

## Proposal to handhold accounting reforms in Local Bodies of Jharkhand.

Committee on Public & Government Financial Management <cpf.aslb@icai.in>

Tue 2022-04-26 12:34

To: director.ma.goj@gmail.com <director.ma.goj@gmail.com>

Cc: ranchi@icai.org <ranchi@icai.org>;circ@icai.in <circ@icai.in>;caatul64@gmail.com <caatul64@gmail.com>;NAMRATA KHANDELWAL- ICAI\CPF&GA\I P MARG DELHI <namrata.khandelwal@icai.in>;kemisha288@yahoo.com <kemisha288@yahoo.com>;Committee on Public & Government Financial Management <cpf\_ga@icai.in>

📎 2 attachments (44 KB)

Annexure 2.docx; Annexure 1 (Jharkhand) (1).docx;

Mrs. J.V Narayan Rao  
Director, Directorate of Municipal Administration,  
Jharkhand.

Dear Madam,

Sub: Proposal to handhold accounting reforms in Local Bodies of Jharkhand.

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

Government of India (GoI) has taken various initiatives to improve financial reporting in Local Bodies such as issuance of National Municipal Accounts Manual (NMAM), key development schemes such as Jawaharlal Nehru National Urban Renewal Mission (JNNURM), Atal Mission for Rejuvenation and Urban Transformation (AMRUT) which linked grants with accounting reforms and also focussed on implementation of accrual basis of Accounting in Local Bodies.

The Institute of Chartered Accountants of India (ICAI) is also involved in the process of on-going accounting reforms and improvement of financial reporting and management of Local Bodies. The ICAI through its Committee on Public and Government Financial Management (CP&GFM) is issuing Accounting Standards for Local Bodies (ASLBs). The Committee is also involved in creating awareness amongst Local Bodies and various end-users about accounting reforms and its implementation in Local Bodies by organising various workshops/ training programmes, developing e-learning modules which are available at [https://www.icai.org/post.html?post\\_id=1527](https://www.icai.org/post.html?post_id=1527)) and [https://icaitv.com/category.php?cat\\_id=21](https://icaitv.com/category.php?cat_id=21) (E-learning lecture) [https://icaitv.com/category.php?cat\\_id=22](https://icaitv.com/category.php?cat_id=22) (Webinar) .

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This communication is to seek interaction with a view to seek opportunity for handhold accounting reforms in Local Bodies of Jharkhand. Objective and outline of the Proposal is stated in the Annexure 1. This initiative will go a long way in setting up a quality structure for robust and transparent accounting framework at the Local Bodies.

We look forward to receive the way forward in this regard and to support you in the above endeavour.

Please revert us for any further clarification/query.

Thanking you,

Yours Sincerely,

CA. Kemisha Soni  
Chairperson

Committee on Public & Government Financial Management

CA. Sridhar Muppala  
Vice- Chairperson

**Encl: As Above**

Secretariat Ph. No.: 0120-3045985



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**From:** Committee on Public & Government Financial Management <cpf\_ga@icai.in>

**Sent:** Thursday, June 24, 2021 10:54 AM

**To:** rajeshsharmaca@rediffmail.com <rajeshsharmaca@rediffmail.com>; rajeshsharmaca14@gmail.com <rajeshsharmaca14@gmail.com>

**Cc:** dk@cadhiraj.com <dk@cadhiraj.com>; NAMRATA KHANDELWAL- ICAI\CPF&GA\I P MARG DELHI <namrata.khandelwal@icai.in>; ranchi@icai.org <ranchi@icai.org>; psbranchi@gmail.com <psbranchi@gmail.com>; canileshgupta@gmail.com <canileshgupta@gmail.com>; Committee on Public & Government Financial Management <caslb@icai.in>; Committee on Public & Government Financial Management <cpf.aslb@icai.in>

**Subject:** Submitted for kind perusal (Mail 4/4): Proposal to handhold accounting reforms in Local Bodies of Jharkhand.

