

Partners in Nation Building: Emerging Opportunities for CA Professionals



It is quite likely that CA professionals may be engaged nationwide for financial audit of the direct democratic institutions and Implementing Agencies. This is, no doubt, a new challenge; but surely can become a great opportunity for the CA professionals to strengthen the hands with government machinery in the nation building process. Effective audit of receipts and expenditure accounts, balance sheets, cash flow statements and supporting books of accounts, reconciliation statements, schedules and vouchers of Urban Local Bodies, Panchayati Raj Institutions and Implementing Agencies for all the flagship programmes of the Government of India and State Governments and UTs will surely pave the way for establishing proper accountability framework and good governance in the country. Read on to know more...



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In the over arching accounting, auditing and accountability framework of the nation, the Institute of Chartered Accountants of India (ICAI) has been occupying a predominant position since its establishment in 1949. Chartered Accountants have been working wholeheartedly in professional and individual capacities since then, as partners in the nation building process, by providing impeccable professional advice in accounting, auditing, taxation and consultancy in related disciplines. Many members of the profession have been rendering distinguished service in different capacities in the entire gamut of

public life, including as ministers, parliamentarians, legal luminaries, corporate honchos and politico-economic-socio-cultural-techno-specialists.

The ICAI has come a long way since its establishment as a regulator for the profession. The institute of the professional accountants has grown, embracing brilliant minds from all walks of life. The CA profession is much coveted; but is not like many other comparable professions which are generally accessible, affordable and exclusive primarily to the affluent. Securing the first rank in this year's CA final examination by a girl from the poorest of the poor sections of the society demonstrates beyond any iota of doubt that CA examination is conducted only on merit and is open to any hardworking and competent aspirant without any discrimination whatsoever.

The institute has, by now, spread its wings almost everywhere, outreaching in many world forums of accountants and auditors in different continents of the Planet Earth. The institute is currently the second largest professional accounting body in the globe in terms of membership; second only to the American Institute of Certified Public Auditors; even though it has to incessantly strive hard to excel and keep occupying prestigious positions in every world body of accounting and auditing professionals by its exceptional insight and empirical soundness of approach in dealing with live complex accounting and audit related challenges being encountered by the world.

New Opportunities for Partnership in Nation Building

Challenges are not new and always welcome to hard core CA professionals. CAs are traditionally known for taking on complex challenges and convert them into momentous opportunities. A great opportunity has opened up recently for the ICAI, to join hands with the government in building sound accountability framework for the third tier of the Government and the direct democracy institutions set up in the form of Urban Local Bodies and Panchayati Raj Institutions and allied government establishments, consequent to 73rd and 74th Amendments to the Constitution of India in 1992. The Government of India, state governments, union territories, and the urban local bodies and PRI set up are collectively working in tandem towards building a new inclusive India Inc with a human face, having essential human livelihood amenities to be relieved from the crippling clutches of poverty, illiteracy and chronic diseases.

The Approach Paper of the 12th Five Year Plan (2012-17) shows the extent of flow of funds to 13

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flagship development programmes in the 11th Five Year Plan period: the total allocation was ₹691,976 crore. In the 12th Five Year Plan period the allocation would be obviously higher. Currently, there are more than 14 central and state flagship development programmes under implementation in the country, to achieve multifaceted objectives aiming at resolution of fundamental development concerns of the growing population of the country: Pradhan Mantri Gram Sadak Yojana(PMGSY); Accelerated Irrigation Benefit Programme(AIBP); Rajiv Gandhi Gramin Vidyutikaran Yojana(RGGVY); Accelerated Power Development & Reforms Programme(APDRP); Indira Awaas Yojana - (IAY); National Rural Employment Guarantee Scheme (NREGS); National Horticulture Mission(NHM); Rashtriya Krishi Vikas Yojana(RKVY); Sarva Shiksha Abhiyan (SSA); Mid Day Meal Scheme (MDM); Integrated Child Development Scheme- (ICDS); National Social Assistance Programme(NSAP); National Rural Health Mission (NRHM); Jawahar Lal Nehru National Urban Renewal Mission (JNNURM); Total Sanitation Campaign (TSC); and National Rural Water Supply Programme (NRWSP).

