the government, i.e., the local bodies, has also increased. Thus, by solely relying upon the funding from the Central and State Governments, the growing requirements of the local bodies, particularly the municipal bodies, for creating urban infrastructure and public amenities may not be achieved.

Several innovative funding methods have been followed across the globe to fund such requirements based on the local suitability. One such method is garnering funds by the issue of municipal bonds.

## 1.2 Need and Purpose of the Study - Key Questions and Issues to be Addressed

The basic purpose of this study is to compile various knowledge sources with regard to municipal bond market to create awareness amongst various stakeholders including members of the Institute of Chartered Accountants of India (ICAI) and to discuss different facets of municipal bond issue including relevance of municipal bond to urban sector, overview of global as well as Indian municipal bond market, Securities and Exchange Board of India (SEBI) guidelines in this regard, and rating mechanism, etc. Some of the key areas that are addressed in this study are:

- What are Municipal Bonds? Their need and role.
- How are these bonds issued – an overview of SEBI guidelines.
- A perspective of global practices.
- Role of ICAI in area of accrual accounting reforms that is a key to municipal bond issue.
- Role that ICAI members can play in this regard.

## **Municipal Bonds for Financing Urban Infrastructure in India: An Overview**

## **2. Introduction to Municipal Bonds**

### **2.1 What are Municipal Bonds?**

A municipal bond is a debt security issued by an Urban Local Body (ULB), Special Purpose Vehicle (SPV) or State level Parastatal, to finance capital expenditures such as the construction of highways, bridges or schools or any other project of public utility such as water saving project, energy saving project, etc. When local governments need funding to finance certain projects that serve a civic purpose, they issue municipal bonds as a way to supplement revenue/capital funds for these public projects either partly or fully. In general, municipal bonds are exempt from central, state, and local taxes, making them especially attractive to people in high income tax brackets.

Municipal bonds are obligations that entitle investors to interest plus repayment of principal at a specified date. Urban local bodies issue bonds to pay for the development of large, expensive, and long-lived capital projects. They are an important fixed income asset class for investors seeking above-market tax-advantaged yields. They offer a safe and high-yielding asset class during low interest rate environments as well as an attractive tax-advantaged asset class during rising interest rate periods. The yield, or yield to maturity, is the rate of interest a bondholder will be paid when also taking into account the price paid for the bond as well as the length of time until date of maturity. When an investor is interested in purchasing municipal bonds, the yield is a more important indicator of potential returns than the coupon or interest rate.

### **2.2 Relevance of Municipal Bonds to Urban Sector**

India's urban population has been constantly growing since independence and the urbanisation rate is close to 31.16% (2011 Census). Urbanisation refers to the demographic shift whereby a greater percentage of the population begins living in cities and towns as against villages. India is second only to China in total urban population. The existing infrastructure is no longer sufficient to keep pace with the rapid growth in urbanisation resulting in inadequate service provision and environmental degradation. The Smart Cities Mission and the Atal Mission for Rejuvenation and Urban Transformation (AMRUT) have also put the municipalities on the center stage

### **Municipal Bonds for Financing Urban Infrastructure in India: An Overview**

of urban development. Accordingly, more funds are required to meet these requirements.

As per the report of the High Powered Expert Committee (HPEC), India's urban population to increase:

- From 377 million today to 600 million by 2031,
- From living in 50 metropolitan cities in 2011 to living in 87 by 2031,
- From 160 million population in metropolitan cities in 2011 to 255 million by 2031, and
- From 217 million population in other cities and towns in 2011 to 343 million by 2031.

The HPEC report also states that:

- 7,935 cities and towns in 2011, up from 5,161 in 2001,
- 475 Urban Agglomerations in 2011, up from 384 in 2001,
- Slum population, on average, is 25% of urban population, and
- Urban poverty in 2011-12 was 26.4%.

Urban planning, urban infrastructure development, and public service delivery of universal standards must address this challenge. The way forward according to the report of HPEC is:

- Creating urban infrastructure and reforming governance for service delivery,
- Providing access to universal service standards for all, including the poor,
- Consciously building rural-urban synergy,
- Recognising importance of urban transport, and
- Focussing on metropolitan planning.

As per the HPEC report, the investment requirement of urban infrastructure during 2011-2031 is estimated to be approximately ₹ 40 lakh crore which excludes cost of land, inflation adjustments, etc. According to India Brand Equity Foundation (2016), India needs ₹ 31 lakh crore (US \$ 454.83 billion) to be spent on infrastructure development over the next five years, with 70%

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of funds needed for power, roads and urban infrastructure segments. It is estimated that India's cities will require around \$1.2 trillion of capital investment to cater to the growing demand for civic services over the next 20 years. However, lack of funds with the local bodies (municipalities) leads to fiscal imbalance between the finance and function. It also leads to poor urban amenities and civic services that have a negative impact on the quality of life of citizens.

As only a part of the capital requirement can be met through the grant funds from Central and State Governments, municipalities need to seek resources through other means. In other words, municipalities/ ULBs cannot continue to depend indefinitely on grants from Central and State Governments and are required to become financially self-reliant. In this direction, accessing capital market can be seen as a viable option for ULBs to meet their funding requirement to create urban infrastructure.

It was indicated in the report of Fourteenth Finance Commission (FFC) that total ULB revenues in 2012-13 were ₹ 96,640 crore, of which, own source income was only 51.6% (₹ 49,913 crore) while the remaining was from other sources including market borrowings which were only 1.4% of the total revenue. It indicates that capital market is not being explored by ULBs. The FFC also observed that municipal bonds have played only a limited role in funding urban infrastructure projects and hence should be explored as an option for infrastructure financing. In US and many developing countries like Russia and Mexico, it is one of the principal modes of financing urban infrastructure.

It is evident from the above that current sources of funds of local bodies, i.e., grants, taxes, and fees, etc., cannot meet their funding requirements to create urban infrastructure. The report of HPEC also recommended that ULBs should explore both traditional as well as other innovative means of financing. In the above context, municipal bonds seem a very bright option to raise funds by municipalities. Municipal Bonds have various advantages which are discussed in the later part of this document. The Securities and Exchange Board of India (SEBI) has also issued the SEBI (Issue and Listing of Debt Securities by Municipality) Regulations in March 2015. This provides a great opportunity to Indian municipalities. They need to pay attention and explore this area of market based financing. In past, Central Government had also tried to promote municipal bonds by providing tax-exemptions and by

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introducing Pooled Finance Development Fund Scheme (PFDFS). Recently, MoUD, GOI, has also announced that it shall subsidise the interest cost of municipal bonds upto 2% p.a.

### **2.3 Overview of Global and Indian Municipal Bond Market**

Many countries have successfully raised funds through municipal bonds. United States is in the forefront of issuance of municipal bonds and utilising it for creation of urban infrastructure. Most structures in US revolve around leveraging additional revenue/taxes accruing to ULBs due to increased development. The money thus raised is used to finance social housing and create additional infrastructure. Developing countries like South Africa, Hungary, Russia, and Mexico also have relatively well developed municipal bond markets. One leading example is the Infrastructure Finance Corporation Limited (INCA) of South Africa. It is the largest private municipal lender, which has approximately 20% of the market share. In countries such as USA, where this is the principal mode of financing urban infrastructure, municipal bonds have been successful in raising capital for infrastructure investments in cities because the government granted tax-free status to municipal bonds and public disclosure of financial information is mandated. Municipal bonds have been used successfully by Local Governments in the US and China. In the US, the municipal bond market is around \$3.7 trillion (2016).

Municipal bonds are also not new to India. They have been in existence in India since 1997. Cities such as Ahmedabad, Bengaluru, Nashik, and Madurai, have issued them, mostly privately placed with institutions, and not tradable.

Between 1997-2010, 25 municipal bond issues have taken place in India, which include pooled financing issues, and thereby mobilising funds to the tune of nearly ₹ 1,746 crore, approximately US \$17 billion. Some of the states like Tamil Nadu have resorted to what is called as 'pool financing' of gathering municipalities whereby a set of municipalities are funded for specific infrastructure projects as a pool and the funding of the same managed by a state agency, by sourcing funds from suitable lenders. In general, the repayment is made by the municipalities with or without budgetary support of the government. Table 1 gives a summary of the bond issues in India during 1997-2010. Rating agency CARE estimates that large municipalities in India could raise ₹ 1,000 to ₹ 1,500 crore every year through municipal bond issues.



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Table 1

City	Issue Year	Issue Size (₹ crore)	State Guarantee	Purpose
Ahmedabad	1998	100.00	No	Water supply and sewerage
	2002	100.00	-	Water supply and sewerage
	2004	58.00	-	Water supply and storm water drainage and roads and bridges.
	2005	100.00	-	Roads and water supply
Bengaluru	1997	125.00	Yes	City road and drains
Chennai	2003	42.00	Yes	Chennai water supply augmentation project – Chennai Metropolitan Water Supply and Sewerage Board (CWSSB).
	2005	50.00	Yes	Water Supply – CWSSB
	2005	45.80	-	Roads
Hyderabad	2003	82.50	Yes	Road construction and widening
	2003	50.00	Yes	Drinking water – Hyderabad Metropolitan water
Ludhiana	1999	10.00	-	Water supply and sewerage
	1999	100.00	No	Water supply and sewerage
Nashik	2002	50.00	-	Underground sewerage scheme and storm water drainage system
Indore	2000	10.00	Yes	Improvement of city roads
Nagpur	2001	50.00	No	Water supply
	2007	21.20	-	Water supply and sewerage
Madurai	2001	30.00	No	City roads

### Municipal Bonds for Financing Urban Infrastructure in India: An Overview

City	Issue Year	Issue Size (₹ crore)	State Guarantee	Purpose
Vishakhapatnam	2004	20.00	No	Water supply
	2004	50.00	-	Water supply
	2010	30.00	-	Water supply
Tamil Nadu Water and Sanitation Pooled Fund	2002	30.20	USAID	Refinancing loans for water and sanitation projects of 13 ULBs
	2008	6.70	-	-
	2010	83.19	-	-
	2012	51.00	-	-
	2013	51.00	-	-
Karnataka Water and Sanitation Pooled Fund	2005	100.00	USAID	Water supply component of a green field project for 8 ULBs, Greater Bangalore Water Supply and Sanitation project (GBWASP)
	2010	300.00	-	Lending to ULBs through Directorate of Municipal Administration
<b>Total Amount</b>		<b>1746.59</b>		

As indicated in the Table 1 (above), the aggregate value for the municipal bond issues in India is not significant whereas as per RBI data, the corporate bond issuance in 2014-15 was ₹ 4,78,962 crore. Municipal bonds, therefore, are not significant in the Indian debt market. Out of the 94 cities which were assigned credit ratings as smart cities & AMRUT cities and required additional funds, only a couple of cities have tapped the market for funds. The lack of operational efficiency reduces the creditworthiness of the municipal entities, thus making their bonds less attractive. As per the Fourteenth Finance Commission, the cost recovery and the collection efficiency of user charges remain far below the service level benchmarks specified. While bigger municipal bodies can go for bond issues relatively

### **Municipal Bonds for Financing Urban Infrastructure in India: An Overview**

more easily, the smaller municipalities often find it difficult to access the market due to lack of capacity and scale. The municipalities which have had successful issues in the past have faced the brunt. The Nagpur Municipality planned to raise funds in 2007 to the tune of ₹ 128 crore but was able to garner only ₹ 21 crore. The retail participation in the bond market has been weakened in India leading to a large unrealised potential. A tax concession on the returns earned on municipal bonds and the liquidity provided by exchange-traded bonds will be good incentives to encourage broader participation in the municipal bond markets. If the demand and supply side issues can be addressed, the potential for municipal bonds remains large and will be helpful in filling the large deficit in urban infrastructure financing.

### **2.4 Benefits of Municipal Bonds in India**

There are several benefits of municipal bonds to both the investors and the urban local bodies. Municipal bonds help to boost the municipality, as well as pose as a secure investment, externally verified by credit rating entities. A well run ULB can raise these bonds easily. Such bonds indirectly help better governance at the municipal level. ULBs, over a period, can become independent financially (achieving the objectives of the 74<sup>th</sup> Constitutional Amendment). The money raised from municipal bonds can enable municipalities to create and improve urban infrastructure that will boost quality of urban life. The citizens having invested in these bonds can demand officially operational as well as financial information about the management of the ULBs. This is likely to increase transparency and governance at the ULB level. These bonds may also prove to be a good investment option for investors looking beyond fixed deposits and small saving schemes. The government can progressively reduce their funding to the ULBs once the ULBs are able to raise funds regularly and properly utilise them. Municipal bonds in India enjoy tax-free status if they conform to certain rules and their interest rates will be market-linked. Their tradability implies that an investor would not need to hold them till maturity. Of the total municipal bonds issued, 40.7% were taxable, and 59.3% were tax-free bonds (1997-2007).

In case the municipal bond market matures like in USA, secondary bond market can develop increasing the investment opportunities for small investors. Municipal bonds are a very advantageous option as far as the size of borrowing and the maturity period (often 10 to 20 years) are concerned, as these characteristics are considered ideal for urban infrastructure financing.