Dear Sir,

Please find placed in the trailing mail the representation (with Annexures) sent to the office of Director, Directorate of Municipal Administration Jharkhand. for the accounting reforms and capacity building of officers of ULBs of Jharkhand along with all the supporting statutes, etc. for your ready reference. (The proposal may be resubmitted by the SLTF for faster action). We request you to follow-up with office of Commissioner/Director, Municipal Administration or the concerned Minister (either Municipal Administration or Urban Affairs), Government of Jharkhand. The following proposals are mentioned therein:

- a. Capacity Building of accounts/finance officials of Local Bodies
- b. Amendment in Municipal Act/ other relevant laws
- c. Pilot Study to implement ASLBs in Municipality/ Municipal Corporation

You are requested to please arrange to follow up the same with the concerned office at the State Level and keep us informed on the developments taken in the matter.

सादर

Regards

सीए नम्रता खंडेलवाल

CA. Namrata Khandelwal

उप सचिव &

Deputy Secretary &

सचिव, सार्वजनिक और सरकारी वित्तीय प्रबंधन समिति

Secretary, Committee on Public & Government Financial Management,

भारतीय सनदी लेखाकार संस्थान,

The Institute of Chartered Accountants of India,

"आईसीएआई भवन", ए -29, सेक्टर 62,

"ICAI Bhawan", A-29, Sector 62,

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**From:** Committee on Public & Government Financial Management <cpf\_ga@icai.in>

**Sent:** Thursday, June 25, 2020 7:03 PM

**To:** director.ma.goj@gmail.com <director.ma.goj@gmail.com>

**Cc:** dk@cadhiraj.com <dk@cadhiraj.com>; NAMRATA KHANDELWAL- ICAI\CPF&GA\I P MARG DELHI <namrata.khandelwal@icai.in>; Committee on Public & Government Financial Management <caslb@icai.in>

**Subject:** Proposal to handhold accounting reforms in Local Bodies of Jharkhand.

Mr. Rajiv Ranjan,  
Director, Directorate of Municipal Administration,  
Jharkhand.

Dear Sir,

**Sub: Proposal to handhold accounting reforms in Local Bodies of Jharkhand.**

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This communication is to seek interaction with a view to seek opportunity for handhold accounting reforms in Local Bodies of Jharkhand. Objective and outline of the Proposal is stated in the Annexure 1. This initiative will go a long way in setting up a quality structure for robust and transparent accounting framework at the Local Bodies.

We look forward to receive the way forward in this regard and to support you in the above endeavour.

Please revert us for any further clarification/query.

Thanking you,

Yours Sincerely,

(CA. Dhiraj Kumar Khandelwal)  
Chairman,  
Committee on Public and Government Financial Management  
Secretariat Ph. No.: 011-30110449/459/462  
E-mail ID: [caslb@icai.in](mailto:caslb@icai.in); [cpf.aslb@icai.in](mailto:cpf.aslb@icai.in)

**Encl: as above**

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Considering the vision and mission of the Committee on Public and Government Financial Management, the proposal is as under to Local Self Governments:

### Objective:

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

1. **Capacity building of accounts/finance officials of Local Bodies:** In view of on-going accrual accounting reforms at the level of the Local Self Government and linking of their funds/ grants with the said reforms, it becomes important to cater to the capacity building requirements of the accounts/ finance officials of the Local Bodies to upgrade their knowledge in area of financial reporting and management. The Committee proposes to extend its support to jointly organise the capacity building programmes for the officials of Urban Local Bodies (ULBs) in the State of Jammu and Kashmir with special reference to '*Implementation of Double Entry Accrual Accounting System and Financial Management Reforms in ULBs*'.

These capacity building programmes would be specifically structured to provide an opportunity to the participants to update their knowledge with regard to importance of accounting reforms at Local Bodies, resolving/addressing various issues and challenges being faced in the implementation of such reforms and importance of such reforms in leveraging the raising the funds from different sources to finance urban infrastructure and make Local Bodies self-reliant and to share experience of different States and lessons learnt through case studies, etc. The enclosed Annexure 2 may please be referred for detailed proposal and financial implication of the same.