Need for New Accountability Regime for Flagship Programmes

How does our parliamentary democracy ensure that funding under the plan and non plan schemes for the nation building is used for the purpose on time? Are those programmes and projects completed as per the scheduled outlay and outcome? Is there proper accounting and financial reporting and accountability regime? The responsibility of certification of accounts of the three tier grass root level institutions of democracy assumes greater significance in the light of the much quoted statement of our former Prime Minister Shri Rajiv Gandhi about the possibility of even 85% pilferage of funds in these development schemes when it reaches from the central government to states to local bodies and finally to the beneficiary in

the Gram Panchayat (GP) level. This is a new challenge and a great opportunity hitherto not available for the CAs who are genuinely looking towards participating in the nation building process, helping to revamp the accountability frame work in the country and thereby contributing to good governance and creating a new India Inc.

Certification of Accounts of Gram Panchayats on Mahatma Gandhi Rural Employment Guarantee Scheme (MGNREGS)

To begin with, Ministry of Rural Development issued a circular in July 2012, making mandatory for the Gram Panchayat accounts of MGNREGS to be certified by CA firms in accordance with the scheme guidelines. The certification job will commence from financial year 2013-14 onwards; but pilots have already been launched in 10% of GPs of highest spending districts in all States, based on accounts of 2011-12. These GPs have been selected from all blocks in the districts arranged alphabetically and picked up randomly to give it an adequate representation and fair distribution.

In accordance with the provisions of Section 24(2) of Mahatma Gandhi National Rural Employment Guarantee Act, 2005, the accounts of the scheme shall be maintained in such form and in such manner as may be prescribed by the state government. GPs are required to maintain accounts in the prescribed formats by the respective state regulations. The books of accounts to be maintained are prescribed in the Operational Guidelines: Cash Book, Receipt and Payment Statement, Muster Roll Receipt Register, Job Card Issue Register, Employment Register, Works Register, Asset Register, Monthly Allotment and Utilization Watch Register. The Utilisation Watch Register should contain date-wise details of allotment fund, expenditure, availability of balance etc. It should be supported by maintenance of other subsidiary records like monthly reconciliation statements with banks, post offices and Implementing Agencies (IP).

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The GPS cannot escape keeping supporting books, schedules, corresponding muster rolls issued by the Programme Office (PO) relating to payments.

Detailed Guidelines and Audit Checklists

The Ministry has provided detailed check lists for MGNREGA for Social Audit in addition to the existing arrangements for Social Audit and National Level Monitors at central level, state level for planning, registration, execution of works, payment of wages and Unemployment Allowance, Finance and Accounts, monitoring, grievance redressal. There are detailed checklists for other flagship programmes too.

In accordance with extant guidelines, MGNREGA funds at the district level are to be audited by CA firms, who are expected to do a check of the receipts and payment statements of the GPs. The GP accounts are normally internally audited by officials at the Block level and later by the Local Fund Auditors (nomenclature varies from State to State). In some cases, there is considerable time lag between closure of accounts and audit by Local Fund Auditors. Not every GP may be audited by the Local Fund Auditor every year. The status of the MGNREGA accounts being maintained by GPs may vary in quality across the states. In order to improve the accounting of MGNREGA funds and to ensure transparency and accountability of GPs the ministry of rural development lays out, pursuant to the provisions of Section 24(1) of MGNREGA, definite scheme for certification of MGNREGA accounts at GP level and financial audit thereof.