### **Municipal Bonds for Financing Urban Infrastructure in India: An Overview**

When appropriately structured, municipal bonds can be issued at interest costs that are lower than the risk-return profile of individual ULB. As the size of the issue and frequency increase over time, competencies develop, thereby reducing the transaction costs, making it a convenient source of funding in the long run. Being fixed income assets, municipal bonds have lower volatility than stocks. Therefore, they are very appealing for investors with lower risk appetites. Free from taxation makes municipal bonds a very attractive buy for investors. Sheltering investments from taxation allows growth to compound quicker than a taxable amount.

There are several benefits of municipal bonds over borrowings from banks. Firstly, for the purchaser of municipal bonds, there is no need to establish any long-term relationship with the issuer, however, banks have to establish such relationship. Secondly, banks focus mostly on short term lending rather than the long term which is required for infrastructure development.

Municipal bonds also have an advantage over grants from higher governments in terms of timings as the constraints with regard to annual budget cycles and grants decisions, etc., do not exist.

Municipal bodies will also make efforts to improve their fiscal discipline and financial reporting in order to obtain the best credit rating for bond issue. For Infrastructure projects, municipal bonds would be very ideal as the interest payments can be mapped with the cash inflow of toll and other user charges from those projects.

### **3. Existing Means of Municipal Funding and Scope for Municipal Bonds in India**

The activities of the municipalities are funded by several sources both from within and outside. There are three main sources for funding a project undertaken by the ULBs:

- Own source – These are internal revenue sources that may be used towards capital expenditure. These units are mostly loss making, and therefore the revenue earned cannot finance a capital-intensive project. According to the Thirteenth Finance Commission, in 2012-13, municipal revenue constituted 1.76% of GDP (at market prices) in India. This is well below other emerging economies like Brazil and South Africa, where corresponding figures are 5% and 6%,

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respectively. The main sources of municipal revenues can be boxed under the following sub-categories:

- *Tax revenues* – Property tax, advertisement tax, vacant land tax, etc.
- *Non-tax revenues* – User charges, municipal fees, sale and hire charges, etc.
- Assistance from higher levels of government – These are usually in the form of grants-in-aid. A grant is a sum of money given by the higher level of government. The amount and nature of grants given to ULBs by the government differs across states since it depends on the policy of the respective State Government. Grants are usually given to ULBs for implementing government plans. Grants can be classified into two main categories:
  - *Tied-up Grants* – The grants given by the government for a specific purpose. For example, grants given by the government for implementation of the Swarna Jayanti Sahari Rozgar Yojana are tied-up grants, and cannot be utilised for any other purpose.
  - *Untied Grants* – These are the general grants given by the government, which can be utilised by the ULBs for any purpose. In other words, they have the freedom to spend those grants as per their choice and requirements.
- Borrowing – Funds required for capital expenditure can be borrowed from financial institutions such as Nationalised Banks, HUDCO, etc. Precautions are to be taken while borrowing the funds, as most financial institutions do not lend to ULBs without a government guarantee. Borrowing has a further sub-category:
  - *Pooled financing* – The Pooled Finance Development Fund Scheme (PFDFS) was set up by the Central Government with the main aim of providing credit enhancement facilities to ULBs based on their creditworthiness. To lower costs of financing and transaction costs, small local bodies collectively form a Special Purpose Vehicle (SPV) and borrow funds from institutional investors for a common purpose such as to build a commercially viable water and sewage

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infrastructures project. As a condition for lending, most institutional investors are to be secured with a State Government guarantee.

- Public-Private Partnerships (PPP)– PPP is an important variant of the involvement of the private sector in the provision of services/ functions, which were hitherto provided by the public agency. This partnership model ensures the leveraging of public sector strengths (which primarily relate to risk sharing) with those of private sector (which relate to investment capital, technical and/or managerial efficiency). The partnership can be on a project-to-project basis or on a programmatic basis with involvement of for-profit organisations.

For various managerial and political reasons underlying the governance of the municipalities that are beyond the scope of this study, there are issues in sourcing timely funds in municipalities. This coupled with the need of the citizens for better infrastructure and service, the municipalities and the higher levels of government are looking for different methods of financing.

Considering the needs of the municipalities for sources of funds, there appears to be good scope for the growth of the municipal bond market in India. First of all, this will expose the municipal bodies to the market mechanism where efficiency is a major criterion for survival. Over a period of time successful fund raising through municipal bonds and resulting improved governance will create public confidence in the municipal bodies not only as efficient public service providers, but also as safe and good investment options.

As of 2016, the market capitalisation of NYSE was 18.486 trillion USD and that of the Municipal bonds was 3.700 trillion USD. Applying the same proportion to Indian scenario where the market capitalisation in BSE was 1.482 trillion USD, the municipal bond capitalisation should have been 0.296 trillion USD or INR 18.86 lakh crore. This in a simple way gives a rough estimate of the scope for municipal bonds in India.

### **3.1 Types of Municipal Bonds**

Municipalities can issue different types of bonds. Based on the American bond market, there are generally two types of municipal bonds: General Obligation bonds, and Revenue bonds.

- **General Obligation Bonds:** General obligation (GO) bonds are issued

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in the belief that a municipality will be able to repay its debt obligation through taxation. These bonds are backed by the taxing power of the issuer. These bonds therefore may not be for specific revenue-generating projects such as a toll road. In some countries, there are two types of GO bonds:

- Unlimited Tax GO bonds: These are guaranteed, i.e., they will be paid out based on the power of the taxable base. For example, it can use property taxes to repay the bonds.
- Limited Tax GO bonds: These are not guaranteed and are based on narrow taxing power. There may be a limited tax general obligation bond that is issued to build a new hospital in a small county. This is paid out of any additional levy of tax made by the local body. Such instance could arise based on the requirements of local issues and the bond subscribed by the local population.
- **Revenue Bonds**: Revenue bonds are bonds supported by the revenue from a specific project such as a water supply project or a sewerage project. Such bonds secure both interest and principal payments by specified revenue sources through income-generating projects. For example, if a revenue bond is issued to upgrade a water supply network, the water charges collected from users would be used to pay off the bond.

In short, general obligation bonds are repayable through tax collection of the municipality whereas revenue bonds are supported by revenue flow from a specific project. Generally, these bonds are given tax benefits by the government. Some of these bonds are also guaranteed by the State Government, as “urban” matters are state subject. In India also most of the bond issues have been guaranteed by the State Governments.

### 3.2 Risks Related to Municipal Bonds

Revenue generation may be delayed or slower than anticipated in longer projects. With the annual interest payments to be periodically made, the ULBs may run into a liquidity problem, and may not have generated sufficient cash to pay to the investors. These may carry a low rate of interest compared to other types of securities. It is often difficult for municipal bonds to keep up with the competition, thus finding it hard to find willing investors. In India

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most of the bond issues have been guaranteed by the government. Also, initial transaction costs for accessing bond market is high since the ULB must invest in meeting the pre-requisites of its first bond issue. As with any investment, investing in municipal bonds entails risk. Investors in municipal bonds face several risks, specifically including:

- Call risk – The potential for an issuer to repay a bond before the maturity date, something that an issuer may do if interest rates decline, when the bonds have a floating rate. Bond calls are less likely when interest rates are stable or moving higher.
- Credit risk – The risk that the bond issuer may experience financial problems that make it difficult or impossible to pay interest and principal in full.
- Interest rate risk – If bonds are held to maturity, the investor will receive the face value amount back, plus interest that may be set at a fixed or floating rate. The bond's market price will move up as interest rates move down and it will decline as interest rates rise, so that the market value of the bond may be more or less than the par value.
- Inflation risk – For an investor, municipal bonds may not beat inflation, as they are conservative investments.
- Liquidity risk – The risk that investors would not find an active market for the municipal bond, potentially preventing them from buying or selling when they want and obtaining a certain price for the bond. Many investors buy municipal bonds to hold them rather than to trade them, therefore, the market for a particular bond may not be especially liquid and quoted prices for the same bond may differ.
- Political risk – Usually local bodies are headed by elected representatives. If the political orientation of such elected representatives is different from those at the next level say the State Government, then there are delays in implementation of projects. Any such change in political orientation and scenarios at local bodies, the fund-raising plan and/or project execution plan may get affected.



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### **4. Mechanics of Municipal Bond Markets**

#### **4.1 Regulatory Framework for Municipal Bond Market in India**

The Securities & Exchange Board of India (SEBI) had issued regulations to facilitate issuance of municipal debt and listing of debt securities by municipalities in India during March 2015 (amended in 2017). This will enable investment in public infrastructure of the 100 Smart Cities that the Government of India (GOI) proposes to build. The SEBI (Issue and Listing of Debt Securities by Municipality) Regulations, 2015 (amended in 2017) prescribes the eligibility, terms and conditions for public issue including tenure, credit rating, minimum subscription, accounting, auditing and reporting requirements and other disclosures, etc. The key features of SEBI (Issue and Listing of Debt Securities by Municipality) Regulations, 2015 (amended in 2017) are:

- Listing of debt securities issued through public issue or on private placement basis on a recognised stock exchange.
- Eligible Municipality can itself or through Corporate Municipal Entity (CME) can raise funds through municipal bonds. CME means a company as defined under Companies Act, 2013, which is a subsidiary of a municipality and which is set up for the purpose of raising funds for a specific municipality or group of municipalities. The regulation states that the CME, its promoter, group company or directors should not have been named in the list of willful defaulters published by the Reserve Bank of India (RBI) or should not have defaulted on payment of interest or repayment of principal amount in respect of debt instruments issued by it to the public.
- Under public issue, revenue bonds intended to be issued shall have a minimum investment grade rating.
- An issuer making public issue of municipal bonds shall only issue revenue bonds. In case of private placement, an issuer may issue both general obligation bonds and revenue bonds.
- The issuer shall create a separate escrow account for servicing of municipal bonds with earmarked revenue. The issuer shall appoint a monitoring agency such as public financial institutions or nationalised banks to monitor the earmarked revenue in the escrow account.

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Some key considerations as per SEBI Regulations, 2015 (as amended in 2017) are summarised in Table 2:

**Table 2**

S.No.	Criteria	Considerations as per SEBI Regulation
1.	Eligibility	<ul style="list-style-type: none"> <li>a) The municipality (issuer) shall be allowed to raise money under the laws that govern it.</li> <li>b) The municipality shall have surplus as per its Income &amp; Expenditure Statement in any of the immediately preceding three financial years. CME shall not have negative net worth for the last three financial years.</li> <li>c) The municipality shall not have defaulted in repayment of debt securities or loans obtained from banks or financial institutions during last three hundred and sixty five days.</li> </ul>
2.	General requirements in case of Public Issue	<ul style="list-style-type: none"> <li>a) The municipality will issue only revenue bonds in case the issue is a public issue.</li> <li>b) Minimum tenure of revenue bonds issued shall be 3 years.</li> <li>c) Maximum tenure of revenue bond issue shall be 30 years.</li> </ul>
3.	Minimum subscription	The minimum subscription limit shall not be less than 75% of the issue size.
4.	Utilisation of issue proceeds	<ul style="list-style-type: none"> <li>a) The proceeds of the issue shall be clearly earmarked for a defined project or a set of projects as specified in the offer document.</li> <li>b) The municipality's contribution for each project shall not be less than 20% of the project costs, which shall be contributed from their internal resources or grants.</li> <li>c) The municipality shall establish a separate project implementation cell and designate a project officer.</li> <li>d) The municipality shall disclose the schedule</li> </ul>

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S.No.	Criteria	Considerations as per SEBI Regulation
		of implementation of the project in the offer documents and the funds raised by the issuer shall be utilised in accordance with the disclosed schedule.
5.	Credit Rating	a) Minimum credit rating of A+ is required from at least one of the recognised credit rating agencies. b) Every rating obtained by an issuer shall be periodically reviewed by the registered credit rating agency.
6.	Listing of debt securities (mandatory listing)	The issuer shall make an application for listing on one or more recognised stock exchanges.
7.	Other requirements	a) The issuer shall maintain 100% asset cover sufficient to discharge the principal amount at all times for the debt securities issued. b) The issuers may provide an option to buy-back the debt securities at their face value, from the investors.
8.	Security of debt	a) Debentures shall be secured through the properties or assets or the receivables of the municipality. b) The total value of secured debentures issued shall not exceed the market value of immovable property/other assets or receivables of the municipality for which a charge shall be created. c) In case unsecured debentures are intended to be listed on stock exchange(s) then the debt securities shall either be backed by guarantee from State Government or Central Government or shall have a structured payment mechanism.

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S.No.	Criteria	Considerations as per SEBI Regulation
9.	Accounting, Auditing and Reporting	a) The accounts of municipality shall be prepared in accordance with the National Municipal Accounting Manual (NMAM) or similar municipal accounting manual adopted by the State Government. b) In case of a CME, the accounts shall be prepared in accordance with Section 129 and 134 of the Companies Act, 2013, and the rules made there under. c) In case of the issuer being a municipality, the accounts of the issuer shall be audited by the persons appointed by the municipality, as permissible under its constitution/state legislation governing the municipality. d) In case of a CME, the accounts of the issuer shall be audited by an auditor, in terms of Section 139 of the Companies Act, 2013, and the rules made there under.
10.	Disclosure	The municipality/ CME shall make disclosures as required by the regulations.

In 2016, SEBI issued guidelines for listed municipal bonds including periodical reporting for investors. SEBI has given certain relaxations with regard to the submission of audited financial statements, mid-year financial statements, etc., compared with other corporate listed bonds.

