

ICAI for Social Development

For any nation to emerge strong in terms of fiscal policies and management, it should be ensured that financial discipline, disclosures and reporting mechanism are in place. This significant aspect should get required attention and momentum not only at the level of Central Government and State Governments, but also at the level of Local Governments i.e. Urban Local Bodies. This measure also has an impact on the standard of living in the country and helps to promote social development.

The Central Government, through the Ministry of Urban Development, has taken many initiatives in this regard including the launching of Jawaharlal Nehru National Urban Renewal Mission (JNNURM). In the Budget presented on 28th February 2006, the Hon'ble Finance Minister, Shri P. Chidambaram mentioned in Parliament as follows:

Jawaharlal Nehru National Urban Renewal Mission

27. The Jawaharlal Nehru National Urban Renewal Mission was launched on December 3, 2005. For the next year, against the estimated outlay of Rs. 6, 250 crore, I propose to provide a grant of Rs. 4, 595 crore. Apart from the four projects, including Mumbai Metro Rail and Bangalore Metro Rail, mentioned in my Budget speech last year, the projects under active consideration include projects in Maharashtra, Madhya Pradesh and Gujarat.

28. Planned urbanisation can act as a spur to growth, employment and a better quality of life. Government will actively promote the establishment of new towns, preferably focused on a specific industry, for example Information Technology, or a specific theme, for example education or health. Some projects are on the anvil in West Bengal and Karnataka.

We, at the ICAI, have formed a Committee on Accounting Standards for Local Bodies for formulation of accounting standards. Recently, the Council approved its Preface. The Framework for the Preparation and Presentation of Financial

Reports by Local Bodies is under preparation at an advanced stage. Various Accounting Standards applicable to Local Urban Bodies are under development.

The ICAI has already been working towards furtherance of overall objective of ensuring greater transparency and standardisation of reporting. Similarly, the Public Record of Operations and Finance (PROOF), a not-for-profit organisation has been developing Standardised Service Level Benchmarks (SSLBs) and performance indicators by virtue of their domain knowledge in the area.

The ICAI has offered to associate with the Ministry of Urban Development, Government of India in the key initiatives to be implemented by the States and also in the development of SSLBs. The Ministry has accepted our offer and communicated to us vide their letter dated 13th October 2006 (published hereinbelow) wherein the Government has assured its full support to the development of SSLBs for various municipal services to be jointly spearheaded by ICAI and PROOF.

These initiatives are going to involve Chartered Accountants in the field of public finance through measures such as double entry book keeping, audit, certification and many other consulting assignments. The ICAI, assisted by PROOF, will also be conducting training programmes for our members with the help of various experts. Members who have expertise in this field may send in their profile to ICAI addressed to:

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Committee on Accounting Standards
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Dated the October 13, 2006
 No 6026-D/JNNURM/06

Dear Shri *Manoharam,*

Thank you for your letter dated 6th October on the subject of disclosure requirements by municipalities as part of the reform conditions under the Jawaharlal Nehru National Urban Renewal Mission (JNNURM).

Your observation about importance of these disclosures as forming the basis for transparent and credible municipalities is very apt.

We are also delighted to hear of the interest that the Institute and PROOF have shown in supporting the Ministry in developing these benchmarks – what you have referred to as Standardised Service Level Benchmarks (SSLBs). We welcome this initiative, and wish to extend our full support in the development of SSLBs for various municipal services jointly by ICAI and PROOF.

The Ministry has already undertaken some work in developing service level performance indicators. We would like you to take these outcomes into account in your development of SSLBs. Also as you have mentioned in your letters, we would like to establish a small review group for the SSLBs within the Ministry before they are finalized.

Once these final SSLBs are developed, the Ministry will circulate these to cities that are participating in JNNURM, as the templates by which they could generate their service level information, and by which their ongoing performance indicators will be measured, as part of the continuing JNNURM review process. We could also encourage a few selected cities to work jointly with ICAI and PROOF in implementing these SSLBs, so that the learnings from implementation could also be documented and circulated.

We would like ICAI and PROOF to begin this process right away, and evolve a time frame within which these activities could be taken up.

Once again, we wish to record our appreciation for your initiative in this important activity.

With best regards,

Yours sincerely,

M. Rajamani
 (M. Rajamani)

JNNURM