Scope of Audit certification

The CAs are asked to examine and certify whether the books of accounts/documents maintained by the GP viz. Cash book, Receipt and Payment Statement, bank and post office reconciliation statements, utilisation certificates issued are in the form and in the manner specified by the state government and in accordance with the provisions of Section 24(2) of MGNREG Act. It is to be seen whether GPs are maintaining the required books of accounts and supporting documents like Muster Rolls, vouchers and bills and not swindling development funds by creating ghost workers as reported earlier in some states.

Besides, the CA must check all registers prescribed for MGNREGA and comment on the quality of accounts, in the light of the laid down policy guidelines and the legal entitlements of right to work and livelihood security of the people. In the financial statement attestation process, the CA is mandated

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to identify and list out deficiencies and gaps after subjecting the system to a sort of SWOT analysis and identify systemic and procedural deficiencies and suggest how to improve the systems, procedures, and controls. He is asked to verify the material-wage ratio and comment on works taken up by the GP and certify whether MGNREGA funds have been deployed only on admissible activities and works. Of course, being an expert chartered in the financial discipline for certification of accounts, his valuable comments on funds management and other matters having significant impact on implementation of MGNREGA will be helping the government to fine tune the system.

Visit to GPs by CAs

The auditor cannot function in an isolated ivory tower. A good auditor is not happy just seeing the books of accounts kept in a corner, as it is his mandated responsibility to oversee and evaluate the control environment, internal control systems and existing checks and balances *vis-a-vis* the ground realities in the audited organisation. It is, therefore, envisaged that the CAs must visit the GP headquarter for the certification. To facilitate the visits, the CA can give an advance tour programme to the District Programme Coordinator (DPC) before commencing the certification process indicating the proposed dates of visit. The DPC is responsible to ensure that all necessary documents are provided to the CA firms for the certification and concerned GP officials are available to the CA when he/she visits the GP. For this purpose, the DPC will be assisted by respective POs.

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Selection Procedure and Certification of Accounts

The selected CAs will be entrusted with certification of accounts of GPs receiving funds under MGNREGA selected by the State Governments. They are selected from the empanelled list available with C&AG/State AGs. The remuneration for certification of accounts of GPs will be fixed by the ministry in consultation with the office of C&AG within the parameter of keeping the expenditure to 6% administrative cost. The ICAI may like to rationalise the fee structure, taking into account the overall governing framework of the scheme and financial outlay available for the certification process.

The CA is required to submit the report to the PO accompanied by the certification for each GP visited by him/her in the prescribed format of certification within 15 days of completion of the work. The report should contain the records verified; discrepancies noticed, adequacy of documentation and findings on the items based on the comprehensive check list for the programme. In addition, a consolidated summary for all GPs taken up for certification and assigned to the CA within a district will be submitted to the DPC within 15 days of completion of certification for all such GPs. In the consolidated summary, the CA will indicate the GPs visited, including the dates of the visit with issues which require immediate attention of the DPC. Besides, she/he may provide adverse observations and value addition by valuable suggestions for improvement in implementation of the programme.

During the course of certification, any defalcation or misappropriation of funds noticed shall be immediately brought to the notice of the DPC to take necessary action. District wise summary of observations made by CAs will also be included as an annexure to the audit report of the State Employment Guarantee Fund. While auditing the MGNREGA funds at the district level, the auditor will have to take into cognisance the certification and observation of the CAs made earlier if any, while certifying GP accounts.

The Secretary/Commissioner, MGNREGA at the State level and the DPCs at the district level will be responsible to ensure that the accounts of selected GPs are certified by the empanelled CAs within a given time frame. DPC will submit to the State Government an Action taken Report (ATR) on the observations

of the CA and likewise, the State Government will submit to this Ministry by 30th September each year, a consolidated ATR for all the districts that have GPs that have been audited by CAs under this arrangement. This certification, observations and the Action taken reports will be examined by the Ministry while releasing funds to the State Government.