The SEBI Municipal Bond Regulations not only brought fresh air to the field of municipal bond market but also provided a well laid out process for issue of municipal bonds. These are very similar to the issue of bonds or shares of the corporate sector taking into considerations the peculiarities and the needs of the municipal sector.

#### 4.2 Recent Case of Pune Municipal Corporation (PMC) Bond Issue

During 2017, Government of Maharashtra (GoM) had given its approval for PMC's bond program. PMC has raised municipal bonds for ₹ 200 crore

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@7.59% as the first tranche of a 5-year bond program for raising ₹ 2,264 crore. The project is to develop 24x7 water project to provide safe and equitable water to all its residents for the next 30 years. The objective is to transform Pune into the 'most livable city in India'. The issue was oversubscribed by almost 6 times. It shows the interest of financial institutions in the municipal bond market of healthy Local Bodies. PMC has been proactively working with Government of Maharashtra (GoM), Ministry of Finance (MoF), Ministry of Urban Development (MoUD), SEBI, SBI Capital Markets Ltd. (SBI Caps) and advisors from the US Department of Treasury's Office of Technical Assistance (OTA) in developing this new financial-asset-class. Hon'ble Prime Minister of India, while inaugurating the National Institute of Securities Markets in Navi Mumbai on December 24th, 2016, urged SEBI and Department of Economic Affairs to ensure that at least 10 cities in India issue municipal bonds within one year in the context of the 'Smart Cities Mission'. Union Government has proposed to give a compensation of 2% interest subsidy on the total size of the bond issue. Both these events have been pivotal in providing an impetus to PMC's Municipal Bonds program.

PMC's Standing Committee and General Body have approved a consumption based telescopic water tariff structure for the next 30 years. This policy will progressively increase the revenues generated from the '24x7 Water Project' leading it towards self-sustenance. Additionally, as a part of the structured escrow payment mechanism, a portion of PMC's Property Tax has also been pledged for the debt servicing of the bond program. As per the financial prudence prevailing at different points in time in the future while simultaneously adhering to the relevant regulatory framework, the bonds may also be partly/fully paid from PMC's several revenue sources.

#### **Some key points on the process of municipal bonds issue:**

1. Funding for water supply project: PMC went for bonds issue since they wanted to raise capital for their 24x7 Water Supply project which could cost them ₹ 3,200 crore. Their revenue sources were not significant enough to fund this project and PMC tried sourcing from international lending agencies. The conditions were not suitable for PMC, and that is when they thought of going for issue of municipal bonds. The total money that PMC has planned to raise ₹ 2,264 crore for this project, and the PMC would be funding the balance amount.
2. No government guarantee: The issue is not guaranteed by the State

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Government but secured through the assets mentioned in the debenture trustee agreement. It is not revenue bonds but a combination of revenue and general obligation bonds where a certain portion of property tax receipts are kept in a separate escrow account for servicing the bonds. The bonds are listed in the Bombay Stock Exchange (BSE), but these are not traded much since these are not as attractive in terms of minimum investment ticket and returns. There are only two investors currently.

3. Accrual accounting: The unique advantage that the PMC had is that it had been following double entry accrual system of accounting and preparing the balance sheet since 2006-07 which many of the other municipal corporations in the country do not have. The PMC raised ₹ 200 crore with a Face Value of ₹ 10 lakhs each under the Private Placement route and no Corporate Municipal Entity (CME) was formed. The bonds were issued in the name of PMC only.

### **4.3 Challenges in Municipal Bonds Issue in India**

As per the report of HPEC (2011), Indian Urban Local Bodies are among the world's weakest in terms of financial autonomy and in terms of their capacity to raise external capital.

External sources, whether in the form of bank loans, bonds or other capital market instruments, will be available to municipalities only on the basis of the internal revenues they generate now and are expected to generate in the future. Till 2010, only 25 municipal bond issues took place and since then, only one bond issue (PMC) has taken place during the year 2017. There are various challenges and short-comings related to the municipal bond market in India that have made municipal bonds less attractive amongst the local bodies as well as the investors.

Some of the reasons are: It has been observed that over the years the dependence of ULBs has increased on Central and State Government(s) for grants. As per the 13<sup>th</sup> finance commission, 47.1% of the total municipal revenue consisted of grants from the Central and State Government(s) in 2007-08. Transaction cost involved in accessing the capital market which consist of management fee, royalty fee and underwriter's expenses, etc., is generally high. Generally, investor friendly accounting records are not kept by the local bodies in India. The accounting and auditing practices prevailing

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in local bodies may discourage investors from investing in municipal bonds. Municipal bond market may be illiquid as there may not be any secondary market for municipal bonds currently.

Collateralised Borrowing and Lending Obligations (CBLO) allow an investor to borrow against an underlying listed security in an exchange traded market. Currently, only Central Government securities are allowed to be used under CBLO. Though, there has been no case of default by municipal corporations till now, however, occurrence of any possible defaults is required to be addressed by relevant Act /regulations /guidelines which is currently not in place. There is also a lack of transparency and disclosures with regard to planning and implementing infrastructure projects.

A few areas in SEBI Regulations (Issue and Listing of Debt Securities by Municipality) 2015 (amended in 2017) also need further consideration. The regulation provides for an option to issuer for buy-back of debt securities from investors at a value which shall not be less than face value. This eliminates the option of a premature buy-back of deep discount bonds, as this will affect municipal finances adversely. Sub-regulation 4 of regulation 23 of the said SEBI Regulations deals with the movements in rating levels. If a rating is downgraded by two notches or more, the issuer is required to explain reasons for the downgrade and take preventive steps to recover rating and cash flows. Such conditions are not applied on corporate bond issuers.

#### **4.4 Municipal Bond Market Process in a Matured Market – the Case of United States**

In the USA states, cities, and counties, are known as municipal issuers, as they are eligible to issue municipal bonds. Depending on the needs and abilities such issuers raise money from the bond market. In all bond issuances, the issuer serves as the focal point and manages the bond issue process. However, in some cases, the bond measure for a public project must first be approved by voters.

The methods and procedures by which municipal debt is issued are governed by an extensive system of laws and regulations, which vary from state to state. Most bonds bear interest at either a fixed or variable rate of interest, which can be subject to a cap known as the maximum legal limit; some bonds may be issued solely at an original issue discount, or 0% coupon.

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The issuer of a municipal bond receives cash at the time of the bond issue in exchange for a promise to repay the purchasing investors over a specified period. Repayment periods can vary from a few months to say upto 40 years, or even longer. The proceeds from a bond issue is typically used to pay for capital projects or for other similar purposes.

Tax regulations governing municipal bonds generally require all money raised by a bond sale to be spent on capital projects within three to five years of issuance. Certain exceptions permit the issuance of bonds to fund other items, including ongoing operations and maintenance expenses in certain cases, the purchase of single-family and multi-family mortgages, and the funding of student loans, among many other things.

Because of the special status of most municipal bonds granted under Section 103 of the Internal Revenue Code, which provides that the interest on such bonds is exempt from gross income, investors usually accept lower interest payments than on other types of borrowing (assuming comparable risk). This makes the issuance of bonds an attractive source of financing to many municipal entities, as the borrowing rate available to them in the municipal, or public finance, market is frequently lower than what is available through other borrowing channels.

The US bond market is also supported by the Electronic Municipal Market Access (EMMA) system, operated by the Municipal Securities Rulemaking Board (MSRB), which serves as the official source for municipal securities disclosures and related market data in the United States. EMMA provides free on-line access to centralised municipal securities disclosure documents for all municipal securities, escrow deposit agreements for refinancing of outstanding bonds, real-time municipal bond trade price information, interest rates, etc., together with daily statistics on trading activity and investor education materials.

The key features of the American (USA) Municipal Bond market can be understood by specific roles played by several personnel involved in the municipal bond market:

#### **Municipal advisor**

- Under the Dodd-Frank Wall Street Reform and Consumer Protection Act, municipal advisors have been given an important role in overseeing financial and legal circumstances surrounding the issuance of bonds.



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- The municipal advisor serves as a fiduciary for the municipal issue, taking care of all the assets and finances involved in the issuance process. Legally, the advisor is obligated to represent the interests of the issuer and serve as a source of financial advice. This entails offering advice on structuring, selling, and promoting bonds, as well as serving as the central liaison between other members of the financial team, especially the underwriters and credit rating agency.
- Although municipal financial advisory services have existed for many years, municipal advisors have played a key role in the bond issuance process since regulations enacted in 2014 that require municipal issuers to appoint a municipal advisor (or file to opt out).

#### **Bond counsel**

- After appointing a municipal advisor, bond issuers recruit a syndicate of legal professionals to serve as the financing team's bond counsel.
- The counsel works to verify the legal details of the issuance and ensure that the issuing agency is complying with all applicable laws and regulations. As the formal legal advisor for the deal team, the bond counsel will typically draft core documentation relating to bonds, including loan agreements, indentures, and other critical documents.
- Along these lines, the bond counsel is also tasked with reviewing and advising on any legal issues that might arise, and interpreting how tax laws affect the issuance. For instance, the bond counsel will decide if an issuance is exempt from state or federal taxes.

#### **Underwriter**

- Once a municipal advisor and bond counsel have been established, they work together to identify an underwriter that will manage the distribution of the bonds.
- The underwriter is an organisation that publicly administers the issuance, and distributes the bonds. As such, they serve as the bridge between the buy and sell side of the bond issuance process. Underwriters connect issuers with potential bond buyers, and determine the price at which to offer the bonds. In doing so, most underwriters will assume full risk and responsibility for the distribution and sale of the bonds issued by the issuing agency.

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- As such, underwriters play a central role in deciding the return and span of maturities, and typically collect fees in exchange for their services. If the price is wrong, the underwriter is left holding the bonds.
- Given the underwriter's role as a price marker, they also serve as a strategic partner to the issuing team, analysing market conditions and trading, help in deciding how and when the bonds should be sold.
- In many cases, there will be a co-manager who works with the underwriter to help provide the capital to buy the issuance. In large issuances, the underwriter(s) will often put together a syndicate or selling group. This would consist of a group of bond salespeople who are skilled in the art of determining the right price for an issuance, and a group of investors who will be willing to buy those bonds.

#### **Brokers**

- Brokers are the intermediate step between the underwriter and the actual bond holders, the cement-and-pavement financial professionals who answer orders for bond purchases.
- In most cases, underwriters will communicate and sell their maturities through multiple brokers. The broker seeks to distribute their bonds from the underwriter at a small percentage profit. Given the current legacy systems of the bond market, the distribution and sale of bonds is an exceptionally manual process requiring tremendous labor overhead and paperwork. As such, most municipal bond brokers only sell to high net worth individuals and organisations seeking to buy large quantities of bonds.
- Many of the people with direct ties to the impacted communities are therefore unable to contribute to their local governments, given little or no access to the profitable bond market.

#### **Bond holder (individual & syndicate)**

- Municipal bond holders may purchase bonds either from the issuer or broker at the time of issuance (on the primary market), or from other bond holders at some time after issuance (on the secondary market). In exchange for an upfront investment of capital, the bond holder receives payments over time composed of interest on the invested principal, and a return of the invested principal itself.

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- Repayment schedules differ with the type of bond issued. Municipal bonds typically pay interest semi-annually. Shorter term bonds generally pay interest only until maturity; longer term bonds are generally amortised through annual principal payments.
- Longer and shorter-term bonds are often combined in a single issue that requires the issuer to make approximately level annual payments of interest and principal. Certain bonds, known as zero coupon or capital appreciation bonds, accrue interest until maturity at which time both interest and principal become due.

#### **Modern bond platforms**

- Over the last decade many traditional and new market participants have begun to apply current technology solutions to the municipal market remedying latent problems associated with many aspects of the municipal bond market.
- Security: The historical default rate for municipal bonds is lower than that of corporate bonds. The Municipal Bond Fairness Act (HR 6308), introduced in September 9, 2008, included a table giving bond default rates up to 2007 for municipal versus corporate bonds rating by rating agencies.
- Denominations: Most municipal notes and bonds are issued in minimum denominations of \$5,000 or multiples of \$5,000.

These features of American municipal bond market bring to light the advanced stage of the same, and also indicate the levels to which the Indian municipal bond market can grow.

## **5. Rating of Municipal Bonds**

The municipal bond issue has certain pre-requisites. Apart from governance aspects, updated accounts and certain satisfying performance indicators (financial and non-financial) are needed. Based on these, the municipalities need to get rated by rating agencies for the bond issue.

Rating of municipal bonds is a necessary condition for bond issue and the support of various rating agencies are taken by the municipal bodies in this regard. There are five rating agencies (CRISIL, ICRA, India Ratings, CARE and Brickwork Ratings) in India that rate municipal debt, the rating

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methodology is similar. Ratings are assigned on the basis of unaudited financial figures. Except a few large municipalities, in most of the cases, information on the financials, and no real data on the operations or the city GDP, etc., is available for credit rating. This may lead to misleading information with regard to income and expenditure of ULBs, which is a matter of serious concern.

