

To Our Readers



he 21st century has permitted fresh air to blow in corners which were so far not touched. One such area is Government Accounting. For more than a hundred years now, Governmental Accounting has remained exactly as it was at the very beginning. Now however, the realization seems to be catching on all over the world that Governments have responsibility to prepare their financial statements in accordance with certain norms and standards and to present them in a manner i.e. transparent, understandable, and which is also a fair view of Government's financial health.

In terms of this realization, some countries have already changed over to the Accrual System of Accounting. Many others will shortly follow suit. In India, the C&AG has taken a lead in trying to introduce Accounting Standards for Government. In a recent seminar hosted by the C&AG, it was also agreed that Asset Accounting needs to be introduced in Government. Municipal Governments in India are now eager to convert their accounts to the Accrual Basis. They are being assisted in these efforts by not only the Institute of Chartered Accountants of India but also other regulators and agencies which include the Ministry of Housing and Urban Development, and the C&AG.

The result of all these efforts can bode only good for not only the Municipal Governments, but all State Governments and ultimately the Union Government also. We learn that the Union Government itself has decided to convert the accounts of some of its major departments to the accrual basis.

Obviously, the changeover from one kind of entrenched system to another is not something that can be done in one day or even in one year, given the total size of the task. Standards need to be prepared and promulgated, and strategies for changeover must be laid out in such a way that the immense army of Governmental functionaries can be re-oriented and re-trained in the new systems. And most certainly, there must be an appropriate political will to support such efforts.

A word of caution, nevertheless, attitudes being what they are, and costs of training being high, the changeover strategy cannot be piecemeal. When dealing with Government, it may not be possible to introduce a number of small changes over a period of time. This is a lesson dearly learned by the United States. For that reason, when they went in for comprehensive changes, a comprehensive new standard called 'the GASB 34' was introduced. In fact, GASB 34 is an accounting system by itself. While in India, we may not follow the path that GASB 34 has taken, we nevertheless need a comprehensive system in line with our requirements if we wish to build in higher levels of accountability and transparency in Governmental Accounting, and to assure ourselves that the system we introduce will stand the test of time.

This last, then, must form the fundamental premise of the standard setting process in Governmental Accounting. Simply following the path of the International Public Sector Accounting Committee of engaging in a kind of transliteration of the Commercial Accounting Standards may not serve the purpose. Unfortunately, current efforts are following this line of argument only with nothing more than a hope that it will suffice. It is perhaps time to take a re-look at the whole conceptual framework and the practical difficulties which will arise in implementation. Too often, we take these for granted.

But then, the 21st century is nothing if not a century of hope. And we would certainly like to credit our country and our efforts with that commodity.

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