Period of Appointment and Period of audit

The period of assignment of CAs will be not more than two years. The assignment for the second year will be renewed only upon satisfactory performance in the first year. Preferably one CA will be selected and appointed for each district. In case ministry and the states are of the view that it is not feasible for one CA to certify accounts of all GPs selected in a district, more than one CA may be appointed. It is also possible that a CA may be assigned more than one district where adequate number of CAs available on the panel in any state/district.

The process of selection of GPs for certification and CAs for audit assignment to districts/GPs are scheduled to be completed before March, 2013 so that the work can commence from May 2013 and CAs can submit reports by end of July 2013. The certification reports and the action taken report of the State will be a consideration for release of the second installment of MGNREGA funds during 2013-14. The Principal Secretary, RD/State Commissioner, MGNREGA and the DPC shall be responsible for monitoring the progress of the certification, taking corrective action and submitting ATRs to the concerned authority. Besides, detailed check list for audit of accounts of GPs has been prepared along with format of Certification of GPs.

The CAG empanelled CAs/CA firms will be selected for allocation of the Certification of GPs. Supplementary Audit on the lines of audit of the Public Sector Undertaking is likely to be prescribed for oversight by CAG auditors to ensure adherence to the guidelines, applicable standards and procedures.

Emerging Accounting, Auditing and Accountability Framework

In order to improve the accountability framework, there needs to be proper coordination, purposeful communication and interaction among the key players of accounting, auditing and accountability framework of institutions of direct democracy working at the grassroots. Most of the GPs, Social Audit Mechanism is being institutionalised. Trained village community

personnel examine the accounts and, if necessary, conduct investigations and public hearings as per the laid down procedures for evaluating the physical progress, assets created and outcome expected with reference to the prescribed guidelines. CAs' Certification of GPs accounts will surely revamp the mechanism of Social Audit further.

The integration of certified accounts of local body accounts by CA professionals with the findings and observations of Social Audits at micro-level with CAG's macro level financial audit, compliance audit and performance audit frameworks will give a synthesised and integrated perspective on financial discipline and accountability mechanism. To make the system fool proof, it is imperative that there should be effective communication and coordination with the government functionaries at all levels from central, state and local bodies and implementing agencies who receive funds from different sources. The efficacy and reliability of the management information system meant to provide updated, reliable electronic data flow on fund management and monitoring may get validated in the audit process.

Concluding Remarks

Based on the experience from the pilot, it is quite likely that CA professionals may be engaged nationwide for financial audit of the direct democratic institutions and Implementing Agencies. This is, no doubt, a new challenge; but surely can become a great opportunity for the CA professionals to strengthen the hands with government machinery in the nation building process.



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Effective audit of receipts and expenditure accounts, balance sheets, cash flow statements and supporting books of accounts, reconciliation statements, schedules and vouchers of Urban Local Bodies, Panchayati Raj Institutions and Implementing Agencies for all the flagship programmes of the Government of India and State Governments and UTs will surely pave the way for establishing proper accountability framework and good governance in the country.

The CAs certification of the accounts will provide assurance and valuable inputs to policy makers. The audit opinion based on sound audit assertions about

the true and fair state of accounting of the plan cum non-plan funds flow from central to state to parastatal authorities to Implementing Agencies and beneficiaries under different flagship development programmes of varied ministries, will improve financial discipline and transparency.

The overarching integrated accounting, certification of accounts of local bodies by CAs, social audit and CAG audit and accountability framework should be helping the government with valuable inputs for strengthening the planning process and policy formulation for effective delivery. These arduous responsibilities will be surely adding a new dimension to CA professionals' value addition and continuing contribution to the nation building efforts as partners. Facilitating the government in outreaching the targeted beneficiaries and thereby facilitating achievement of the desired outputs and outcomes of the flagship development programmes as envisaged in the policy guidelines, will be recognised as a great nation building service for inclusive growth, development with human face and good governance for the emerging super economic power India Inc. ■