### **5.1 Mechanism and Models of Rating Methodology**

Broadly, the rating agencies evaluate the legal framework, the economic base, the financial position, the quality of management, the operational efficiency and the details of the project being funded. As an example, description of CRISIL methodology for municipal bond rating is given below:

#### **5.1.1 Legal and Economic Framework**

##### **(a) Legal and Administrative Framework**

The presence of a clear legal and administrative framework adds clarity and confidence to the rating process. The legal framework is vetted through an evaluation of the Municipal Act that defines the legal, structural and administrative elements of a municipal body. Specifically, the rating agencies evaluate based on the criteria given in Table 3:

**Table 3**

<b>Indicators</b>	<b>Evaluation criteria</b>
Municipal function domain	The extent of obligatory and discretionary services that the municipality must perform is studied. This gives an idea of the municipal body's operational responsibilities.
Taxing powers allocated to the municipal body	Gives an idea of the revenue potential of the municipality in relation to its obligations.
Tax rates levied by the municipal body and the basis of assessment	Measures taken by the municipal body to rationalise taxes and add clarity to the assessment procedure is evaluated.

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Indicators	Evaluation criteria
The minimum and maximum tax rates and specific user charges that can be levied by the municipal body	Assesses the level of flexibility and autonomy enjoyed by the municipal body.
Elections and decision-making process in the municipal body	To evaluate the time taken in decision making, the extent of transparency and responsiveness to pertinent issues.
Mechanism of transfer of State Government grants to municipalities	Level of clarity and transparency of this transfer arrangement defines the stability of the grant receipts.
Borrowing powers and administrative requirements for mobilising funds from the capital market	Assesses the municipality's flexibility in raising funds. The manner in which sinking funds for repayment of debt is maintained is also evaluated.
State Government municipal body linkages	The Act would specify the revenues that the municipal body would receive by way of loans, grants or transfers from the State Government. The extent to which these transfers are discretionary is evaluated. Formula linked transfers are evaluated favourably as they are assumed to be a steady source of revenue.

#### ***(b) Economic and Social Profile***

The rating agencies evaluate the economic base of service area with respect to evaluating the tax paying capacity of the citizens living in the municipality area. The key indicators examined are given in Table 4:

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**Table 4**

Indicators	Evaluation criteria
The population base and its growth rate	The income and demographic profile of the population is studied.
The level of industrial activity	The key industries present in that area give an idea of the economic base.
The level of commercial activity	An assessment is made of the sales tax collections, stamp duty collections from property transfers, and collections from license fee from hotels, restaurants, etc.
Indicators of tax paying capacity	Indicated by the per capita income levels and literacy levels, number of vehicles registered with the Road transport office, fixed line penetration and the number of cellular phone users, etc.

### 5.1.2 Municipal Finances

An evaluation of the municipality's financial position includes an analysis of the past five years' financials. The parameters evaluated are given in Table 5:

**Table 5**

Indicators	Evaluation Criteria
Overall surplus/deficit	The surplus position is examined to see whether it accrues from an increase in revenue or the control of expenditure or a mix of both. Level of surplus also provides a sense of fund availability for debt servicing and part funding of infrastructure additions.

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Indicators	Evaluation Criteria
Revenue receipts	<ul style="list-style-type: none"> <li>• Extent of tax based revenues - how self-reliant the municipal body is.</li> <li>• Growth in property tax collections</li> <li>• Tax collection efficiency - both current and arrears indicate managerial efficiency</li> <li>• Frequency and extent of tariff revisions</li> <li>• Extent of user charges – profile of the charges, basis for levy (flat rate or consumption based)</li> <li>• Ratio of transfers from state to total revenues is an indicator of dependence on State.</li> </ul>
Revenue expenditure	<ul style="list-style-type: none"> <li>• Head wise (expenditure on salaries, repairs, etc.) and activity wise (expenditure on water supply, sewerage, primary education, health, etc.) analysis of expenditure.</li> <li>• Extent of cost recovery (cost in providing municipal services)</li> <li>• Extent of revenue surplus - ability of the municipality to fund its capital expenditure.</li> </ul>
Capital account	<ul style="list-style-type: none"> <li>• Stability of the capital receipts</li> <li>• Extent of capital expenditure to total expenditure - greater the spend on capital expenditure, the better.</li> </ul>

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Indicators	Evaluation Criteria
Debt profile	<ul style="list-style-type: none"> <li>Extent of capital expenditure financed by debt. A high ratio implies insufficient internal finances.</li> <li>Debt service coverage ratio, loan retirement schedule, and average interest rates, are analysed.</li> </ul>

#### 5.1.3 Operational Effectiveness and Policy Framework

##### (a) Operating and Service Efficiency

The municipality's operating efficiency is studied by an in-depth evaluation of its services such as water supply, sewerage, primary education, health services, etc. Parameters used include per capita water supply, extent of sewerage coverage, water or sewerage treatment capacity, and number of schools or hospitals. A low level of current service implies pressure on the municipal body to spend extensively on infrastructure. Rating agencies and funders also evaluate the corporation's organisational arrangement for delivering its service, its existing infrastructure for providing the service, the level of revenue expenditure, past trends in capital expenditure and the proposed level of service enhancement. Track record of collection of major taxes such as property and water, etc., is also evaluated. Cost of services recovered from collection of charges levied on various services is also assessed.

##### (b) Policy Framework

The ability of a local body to implement necessary reforms as well as organisational capacity building is evaluated in detail. Local body's efforts towards improving its operations and accounting quality are also evaluated. Initiatives taken by the local bodies to implement reforms and collection mechanisms, etc., are also taken into consideration.

##### (c) Property Tax Collection

The details of the trends in tax-rate revisions, administrative structure, system and procedures for improving collections are examined.



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Some project specific areas for which funds are being raised are also assessed on the following lines:

- Proposed projects,
- Project tenure and funding,
- The existing level of service,
- The improvements envisaged through the project,
- The project costs,
- The means of funding the project,
- The effect of debt funding on the municipal body's debt service coverage ratio (the cash flow available to repay the principal and interest installment for a year), and
- Any proposed structure for credit enhancement of the loan/bonds being raised.

As the linkages between the State Government and municipal bodies are very strong, the credit quality of the State Government becomes a crucial factor in the rating assigned to the municipal bodies. Currently, there are no structured mechanisms by which the finances of State Government are rated with specific reference to issue of bonds. In future, the credit rating of states in this regard is likely to gain importance.

### **5.2 Rating Scale**

CRISIL's rating definitions are given in Table 6 which ranges between AAA (High) to D (Default). Other rating agencies have similar definitions of credit worthiness.

**Table 6**

<b>Rating Symbol</b>	<b>Definition</b>
AAA (Highest Safety)	Instruments with this rating are considered to have the highest degree of safety regarding timely servicing of financial obligations. Such instruments carry lowest credit risk.
AA (High Safety)	Instruments with this rating are considered to have

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Rating Symbol	Definition
	high degree of safety regarding timely servicing of financial obligations. Such instruments carry very low credit risk.
A (Adequate Safety)	Instruments with this rating are considered to have adequate degree of safety regarding timely servicing of financial obligations. Such instruments carry low credit risk.
BBB (Moderate Safety)	Instruments with this rating are considered to have moderate degree of safety regarding timely servicing of financial obligations. Such instruments carry moderate credit risk.
BB (Moderate Risk)	Instruments with this rating are considered to have moderate risk of default regarding timely servicing of financial obligations.
B (High Risk)	Instruments with this rating are considered to have high risk of default regarding timely servicing of financial obligations.
C (Very High Risk)	Instruments with this rating are considered to have very high risk of default regarding timely servicing of financial obligations.
D (Default)	Instruments with this rating are in default or are expected to be in default soon.

## 6. Municipal Management for Bond Market

### 6.1 Governance Pre-requisites in Municipal Management

One of the major issues that the ULBs in India face is the quality of governance/management. Development of a municipal bond market in India depends on significant improvement in the credit quality of municipal corporations. The credit quality is reflected in the quality of governance of the ULBs. The issues in relation to governance of ULBs can be summarised under 3PT® perspectives:

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- Policy
- Process
- People
- Technology

### **6.2 Policy Issues**

Well laid out policy for all areas of operations within ULBs is pre-dominantly absent. For instance, most of the ULBs do not have any accounting policies clearly laid out. Though over a decade many states like Tamil Nadu, Karnataka, and Gujarat are following accrual accounting, the financial statements do not contain detailed accounting policies. Accounting Standards for Local Bodies (ASLBs) that prescribe high quality accrual accounting framework and accounting principles are also not being applied.

Policies in terms of rules, regulations, and norms are prevalent in matters relating to staffing, services rules in relation to HR, and engineering related rules adopted from PWD of the state. These are mandatory and often archaic. Though many of the municipalities often have budgets larger than many large corporate houses but their management practices are not at par with the corporate houses. Great Mumbai Municipal Corporation had a budget of ₹ 37,052 crore, while Kolkata Municipal Corporation ₹ 3,745.10 crore, and Chennai Municipal Corporation ₹ 4,878 crore as budgets for 2016-17.

Most of the ULBs do not have any annual report equivalent, and circulation of the financial statements to citizens (key stakeholder) is unheard of. Bangalore Municipal Corporation, more than a decade ago, published their financial statements in the national dailies for a few years, and also held pre-budget discussions with citizens.

At the state level, there is no consolidated information with regard to the financial position or financial performance of the municipalities. For instance, no state has consolidated or even summarised financial statements of all the ULBs in the state. These are some of the issues affecting the governance of ULBs and are concerns while evaluating the organisation for funding whether it be through bonds or otherwise.

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### **6.3 Process Issues**

Process issues are possibly the major issues, and are innumerable. The systems and processes, in general, followed in municipalities are normally based on governmental procedures; but in reality they are much watered down due to the size, regional practices, lack of supervision /control and lack of effective audit. E-governance in many of the municipalities has not matured as the internal processes are not robust and hence the changeover has been difficult.

Most of the municipalities do not have documented processes or manuals (accounting, budgeting, HR, IT, etc.). Also, even within a state the processes (say accounting) differ in different regions. Currently the municipalities may not have 'process' approach to management and hence the controls may generally not be watertight. From the perspective of rating the organisational process for funding, like bond issue, it will be extremely difficult for the evaluator to rate the process robustness of these institutions.

The municipalities have an audit system, often done by the state accounts or audit departments. In some states, in recent times, the services of Chartered Accountants (CAs) are being used either for updating backlog of accounts or for audit purposes. In general, the internal audit system is not prevalent in municipalities.

### **6.4 People Issues**

As Local-self Government, the municipalities could actually have a lot of power for recruiting their own staff. But due to their financial dependence on the State and Central Governments they are still under the influence of the State Government for recruitment of their staff. The sanctioning of staff is still with the government and all the rationale of having or not having the staff at the municipality level is decided by the state.

As a result of the above and other local reasons, there has been no specific look at the staffing at the municipalities as service providers or implementers of various programs. The municipalities have several staffing issues, some of which are:

- Inadequate staff though sanctioned,
- No posts for some specialised areas: like legal, IT,

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- No specific cadre for even technical areas like accounting (very few states are now attempting this),
- Almost all the staff have only generic qualification, and
- Many senior officials in municipalities occupy the position out of years of experience not out of qualification, specialisation, or special training.

In some of the states, the Municipal Commissioner (even at the Corporations level) is not from IAS cadre. This makes a lot of difference in the quality of governance. In some of the states, the state cadre officers occupy the Commissioner position. Both the IAS and the state level officials may not be trained in municipal management. At the state level, there is no blue book by which the management of the municipality is carried on. In many countries, City Manager's (equivalent to Municipal Commissioner) job is a credible one as is understandable from the career requirements specified for them. (See Table 7)

**Table 7**

<b>Degree Level</b>	Master's preferred; Bachelor's may be acceptable
<b>Degree Field</b>	Public administration, business administration, or a related field
<b>Experience</b>	5 years municipal government experience
<b>Key Skills</b>	Writing and public speaking skills; knowledge of municipal and administrative laws and procedures; management theory and practices and dispute resolution procedures
<b>Salary (2016)</b>	\$83,775 (median for city managers)

Sources: Moab city job description (October 2012), Haines City job description October 2012), PayScale.com

The municipalities, in general, do not have any HR department and issues related to employee development are generally not addressed. Training programmes are based on funds available under a project or sponsorship of government or multilateral agencies. No system for understanding the training needs is present in the ULBs. Performance appraisal is generally

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absent though SR (Service Registers) and CR (Confidential Report) systems are present. There is no specific Key Performance Indicator (KPI) or performance measure with which the employee performance is either evaluated or recognised. Hence, there are several factors that contribute for the current status of municipal performance. When an assessment for funding the municipality arises, it may be extremely difficult to assess the HR aspects. It is a fact that even in large corporations there might be no senior official who can understand bond issue related matters.

### **6.5 Technology Issues**

Initially, the municipalities started with computerisation of various activities. Functional areas like accounting, payroll, bill issue, etc., were introduced. With improvements in technology and connectivity, revenue collection, building plan approval, etc., got in. Slowly e-seva facilitation centers were introduced. In the last decade, the focus has been on e-governance initiatives. E-governance initiatives have brought in lot of relief for the citizens. However, the internal operation engine for the municipalities has not changed much. E-governance has not resulted in efficiency gains as expected. The main reason for the same is that the e-governance exercise is being attempted as an IT or computerisation exercise and not as a governance initiative. Most of the e-governance initiatives are yet to address issues relating to information security and privacy. Invariably the same officers who were involved in computerisation are used or else the IT department spearheads with focus on technology and not on service delivery, and hence, there have been no expected efficiency or control gains.