2. **Amendment in Municipal Act/ other relevant laws:** Under the on-going accounting reforms, accrual accounting implementation by ULBs has been linked with availing grants released by Central Government. However, it has been observed that Municipal Acts of various States does not support implementation of accrual basis of accounting. Consequently, most of Local Bodies may not be able to get the benefit of grants. Also, apart from availing grants, the new accounting should be implemented in view of the benefits and value addition it is expected to bring to the existing financial reporting practices of ULBs. Therefore, it is felt that for smooth implementation of accrual accounting in Local Bodies, there is a requirement to amend the relevant existing municipal and other relevant Statutes.

- (i) Jharkhand Municipal Act, 2011, prescribes that accounts of income and expenditure to be kept as per the rules that may be prescribed. It further mentions that Jharkhand Financial Code would be applicable till the time relevant regulations are framed. However, the said Code prescribes cash basis of accounting.

In the aforesaid Jharkhand Municipal Act, 2011, it is observed that there is no specific mention of either accrual basis of accounting or Jharkhand Municipal Accounting Manual

(which is based on NMAM and was issued during July 2011). ***The aforesaid acts need to be amended subsequent to the issuance of Jharkhand Municipal Accounting Manual.***

The Model Municipal Law, 2003 recommends for engagement of Chartered Accountants for Audit of ULBs. We appreciate that Jharkhand Municipal Act, 2011 and Jharkhand Accounts Manual prescribe audit of ULBs by Chartered Accountants as Auditors or Directorate of Local Fund Audit.

- (ii) There is no requirement of Internal Audit as per the Jharkhand Municipal Act, 2011. However, Internal Audit is a mandatory requirement under AMRUT and has also been mentioned in Jharkhand Municipal Accounting Manual. ***It is suggested that the requirement of Internal Audit may be incorporated in line with other States such as Bihar.***

The aforesaid amendments would help in successful implementation and enforcements of ongoing accounting reforms.

3. **Conversion of accounts of Local Bodies from cash to accrual basis of accounting:** ICAI through its Section 8 Company (not for profit company) viz. ICAI Accounting Research Foundation (ICAI ARF) may also facilitate the Local Bodies in conversion of their accounts from cash to accrual basis of accounting. In the past, ICAI-ARF had also assisted Municipal Corporation of Delhi and Kolkata Municipal Corporation in their conversion project and application of financial monitoring reforms, respectively.

Committee on Public and Government Financial Management  
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**Proposal for jointly organising capacity building programmes for the officials of Urban Local Bodies (ULBs)**

**Theme of the Training Programme:**

- Implementation of Double Entry Accrual System of Accounting and Financial Management Reforms in Urban Local Bodies (ULBs)

**Duration of the Training Programme:**

- One Day/Two Days

**Objectives:**

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

**Targeted Participants:**

- Top and middle level officials associated with Finance and Accounts Sections of Local Bodies.  
(Participants for the training programme may be identified and suggested by the State/ respective Department/ Local Bodies)

**No. of participants:**

- 50 to 60 participants

**Training Methodology:**

- Training is conducted in an interactive form and includes a number of case studies.

- Training participants are provided the background materials and also the PPTs of the faculties.

**Faculty:**

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

**Tentative list of suggested areas for the Training Programme:**

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



- Raising fund through Capital market - creating effective Municipal Bond Market

**Financial Implications:**

Expenditure for organising the above training programme may be borne jointly by State Government/ respective Department/ Local Bodies and ICAI as suggested below:

- Cost to be borne by ICAI:
  - TA/DA expenses of Faculty
  - Honorarium to Faculty
  - Background material for participants
- Cost in regard to other logistic arrangements to be borne by the State Government/ respective Department/ Local Bodies.