

To Our Readers



he number of State governments and local and municipal governments in India who want to change over from the age old cash based accounting system to an accrual accounting system, is increasing. Every day almost, there are advertisements inviting offers from consultants and professional firms to undertake such conversions. In many cases, the requests for proposals are accompanied by Terms of Reference that mandate capacity building in the finance departments.

All this is very good, and even timely. However, there are some intrinsic problems. First, there are really no practical guidelines, except for the ones issued by the Institute of Chartered Accountants of India, on how to go about doing this work. This is further complicated by the fact that there exists a wide variety of practices in the different organizations.

Second, there are no Accounting Standards specifically tailored to local government accounting. Even in the government sector (the States and the Union) there are no Standards. Only very recently has the Comptroller and Auditor General (C&AG) begun to develop some standards through the Government Accounting Standards Advisory Board (GASAB). Only one Standard has been issued so far. Thirdly, there is not even a general agreement on financial statements presentation. The C&AG has issued some guidelines in these regards but this is quite broad-based, and there could be any number of variations possible at the local level.

The result of this state of affairs is that there is no uniformity even in the way offers are invited by the various agencies and local/State governments. Since no one is willing to admit that confusion exists, respondents to the RFPs have to become, in many cases, quite inventive in defining their methodologies and approach. This causes a further problem in evaluating the technical bids. In some cases specialist consultants are being called in to divine some kind of criteria of uniformity with respect to which the received bids could be evaluated.

The whole scenario would be quite an enjoyable one were it not for the fact that the matter is extremely serious in a national context and has wide economic implications. The issue that arises then is, who is going to tell these organizations how to go about getting things done so far as accounting reforms are concerned? The answer would certainly be that it has to be an institution having the requisite authority to provide guidance in financial matters. Unless, it seems to us, such a proposition is publicized and accepted, even management of project costs (not all local government organizations have access to multilateral agency grants or loans) would not be possible.

The first steps in bringing about a change in the way that RFPs and bid documents are formulated and bids are evaluated have to be taken by the Union Ministries. Of course, there has to be support from the State Governments also, and therefore a forum of interested parties should discuss this aspect of the matter. There has been no dearth of seminars on why accrual systems should be adopted and the issues that are likely to be faced in the process of implementation, but none of them has really focused on the primary issue of pre-determination of the approach in a manner that the professional world would find it comfortable to respond to. Recently, there were some advertisements that resulted in tender documents so mired in complexity that the organization itself was forced to call off the bidding process and re-issue the tender after organizing a pre-bid meeting of interested bidders, and getting to understand what they themselves really wanted. We can only hope that the government takes concrete steps to avoid the avoidable costs of such exercises, in so far as the future is concerned.

April, 2004

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