After about two decades of accounting computerisation and accrual accounting, still in almost all the municipalities the financial statements are not generated. They are made in spreadsheets outside the system. The municipalities are still at the mercy of the IT service providers. While outsourcing technology areas is alright and makes 'value for money' sense, there is no one within the municipal system either to receive the service properly or supervise its quality. With all the e-governance efforts, the municipalities may not be able to provide an evaluator (like rating or funding agency) for the information required, from its operational MIS in a reliable manner.

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In brief, policy gaps in various areas including lack of proper accounting policy, recruitment policy, training policy, information technology policy, etc., influence the management. In terms of processes, in general, the municipalities are yet to come out of the governmental system of working. Though they have complicated processes, most of the processes are not documented and hence control becomes difficult. In terms of control processes, many of them do not have internal audit system, and are audited by the State agencies. Only, in a few states, the services of Chartered Accountants have been considered.

There are various people issues, right from recruitment to skill upgrading. For instance, many states do not have specific cadre for accounting staff and persons without accounting qualification or background are in accounting departments. With the complications of the features of municipalities, the employees are not able to cope, resulting in unacceptable quality of accounting records and financial statements. In western countries, there are specific requirements identified for municipal services, and open market recruitments are made. Information technology initiatives, particularly those relating to e-governance has been taken up in a massive way in recent times with varying success levels in implementation. Many municipalities do not have the wherewithal for rollout of these initiatives or even for maintaining them.

Many of the issues discussed above are not directly related to the municipal bond issue but do have a bearing on the same.

## **7. Way Forward for Developing Municipal Bond Market in India**

### **7.1 General Approach**

Though SEBI has issued SEBI (Issue and Listing of Debt Securities by Municipality) Regulation, 2015 (amended in 2007), however, still various other initiatives and reforms are required to be undertaken to develop a mature municipal bond market in India.

Local bodies would require improving their governance and management practices. Simultaneously, financial management reforms are required to be pursued proactively at the level of local bodies. Report of Thirteen Finance Commission emphasised proper accounting and audit mechanism and

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adequate transparency would be critical for the success of the municipal bond issue. Accordingly, the reforms and improvement in this area requires the attention of the urban-administrators. Review of the existing relevant acts and guidelines in this regard must be undertaken. Capacity building of ULBs on implementing accounting and financial management reforms must also be undertaken seriously.

Some administrative reforms such as increased autonomy to ULBs for setting and collecting taxes and levying user charges and fees, etc., are required to be undertaken. ULBs should be given significant power and control over their own finances.

The Ministers, IAS officers at the state level, and senior officials of the ULBs need to be sensitised on various aspects of municipal bonds and the issue and management. Also, the citizens need to be trained and sensitised on the process and safety of investment in the municipal bonds. Hence, the trainings at various levels and at varying degrees need to be made. Where required, digital media messages, presentations, and short films may be made in this regard.

The Comprehensive Debt Limitation Policy (CDLP) give powers to ULBs to borrow funds as determined under the relevant act/rules of the respective State Government. However, as per the Annual Survey of India's City Systems (ASICS) 2014 conducted by Janaagraha, out of 21 cities only 4 cities were covered by CDLP.

Government can also consider categorising municipal bonds as "priority sector" for the purpose of investment/lending. Pension fund, insurance fund, provident fund, and relevant foundations/trusts may be encouraged to mandatorily invest in these bonds by expanding their range of "approved investments". Investment in these bonds may also be made admissible for Statutory Liquidity Ratio (SLR) investment by banks.

To make these bonds more attractive to investors, the cap of 8% interest rate for tax-free municipal bonds may be reviewed for increase. It can also be considered to include municipal bond investments under list of eligible investments for claiming deduction under Section 80C of Income Tax Act, 1961.

Municipal bonds may also be considered for inclusion under CBLO and bankruptcy law/regulation applicable in case of any default by ULBs is required to be introduced. Government can also consider promoting PFDFS



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for smaller ULBs whereby these municipalities can pool their assets and issue bonds backed by pooled assets. An entity with financing authority at State level may be set-up to monitor accounting, budgeting and financing activities of the local bodies.

In short, the success of municipal bonds totally depends on how quickly we reform our municipalities in terms of governance, transparency, information disclosure and improved efficiency. Hence, under Indian conditions while different types of bonds could be issued based on the requirements, the key issue will be the way the municipalities are managed.

### **7.2 Role of ICAI Members**

The ICAI members have a vital role to play in matters relating to the issue of Municipal Bonds. The Chartered Accountants may contribute during complete life cycle of the Municipal Bonds.

- Conceptualisation of the Municipal Bond Issue: This involves the analysis of financials of the municipalities, guiding the municipalities as to the sizing of the issue, supporting them in various steps involved in the bond issue, and preparing the municipal employees for the issue – before and after.
- Support for Creating CME: The Chartered Accountants may help the municipalities to create CMEs (a company as per norms).
- Certifications: Necessary certifications that are required in relation to the bond issue and advising local bodies with regard to various statutory compliances as per the relevant regulations and guidelines.
- Preparation of Annual Accounts: Chartered Accountants can play an important role in preparing/guiding the local bodies in preparation of financial statements required for the bond issue.
- Audit: Chartered Accountants have an important role to play in audit of CME being a Company, audit of escrow account and project accounts as per relevant regulations/guidelines.
- Support for Rating of Bonds: The rating agencies rate the bond issue, and the municipalities would need support during various stages of the process including providing the right type of information for the rating

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agencies, and discussion with rating agency on behalf of the municipalities.

- Training: This is a very vast area where the service for the members of ICAI can be utilised. Various personnel at the municipality level require training for the municipal bond issue as well as for implementing accrual accounting reforms which are mandatory for bond issue. Chartered Accountants can impart trainings in this regard.
- Implementation of Accrual Accounting: Accrual based financial statements are one of the requirement for bond issuance. Chartered Accountants can provide their support to local bodies in implementation of accrual accounting in local bodies.
- Review of Existing Municipal Acts and Accounts Manuals: Chartered Accountants can provide their support in assessment of existing systems and review of relevant legislative framework of local bodies with respect to issuance of bonds and accrual accounting implementations. Chartered Accountants can also be involved in preparation and review/ revision of the state accounts manuals.
- Financial Analysis: Chartered Accountants can provide services with regard to assessment of revenue systems for debt raising and assessing financial viability of various investment plans, preparation of financial projections and revenue mobilisation plans and project feasibility reports of local bodies, etc.

Thus, Chartered Accountants can provide complete suite of services right from conceptualisation to the settlement of bonds.

### **7.3 Accrual Accounting Reforms as an Essence of Debt Raising through Municipal Bonds - Role of ICAI**

Traditionally, cash basis of accounting is followed in local bodies in India. However, subsequent to 73<sup>rd</sup> and 74<sup>th</sup> Constitutional Amendments, various efforts have been made by the Government of India to bring transparency and accountability in operations of local bodies by undertaking implementation of accrual accounting reforms. For tapping the capital market too, local bodies would require to produce accrual based financial statements (particularly using accrual based high quality financial reporting standards), as these statements would be able to meet the information requirements of

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the investors enabling them to make rational decisions with regard to investments.

In light of the above, as a partner in nation-building, the ICAI took up the responsibility to prescribe high quality Accrual Accounting Framework for third tier of government, i.e., Local-self Government. ICAI has been involved since the beginning of these reforms, supporting the cause of the introduction of accrual accounting in the municipalities. ICAI proactively formed the Committee on Accounting Standards for Local Bodies (CASLB), and is engaged in the process of developing Accounting Standards for Local Bodies (ASLBs). ICAI and its members have also been conducting workshops and imparting trainings to the local bodies in matters relating to accrual accounting and audit.

The ASLBs being formulated, are based on the International Public Sector Accounting Standards (IPSASs) that are internationally accepted accounting and financial reporting standards for application by governments of all levels. Existing Accounting Standards (ASs) issued by the ICAI and prevailing accounting practice, accounting guidelines in India for local bodies, are also referred while formulating ASLBs. In other words, modifications to the IPSASs are made in light of the Indian conditions keeping in view the peculiarity in nature of activities of local bodies in India.

A robust and consultative process is followed for issuance of ASLBs to ensure participation of all stakeholders in the standard-setting process, i.e., composition of CASLB is fairly board-based; nominees from various stakeholder organisations such as C&AG, CGA, MoUD, MoPR and other relevant organisations, etc., are invited on the CASLB and the exposure drafts are issued before finalising the standards to invite public comments including the comments of specified bodies such as C&AG, CGA, MoUD, MoPR, Directorates of Local Bodies/ Local Fund Audit, Municipal Corporations, various relevant Government Departments/ Ministries, etc.

ASLBs issued by the ICAI are sent to the Technical Committee on Budget and Accounting Standards for Urban Local Bodies constituted by MoUD, and C&AG, and to the Technical Committee on Budget and Accounting Standards for Panchayati Raj Institutions constituted by MoPR jointly with C&AG for their consideration and recommending the same to the State Governments for implementation.

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ASLBs are being issued in a dynamic environment which can be undertaken for revision and updation as and when required. ASLBs are principle based rather than prescriptive one and provide detailed and additional guidance on various areas that are either not covered fully or are covered partially in NMAM. In other words, ASLBs are being issued as an extension of the NMAM and are supplementary to the same as these contain additional guidance. Implementation of these standards will help in regulating the financial operations of local bodies in India.

In view of the above, ICAI can play a very strategic and important role in improving the accounting practices in local bodies in India that will enable them to raise funds from capital market by producing investor friendly financial statements and disclosures.

State Governments are required to have a well laid out approach for issue of municipal bonds. ICAI can provide the necessary support to various State Governments in various matters relating to the governance, financial management, maintenance of accounting records and preparation of financial statements, government role in the issue of municipal bond, requirements of proper accounts for credit rating, and so on. Such inputs could be made in terms of round tables, discussion forums, training to senior government officials, etc. Various training programmes are also being organised by the ICAI through CASLB on accrual accounting reforms in local bodies.

ICAI may support local bodies/ other stakeholder organisations in organising periodic seminars and conferences in matters relating to municipal bonds, and municipal finance in general, and programmes to create awareness amongst the members of the ICAI with regard to the role they can play in these areas.

## Municipal Bonds for Financing Urban Infrastructure in India: An Overview

### Annexure

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## **Role of ICAI in Accounting Reforms: Journey so far**

### **Genesis of Accounting Reforms in Local Bodies in India**

India is a fast growing economy with a thriving democracy endowed with potential to reap demographic dividend in the years to come. Urbanisation is increasing at a fast pace, which in turn is changing the profiles of cities and towns, and increasing demand for urban infrastructure in India. In this regard, a well-functioning Local Government is a key to the delivery of urban services and infrastructure. In India, the third tier of the Government (Local-Self Government), i.e., Local Bodies were given constitutional status post 73<sup>rd</sup> and 74<sup>th</sup> Constitutional Amendments. Many responsibilities were placed on the Local Bodies with this decentralisation initiative.

In this context, the local bodies are supposed to be accountable to the public and are expected to respond to the needs of the citizens and other stakeholders in our democratic society. Therefore, to pursue the objectives of transparency and accountability in governance for attainment of ultimate objective of general welfare of citizens, an adequately transparent and responsive accounting system is considered as an important ingredient for the efficient functioning of any Government including local-self government.

It is pertinent that the information contained in the financial reports should be reliable and transparent which should indicate ability of Local Bodies to achieve their developmental goals, meet their programme targets and their efficiency in the use of resources so as to make rational decisions by themselves and by various stakeholders such as for the concerned government as it is the prime provider of funds/grants to the Local Bodies. However, cash basis of accounting is a major constraint to the strong financial management and transparency in financial reporting by Local Bodies. The information



provided under cash accounting is easy to compile and understand, and historically, met the requirements of users. However, it will not meet most of the financial reporting objectives due to incorrect measurement of incomes, lack of an integrated record of assets and liabilities, etc.

Seventy Third (73<sup>rd</sup>) and Seventy Fourth (74<sup>th</sup>) Constitutional Amendments incorporated various provisions for transforming Local Bodies and paved the path for initiating accrual accounting reforms in Local Bodies in India. Various efforts have been made over past few years by the Government and other stakeholder organisations to improve the accounting practices in Local Bodies as there is a need to produce accrual based financial statements (particularly using accrual based Accounting Standards). These statements would be able to meet the information requirements of users and other stakeholders enabling them to make rational decisions. This would also help them to tap capital markets thereby enabling them to become financially self-sufficient by issuing municipal bonds.

The Honorable Supreme Court of India in the year 2001, while delivering a Judgement in Public Interest litigation directed the Government to develop guidelines for moving towards full cost based accrual accounting system in Urban Local Bodies.

Eleventh and Twelfth Finance Commission recommended the introduction of double entry accrual accounting system in Government. Grants to Local Bodies have also been linked to their performance and implementation of double entry accrual accounting system since Eleventh Finance Commission. Other reforms linked incentive schemes in this direction includes Jawaharlal Nehru National Urban Renewal Mission (JNNURM), Financial Institutional Reform and Expansion (FIRE-D) Programme, Smart Cities Mission and AMRUT.

In view of the above, various local bodies have been shifting over to accrual basis of accounting. In order to provide them accrual accounting guidelines, National Municipal Accounting Manual (NMAM) was prepared by the Ministry of Housing and Urban Affairs (MoHUA)

and Comptroller and Auditor General (C&AG) of India in 2004. ICAI had also provided its inputs while formulation of NMAM.

Thirteenth Finance Commission had also mentioned the need to improve the quality of public expenditure to improve outputs and outcomes and also recommended a performance-linked system of devolution of funds from the central divisible pool of taxes. The conditions for providing performance-linked funds relate to improvements in auditing and implementation of Double Entry Accrual System (DEAS) of Accounting; improving own revenues; and publishing service-level benchmarks.

Later the Fourteenth Finance Commission also recommended the performance linked grant (four fold increase over the grants provided under Thirteenth Finance Commission) which relate to regular audit of accounts, increase in own revenues sources of ULBs and publishing of service level benchmarks.

Now, Smart Cities Mission and Atal Mission for Rejuvenation and Urban Transformation (AMRUT) mandates certain reform measures for municipalities that are tied to funding. Some of these relate to mandatory conversion to double entry accrual based system (DEABS) of accounting, publication of annual reports etc. AMRUT envisages creation of Special Purpose Vehicles (SPVs) which would tap into market funds (i.e. municipal bonds) for financing projects, thus supplementing central funds allocated through the mission.

### **Transformation Drive from Cash to Accrual Accounting - Role of ICAI (Standard setting, Technical pronouncements, Capacity building and knowledge sharing and potential role of CAs)**

Since, accounting profession owes a responsibility for formulating Accounting Standards to satisfy the huge expectations of the society, to ensure reliable, credible and transparent financial reporting, the Institute of Chartered accountants of India (ICAI) as a premier

accounting body, have undertaken various measures to improve the accounting of Government and is deeply involved in the government accounting reforms especially at the third tier i.e. Local Self Government in India.

Initially, ICAI, recognising the need for separate Accounting Standards for entities not commercially oriented formed a functioning group to provide services to citizens. This was constituted as a Sub-Committee of Accounting Standard Board (ASB) in the year 1999 to formulate Accounting Standards for governmental entities including Urban Local Bodies. In the year 2000, the sub-committee of ASB issued a '*Technical Guide on Accounting and Financial Reporting by Urban Local Bodies*' that attempts to address the issues regarding application of Accounting Standards issued by the ICAI to Local Bodies. This guide was used by many Local Bodies for switching over to accrual based double entry accounting system.

ICAI, through its sister concern Accounting Research Foundation (ARF), also assisted Municipal Corporation of Delhi (MCD) and Kolkata Municipal Corporation (KMC) in conversion of accounts from cash to accrual basis. To disseminate the expertise gained through project of MCD, the Institute had issued a publication on '*Conversion of Accounts of Municipal Bodies to Accrual Basis*', which contains recommendations on adoption of accrual basis of accounting by Municipal Bodies and the transitional issues involved in conversion of accounts of such bodies.

Of late many Local Bodies were shifting from cash to accrual basis of accounting, and, therefore, there was an urgent need for issuance of separate set of Accounting Standards for Local Bodies to harmonise the diverse accounting practices being followed by the Local Bodies.

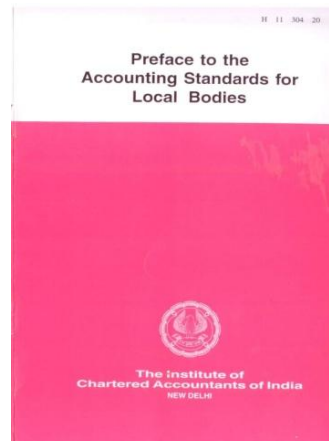
Further, while sending comments on NMAM, it was realised by the ICAI that while broad accounting principles were laid down in the NMAM, separate Accounting Standards for Local Bodies were required. Therefore, a separate Committee for this purpose was constituted.

## **Constitution of Committee on Accounting Standards for Local Bodies (CASLB) - (From 2005 to February 2019)**

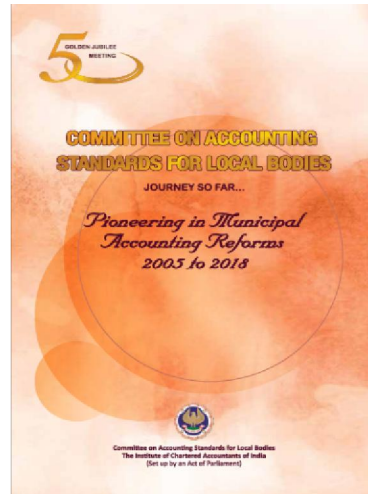
The ICAI in the march 2005, constituted a separate Committee independent of the ASB viz. Committee on Accounting Standards for Local Bodies, Autonomous Bodies and Not-for-Profit Organisations to formulate separate set of Accounting Standards for local bodies, autonomous bodies and not-for-profit organisations.

Subsequently, in light of the background given above, during August 2005, the Council of the ICAI changed the name of the Committee as Committee on Accounting Standards for Local Bodies (CASLB).

The first publication of CASLB namely '*Preface to the Accounting Standards for Local Bodies (ASLBs)*' was issued in 2007. It sets out the objectives and operating procedures of the Committee on Accounting Standard for Local Bodies and explains the scope and authority of the Accounting Standards for Local Bodies.



In April 2018, the CASLB organised its Golden Jubilee (50<sup>th</sup>) meeting held on April 9, 2018 at New. A brochure, providing a glimpse of journey of CASLB since its inception, was released on this occasion.



### **(a) Formulation of Accounting Standards for Local Bodies (ASLBs) in India**

A separate set of Accounting Standards (i.e., ASLBs) is being formulated for Local Bodies in India that are different from Accounting Standards that are applicable to commercial entities/ PSUs, etc. The principles contained in both set of ASs are more or less same except at a few places where different accounting principles have been prescribed in ASLBs keeping in view the peculiar nature of operations being carried out by Local Bodies. For example, assets of commercial sector include assets that provide economic benefits. However, Local Bodies mostly hold assets for their service potential rather than their ability to generate cash flows such as garbage van, etc. However, as per the definition of assets as provided in Accounting Standards for commercial entities, these types of assets of Local Bodies would go off balance sheet and hence, would not be recorded as their assets. Therefore, separate set of Accounting Standards are being formulated for these bodies that cater to their requirements.

#### **(i) Consideration of best international practices on Government Accounting**

The move to accounting on accrual basis in the government began in the late 1980s and early 1990s. In many countries, the accrual

basis of accounting was first introduced in the Local Government and then at other levels of Government. In order to standardise the accounting principles and to support the implementation of accrual basis of accounting in Government, many countries have established Standards setting bodies for Government. Since different countries had been formulating different Governmental Accounting Standards and the structure, operation and authority of various levels of Government also differ in different countries, the financial statements of Governments of different countries were not comparable and transparent.

Recognising the need for formulation of uniform high quality financial reporting Standards for Governments and international harmonisation with developments in other parts of the world, the International Federation of Accountants (IFAC) had established the International Public Sector Accounting Standard Board (IPSASB) to formulate the International Public Sector Accounting Standards (IPSASs) which are internationally accepted accounting and financial reporting Standards for the public sector for application by governments of all levels (Central, State and Local Governments).

IPSASs aim at harmonisation and comparability of public sector financial accounting information through global best practices which encourages comprehensive reporting, due full disclosure, and transparency. IPSASs provide for high quality, robust, and full disclosure of all assets, liabilities and contingent liabilities which are very essential for assessing the true economic implication of financial management in Government Sector. As of now, 42 accrual based IPSASs have been issued including one cash based IPSAS to facilitate transitioning from cash to accrual accounting system. A few countries such as Philippines, Russia and Uganda have fully implemented all accrual based IPSASs. However, a few countries such as Australia, Canada, New Zealand, United Kingdom and United States of America are applying Accounting Standards that are broadly consistent with IPSAS requirements.

The ICAI, being a member of the International Federation of Accountants (IFAC), considers the International Public Sector

Accounting Standards (IPSASs) while formulating ASLBs. Keeping in view the Indian conditions and peculiarity in nature of activities of Local Bodies in India, the IPSASs cannot be implemented in their present form in India. However, while formulating ASLBs, efforts are made to keep the same principles in ASLBs as those are contained in IPSASs to the extent possible. Some departures from the IPSASs are also being made in the ASLBs in order to make them best suited to the Indian conditions such as concept of fair value and time value of money have been removed to keep the Standards simple in their application, as Local Bodies in India are at nascent stage of adopting accrual basis of accounting. Different terminologies are also used as per Indian requirements, etc.

Existing Accounting Standards (AS) issued by the ICAI and prevailing accounting practices, accounting guidelines in India for Local Bodies are also referred while formulating ASLBs.

ASLBs are principle based rather than prescriptive one and provide detailed and additional guidance on various areas that are either not covered wholly or are not covered in detail in National Municipal Accounting Manual (NMAM).

## **(ii) Wider stakeholder consultation**

A robust and consultative process is followed for issuance of ASLBs to ensure participation of all stakeholders in the standard-setting process.

### **Fairly Broad based composition of CASLB (2005-February 2019):**

The Preface to the Accounting Standards for Local Bodies prescribes a fairly broad based composition of CASLB which ensures participation of all stakeholders in Standard-setting process. The following stakeholders (including members of the Council of the ICAI and eminent professionals, in practice or in industry, Government, education, etc., co-opted by the ICAI) were represented on the CASLB:

- Representatives of:
  - Ministry of Housing and Urban Affairs

- Comptroller and Auditor General of India
- Controller General of Accounts
- National Institute of Urban Affairs
- Ministry of Panchayati Raj
- Directorates of Local Bodies from various States by rotation (four)
- Directorates of Local Fund Audit from various States by rotation (two)
- Academic Institutions (two)
- Any other body, as considered appropriate by the ICAI

**Inputs/ views of other stakeholders:**

The exposure drafts are also issued before finalising the Standards to invite public comments including the comments of specified bodies such as Directorates of Local Bodies/ Local Fund Audit, Municipal Corporations, various relevant Government departments/ ministries, etc. The comments received on the same are considered by the Committee while formulating ASLBs. With a view to bring more transparency into the standards setting process and functioning of the Committee, a paperless initiative of online submission of comments on the various documents issued by the erstwhile CASLB on the Institute's website had also been introduced.

Broadly, the following procedure is adopted for formulating Accounting Standards for Local Bodies (ASLBs):

Once broad areas are determined for formulation of Accounting Standards, the preliminary drafts of the same are prepared by Study Groups constituted for this purpose. In the formation of Study Groups, wide participation by various interest groups is also ensured. The Committee and its secretariat also assisted the Study Groups in the formulation process as and when required.

The Committee considers the preliminary draft prepared by the Study Group. The draft is then revised as per the deliberations held at the meetings of the Committee and Exposure draft is issued to invite public comments including Council members, past presidents and members of ICAI, specified bodies such as C&AG, MOUD, CGA, MOPR, NIUA,



Directorates of Local Bodies/ Local Fund Audit, NIFM, major Local Bodies, SEBI, IIMs, ICSI, ICWAI, All India Council of Mayors, All India Institute of Local Self Government, Donors of funds to Local Bodies such as US AID, World Bank, etc., for their comments.

Comments received are considered at the meetings of the Committee ensuring wider stakeholder participation in the deliberations. The drafts is finalised thereafter on the basis of the deliberations and decisions of the Committee and considered by the Council of the ICAI and issued as a final standard.

ASLBs issued by the ICAI are sent to the Technical Committee on Budget and Accounting Standards for Local Bodies constituted by the MOUD and MOPR, respectively, for recommending the same for implementation by the State Governments.

*(Same process shall be followed for revision of ASLBs and for issuing any Accounting Standard Interpretation for Local Bodies)*

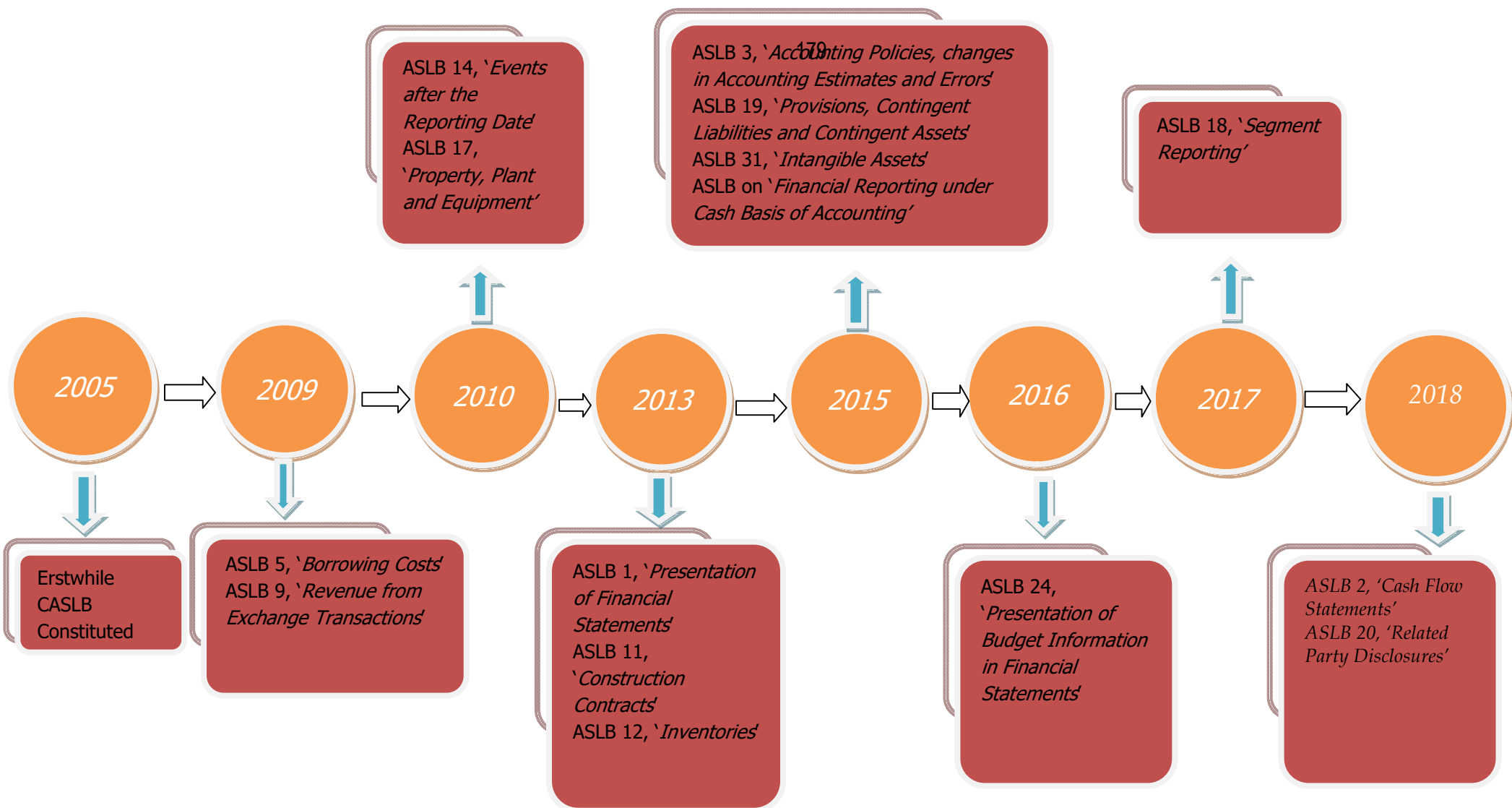
### **(iii) Status of ASLBs issued till Feb 2019:**

Since the inception of erstwhile CASLB, Fifteen ASLBs were issued by this committee including one cash based ASLB to facilitate transitioning from cash to accrual accounting system.

Accrual based ASLBs prescribe accounting principles for recognition, measurement, presentation and disclosure requirements of various transactions and events in general purpose financial statements of a Local Body.

One cash based ASLB on '*Financial Reporting under Cash Basis of Accounting*' has also been issued that will serve as an interim measure to facilitate transitioning to accrual basis of accounting for Local Bodies as this Standard recommends to disclose assets and liabilities of an entity.

**Status of issuance of ASLBs since its inception is depicted in the diagram given below:**



#### **(iv) Implementation of ASLBs**

ASLBs issued by the Council of ICAI are recommendatory in nature. As per the preface to Accounting Standards for Local Bodies, it is the prerogative of State Governments to implement these Standards for Local Bodies.

Therefore, these Standards are sent to Technical Committees on Budget and Accounting Standards for Local Bodies constituted under the aegis of MOUD and MOPR, respectively, jointly with C&AG, for their consideration and recommending the same to states for implementation.

Continuous dialogue with relevant stakeholders such as MOHUA, MOPR, C&AG, CGA, etc., is of top priority for the Committee to get legal recognition to these Standards and their implementation by Local Bodies in India.

#### **(b) Capacity building and knowledge sharing with Local Bodies/ Government**

As implementation of accrual accounting requires trained manpower, building the capacity of the people involved in financial management and reporting function of local bodies is a key area where efforts are required to be made. Therefore, pursuant to its objectives, CASLB was also involved in creating awareness amongst Local Bodies and various stakeholders such as end users & citizens about the benefits of the accounting reform process in Government and Local Bodies. In this direction, the Committee, on continuous basis was interacting with the MOHUA and other concerned departments/ organisations in states for jointly imparting trainings in order to address capacity gaps in Urban Local Bodies (ULBs) and to improve skills and capabilities of personnel engaged in finance function of ULBs by enhancing their knowledge and work skills and institutional strengthening of selected ULBs to implement accounting reforms. In this direction, various training programmes were also organised by the erstwhile CASLB for finance and accounts officials of Local Bodies of various States to highlight the

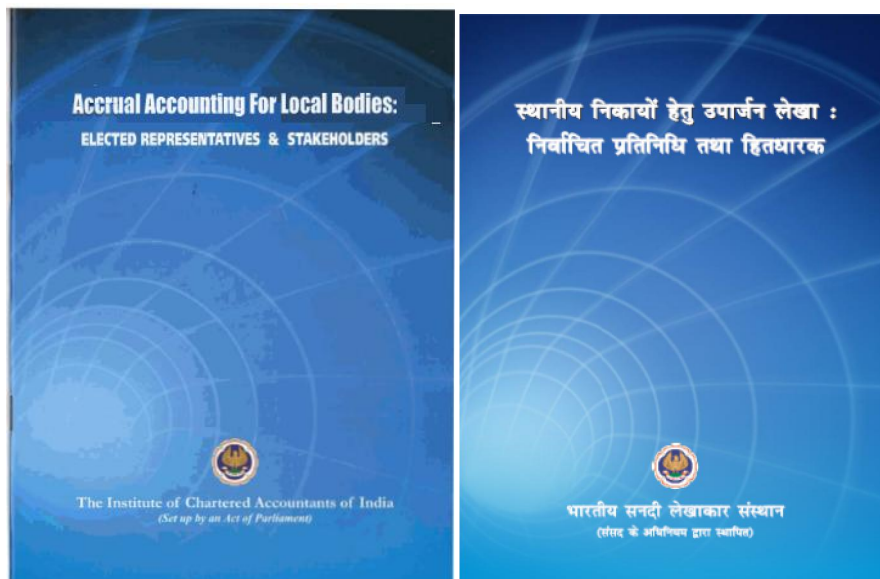
significance of on-going accounting reforms and double entry accrual accounting system in Local Bodies in India. During the programmes an attempt is made to address various issues and challenges arising during transitional process. Various case studies were also included in the course contents.

Since accounting reforms being undertaken at the level of third tier of Government (Local Bodies), it is an emerging area of professional opportunities for members of the ICAI. Various training programmes/ seminars/ conferences for members were also organised by the CASLB to aware members about the aforesaid least explored area of professional opportunities in addition to other technical subjects.

### **(c) Other Technical Pronouncements of erstwhile CASLB**

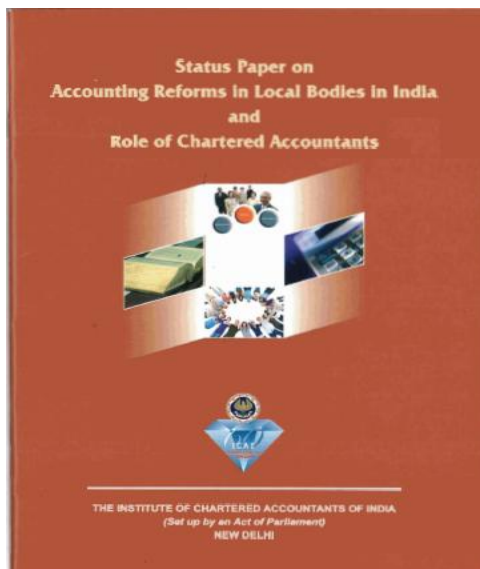
Erstwhile CASLB also focussed on issuing guidance on various other relevant subjects. So far, the following publications were issued by the erstwhile CASLB apart from Compendium on Accounting Standards for Local Bodies (ASLBs):

- Booklet on '*Accrual Accounting for Local Bodies: Elected Representatives and Stakeholders*' – English and Hindi Version:



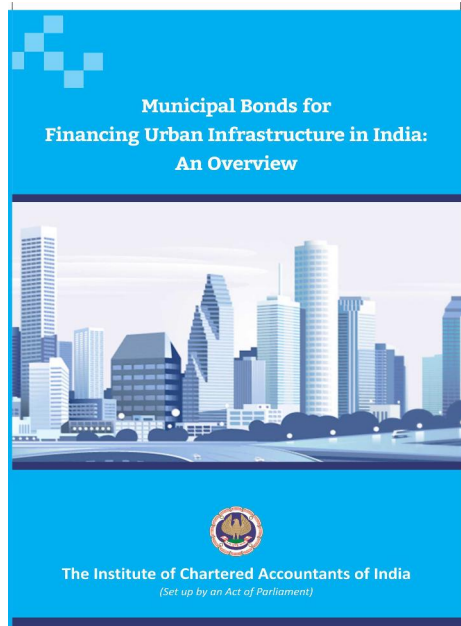
This booklet was issued in 2009. It provides introductory information to the elected representatives and stakeholders about the accrual accounting benefits for the Local Bodies. It brings out the distinguishing features of the two systems of accounting: the traditional cash accounting system and modern accrual accounting system, and the manner in which they impact income, expenses, assets and liabilities of a Local Body. Some misconceptions about accrual accounting have also been clarified, to reduce the perceived information gap about the system and its use.

- Status paper on '*Accounting Reforms in Local Bodies and Role of Chartered Accountants*':



This status paper was issued in 2009. It incorporates the status of adoption of accounting reforms in the Local Bodies in India. This status paper also chalks out the role that Chartered Accountants can play in implementation of the accounting reforms in Local Bodies.

- Publication on '*Municipal Bonds for Financing Urban Infrastructure in India: An Overview*':



This publication was issued in 2018. It attempts to provide an introductory information regarding municipal bonds covering different facets with regard to municipal bond issue and management such as relevance of municipal bond, overview of global and Indian municipal bond market including SEBI Regulations, bond rating criteria and methodology, etc. The publication also highlights the need of accounting discipline and financial management in local bodies that is an essence for accessing capital market and the role of the ICAI in supporting the cause of accounting reforms in local bodies in India.

### **Technical Inputs sharing with Other Bodies**

The technical inputs with regard to Government accounting related matters are provided to the Ministries such as MOPR, MOHUA and other Government bodies, as and when sought. In the past, the comments on various documents such as Draft National Municipal Accounting Manual, Proposed National Municipal Assets Valuation Methodology Manual, Draft Model Panchayat Accounting Manual drafted by Ministry of Panchayati Raj (MoPR) and General Financial Rules had been provided.

To mark the global/ international presence of the ICAI on the international government accounting standard setting body, the comments on the relevant drafts/ documents of the International Public Sector Accounting Standards Board (IPSASB) were also submitted to the IPSASB of the IFAC.

### **Involvement of ICAI in Accounting Standards formulation for Central and State Government(s) in India**

Government Accounting Standards Advisory Board (GASAB) constituted by C&AG of India has been formulating Accounting Standards for Central and State Government(s) in India. President, ICAI is a Member of GASAB. ICAI through Technical Directorate (CASLB) participates in Standards setting activities of the GASAB by providing technical inputs on the drafts/ documents of GASAB. The representatives of ICAI attend the meeting of GASAB.

Inputs on various drafts of GASAB were provided including one Guidance Note on "*Accounting for Fixed Assets*" the application of which will prove as the stepping stone for accrual based accounting as it will facilitate in transition from cash to accrual accounting in government of India. A lot of suggestions and improvements in this draft were recommended by the ICAI to GASAB.

## **Committee on Public Finance and Government Accounting, ICAI (2008-February 2019)**

### **Introduction**

Committee on Public Finance and Committee on Government Accounting were constituted in the year 2008 as separate committees and were merged during 2010 with a view to address the core strength of analytical skills in accountancy particularly in public finances and to create awareness amongst public that CAs can play an active role in this area.

The Committee on Public Finance & Government Accounting was a stepping stone in Institute's mission of partnering with the Government in Nation's building and actively contributed in its mission and accomplished its aim of providing awareness on the topics of Public Finance & Government Accounting to the members of the profession and society at large. The Committee assisted in developing Public Finance & Government structure and robust mechanism for channelising adequate resources to ensure appropriate sectoral allocation for inclusive growth and economic development.

The Committee was involved with activities contributing towards nation building by providing assistance to Central & State Governments to develop effective mechanism for financial administration and management of public fund. The Committee was working closely with various Government departments advising them in establishing best accounting practices and moving towards convergence with Global Standards of Financial Reporting. The Committee was also conducting capacity building programmes for officials of various Governments departments and providing technical inputs through studies.



### **Thrust Areas of erstwhile Committee on Public Finance & Government Accounting**

- To explore the possibility of entering into Memorandum of Understanding (MoUs) with different government departments for capacity building of these departments to carry out accounting reforms.
- To undertake and organize training programmes, Seminars, Workshops and Summits and harnessing technology to deliver better services through Webcasts to enhance understanding of issues concerning Public Finance & Government Accounting.
- Enhancing the role of members of the Institute of Chartered Accountants of India in Public Finance and Government Accounting.
- The Committee also worked for financial literacy, conversion of single entry to double entry, from cash to accrual basis accounting system, economic aspects of the country.

### **Helping Lawmakers Understand the Public Finance & Government Accounting:**

In India, through democratic processes, public representatives are elected, such as Members of Parliaments (national level), Members of Legislative Assembly (state level), and Members of Local Authorities (known as Zilla Parishads/Panchayats/Municipal Corporations). Together with various Government organisations, Committee had organised various programmes for such elected representatives, including:

- Workshops on Financial Management and Evaluation for elected Members of the Legislative Assembly of the state of Rajasthan and

the state of Jharkhand. The training programme included important aspect of financial management such as the fiscal and budget management Act 2011; budget preparation and approval process; accountability of public money; effective and timely management of public funds; quality and accuracy of financial reporting, etc.

- Training programmes for the elected members and executives of municipal corporations on the conversion of accounts to the accrual-based system.
- Training programmes for representatives of the municipal corporation of Jodhpur on implementation of accrual-based accounting system and accounting standards for local bodies. These training programmes helped the elected representatives of the municipal corporation in understanding municipal accounting reforms.

The awareness created through these training programme also helped in creating opportunities for professionals in public sector as the implementation of the reforms requires technical people, who are aware of the intricacies of finance. The awareness to the public representatives also helped in knowing the value that financial management can create in terms of efficient use of scarce public resources.

### **Helped Bureaucracy in its march towards better Public Fund Management**

The Committee played a very important role in supporting the Central Government, various Ministries of the Government, Government Departments, PSUs as well as State Governments/Departments in various initiatives. It helped the Government officials in designing

suitable mechanism for monitoring the use of the funds made available for public expenditure and also helped them in gaining better understand in the area of Public Finance and Government Accounting as well as to obtain some better professional opportunities for Chartered Accountants in implementing/maintaining Double entry Accounting/Accrual Accounting system. Some of the major projects executed in this direction were as under:

**I. Memorandum of Understanding (MOU) Signed with Department of Posts under Ministry of Communications and Information Technology:**

The Committee on Public Finance & Government Accounting, on behalf of ICAI entered into a **Memorandum of Understanding** with Department of Posts to help the department in switching over from cash based accounting to accrual based accounting by organising a series of training programme on Accrual basis of accounting in the offices of all 22 circles of Postal Accounts on PAN India basis. Around 40 training programmes were organised under the said Memorandum 18 States/UT in the year 2013-14.

**II. A Study Report on "*Increasing the Revenue of the State and Convergence of Resources that flow to the State in various forms*"** for the State of Meghalaya was submitted to Dr. Mukul Sangma, the then Hon'ble Chief Minister, Government of Meghalaya on 14<sup>th</sup> December 2012.

**III. Report Submitted to Department of Public Enterprises**

Committee on Public Finance & Government Accounting constituted an "Expert Group to recommend suitable changes in

the extant Data Sheet of Public Enterprises Survey to accommodate the Revised Schedule - VI under the Companies Act 1956". The group carried out the comparative study of Public Enterprises Survey released during the previous years and designed the revised format for bringing out the Public Enterprises Survey keeping in view the Revised Schedule VI. The Report was submitted to the Department of Public Enterprises in July 2012.

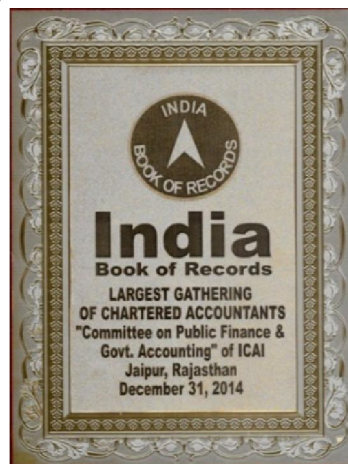
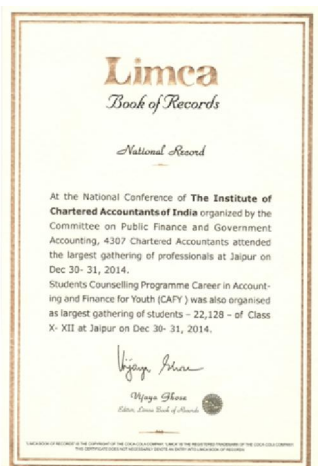
#### IV. **Workshops/Training Programmes:**

CPF&GA also focused on creating awareness in the area Public Finance Management and Government Accounting amongst citizens through knowledge sharing by undertaking various initiatives, including: workshops, training, publications and awareness programmes for officials of Government and various Government Departments.

### **National Records Achieved**

National Record Certificate received from ***Limca Book of records*** and ***India Book of records***.

National Conference on the theme 'Rising to the Challenges-Redefining our Role'' was organised by Committee on Public Finance & Government Accounting (CPF&GA) and Committee on Banking, Insurance and Pension (COBIP) of ICAI on 30<sup>th</sup>& 31<sup>st</sup> December 2014 and hosted by Jaipur Branch of CIRC of ICAI has been featured as a **National Record in the Limca Book of Record and India Book of Records**.



This event registered the participation of 4307 Chartered Accountants and made it the largest gathering of professionals at Jaipur. On the same days, another programme, Student's Counselling Programme Career in Accounting and Finance for Youth (CAFY) was also organised wherein 22,128 students of class X- XII from different schools across Rajasthan attended.

### Other endeavours of the Committee:

The Committee was entrusted with the objective of Advisory/Technical Inputs to State/Central Governments and various Public Sector departments. In this direction, the Committee had done the followings:

- Technical inputs provided to C&AG, CGA, RBI, SEBI, CBDT, CBEC, IRDA etc
- Observation Report on Convergence of Resources of the State Meghalaya
- Offered ICAI services on Tax Administration Reform Commission.
- Expert Group advisory to Dept. of Public Enterprise, Govt. of India on The Revised Schedule-VI under the Companies Act.

- Submitted the inputs to Ministry of Finance, Govt. of India on the Economic Survey released every year for the service sector chapter.
- Implementation of an Accrual Based Double Entry Accounting System in Kerala State Insurance Department (KSID)

### **Publications/E -Newsletter**

The subject of Public Finance and Government Accounting had increasingly gathered the attention of the various stakeholders of the committee and also the members. The Committee had taken various initiatives for the State/Central Governments and various Public Sector departments and the members in industry. With a view to share knowledge/Research and activities/updates of the Committee, the Committee had brought out various Publications apart from the E-News Letter for the overall benefit of various stakeholders, list of the publication issued by the erstwhile CPF&ASLB is as follows:

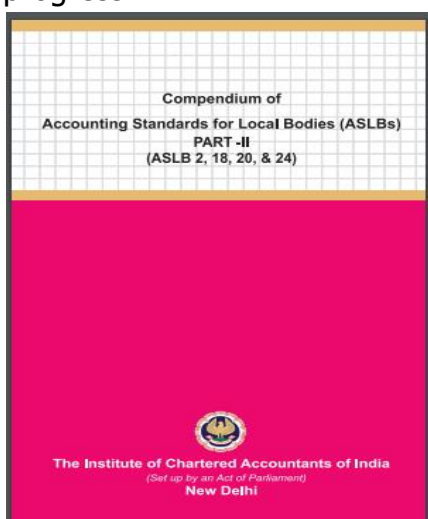
<b>S.No.</b>	<b>Name of the Publication</b>	<b>Year of the Publication</b>
1	A Study Report on Government Scheme: Financial Implications and Effects	2014
2	Accounting Reforms in India a Bird's Eye View	2010
3	Changing Times in Government Accounting (A Status Paper)	2010
4	Commonly Used Terms in Public Finance & Government Accounting	2015
5	Commonly Used Terms in Public Finance & Government Accounting (Hindi)	2015
6	Fiscal Responsibility and Budget Management Act – A Review of the Performance of Enacted States	2012
7	Government Accounting System in Developed and Developing Countries – A Comparative Analysis	2017
8	Government Accounting Reforms: An Overview	2015
9	Issues in Public Finance	2010
10	Performance of State Government in Hospitality Sector	2013

11	Quick Insight on Accrual Accounting	2015
12	Study Report on "Accounting on Food, Fertilisers & Oil Subsidy"	2011
13	The Dynamics of Local Governance in India	2015
14	Trends and Patterns in Public Finance: Theoretical and Empirical Aspect	2013
15	Overview of IPSAS and Government Accounting	2014
16	An overview of Public Private Partnerships	2014
17	Guide to Accrual Based Accounting	2014

### **Committee on Public and Government Financial Management (from February 2019 till date):**

Now, during the current Council Year (2019-20) a new Committee has been constituted under name and style of the Committee on Public and Government Financial Management (CP&GFM) to carry forward the activities of two erstwhile Committees, i.e., Committee on Accounting Standards for Local Bodies (CASLB) and Committee on Public Finance and Government Accounting (CPF&GA) in more synergised manner.

The functions of erstwhile CASLB & CPF&GA as mentioned above are being carried forward for the new Committee. The same procedure and stakeholder consultation is being ensured for formulation of ASLBs under the new Committee. The following one Compendium of ASLBs (part II) has been issued by the Committee. Various projects are under progress.



**Terms of reference of the Committee is given below for reference:**

- (i) To conceive of and suggest areas in which Accounting Standards for Local Bodies need to be developed and formulate them.
- (ii) To examine how far International Public Sector Accounting Standards (IPSASs) prepared by the International Public Sector Accounting Standards Board (IPSASB) of the International



Federation of Accountants (IFAC) can be integrated into national Accounting Standards for Local Bodies envisaged in paragraph (ii) above and to integrate the same to the extent possible with a view to facilitate global harmonisation.

- (iii) To review, at regular intervals, the Accounting Standards for Local Bodies from the point of view of acceptance or changed conditions, and, if necessary, revise the same.
- (iv) To provide, from time to time, interpretations and guidance on Accounting Standards for Local Bodies.
- (v) To enable creation of a supportive environment for implementation of Accounting Standards for Local Bodies and respond to issues arising therefrom.
- (vi) To formulate comments on the drafts of accounting standards for governmental bodies issued by various authorities including International Public Sector Accounting Standards Board (IPSASB) of the International Federation of Accountants (IFAC).
- (vii) To provide support to Government(s) and regulators, e.g., the proposed Governmental Level Technical Committee to be constituted under the aegis of Ministry of Urban Development and C&AG, in their endeavours towards various other aspects of financial reporting including preparation of asset registers, performance measurement, budgeting, costing, internal control and audit.
- (viii) To review, analyze, assist, recommend and suggest measures to the Central, State & Local Government in the areas of Policy assessment, planning and execution in public finance.
- (ix) To collaborate and coordinate with relevant authorities and various Ministries/Government Departments/Local Bodies for developing a mechanism of improving the Government Accounting System and enhancing the role of members of the Institute of Chartered Accountants of India thereat.
- (x) To provide awareness of Public Finance, Government Accounting & Accounting Standards for Local Bodies to the society at large and specifically to the stakeholders including inter-alia to employees of the government, C&AG, members of the

profession, media, NGOs and to citizens generally including appropriately addressing the training issues.

- (xi) Enhancing the accountability and transparency in public service delivery mechanism.
- (xii) To bring out newsletters, publications, and other useful inputs in areas of contemporary issues related to public finance and accounting standards for Local Bodies.
- (xiii) To suggest checks and balances for monitoring periodical review/ audit of end use of funds.
- (xiv) To increase the role of ICAI and its members in the various "Financial Inclusion" initiatives of the Government which would mainly emphasis on:
  - Assisting government in bringing appropriate regulatory and educational policy framework in place.
  - Collaborating intensively with different chambers and associations of industry.
- (xv) To carry out such other work relating to Public Finance, Accounting Standards for Local Bodies and other related aspects as may be entrusted to it by the Council.

### **Transformation from cash basis to accrual basis of accounting in Local Bodies- Potential Role of Chartered Accountants**

Transformation of accounts from cash basis to accrual basis of accounting in Local Government, State and Central Government would be mile-stone. This transformation would require support of experts and professionals in accounting. Therefore, a big role is expected to be played by Chartered Accountants in this area as listed below:

- Assessment of existing system and requirements including review of legislative framework with reference to existing laws for smooth transitions into Double Entry Accrual Accounting System.

- Review of existing State Accounts Manual and revision of the same accordingly.
- Business process re-engineering with reference to Accrual System of Accounting.
- Categorisation, grouping and sub-grouping of assets and liabilities.
- Design of Chart of Accounts with Accounting Codes.
- Determination and valuation of fixed assets including infrastructure assets, current assets, investments, long-term liabilities, current liabilities and net worth as on opening balance sheet date.
- Preparing formats of financial statements and voucher format in the Accrual system.
- Design of Double Entry Accounting System on accrual basis for Local Bodies.
- Preparation of opening balance sheet.
- Implementation of Double Entry Accounting System on accrual basis.
- Preparation of financial statements for the transition period.
- Training of finance and accounts personnel and training of trainers.

It can be concluded and evident from the current scenario that the role of Chartered Accountants is going to increase and grow in government sector over a period of time. Currently, Chartered Accountants are being engaged by various local bodies to review and audit their accounts, in addition to local fund auditors. CAs are also being engaged for conversion projects and for imparting trainings to the finance staff of local bodies.

Not only as external parties, but CAs are also being appointed as full time CFOs by various local bodies in a few states. The fact that the capacity gaps in the finance cadre of local bodies can be eradicated with the support of Chartered Accountants is being recognised by the Government of India slowly and steadily which will surely gain momentum in the years to come.

Similar to the private sector, where the role and responsibilities of Chartered Accountants have witnessed substantial increase with various amendments in Companies Act of India, the role and responsibilities of Chartered accountants will gain impetus in Government sector as well with the decision of government to move on to full accrual accounting and with the legal recognition of ASLBs in the coming years.

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- Researchers in area of Government accounting reforms
- Other eminent professional and resource persons



## Fees

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