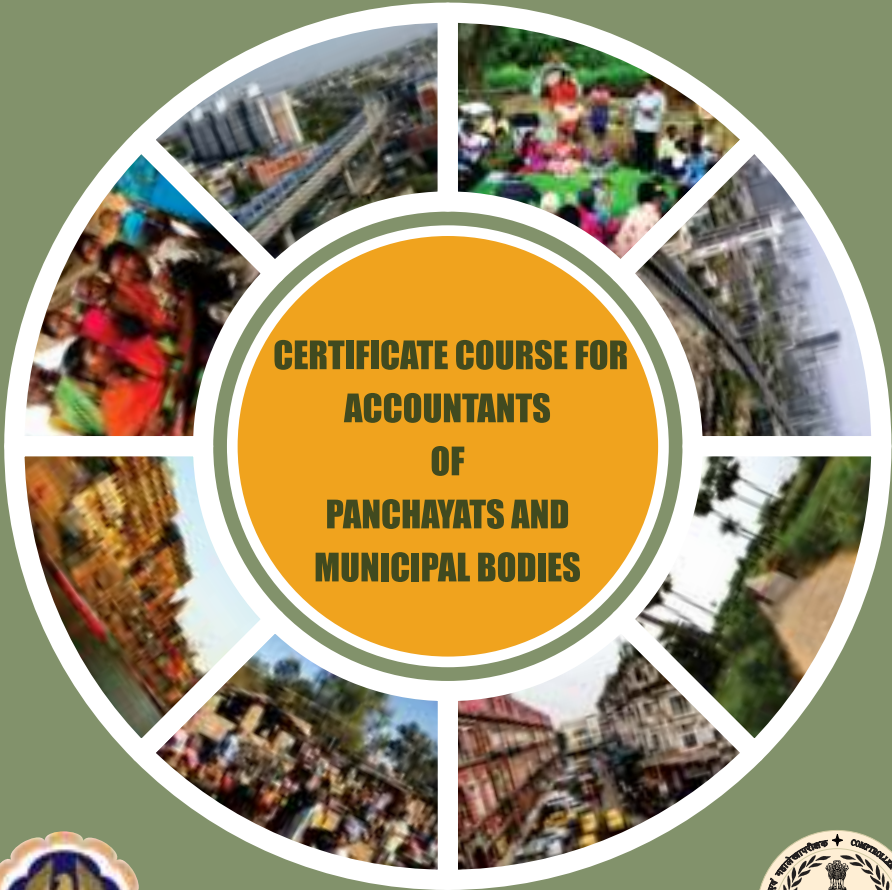


# STRENGTHENING OF ACCOUNTING AT GRASSROOTS



The Institute of  
Chartered Accountants  
of India



SUPREME AUDIT INSTITUTION OF INDIA  
लोकहितार्थं सत्यनिष्ठा  
Dedicated to Truth in Public Interest

**Comptroller and Auditor General of India**



**Certificate Course for  
Accountants  
Of  
Panchayats and  
Municipal Bodies**

**An Initiative of  
The Comptroller and Auditor General of India  
and  
The Institute of Chartered Accountants of India**



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# Local Self Governance in India

The **history** of Local Governments in India dates back to the Sabhas and Samitis referenced in the **Rigveda**.

The **73rd and 74th Amendments** to the Constitution passed in 1992 **formalised** the role of the **3rd tier of Government**, i.e. Local Self Governments (LSGs) at the grassroots, across the entire country.

Currently, there are more than 2.60 lakh Panchayati Raj Institutions (PRIs) and above 4,500 Urban Local Bodies (ULBs) in India.

## Tiers of LSGs

Panchayati Raj Institutions (PRIs)	Urban Local Bodies (ULBs)
District Panchayat	Municipal Corporation
Block Panchayat	Municipality
Gram Panchayat	Town Panchayat

# Devolution to Local Self Governments (LSGs)

As per the 73rd and 74th Amendments, the **State Legislatures** have to **devolve** such powers and authority as may be necessary to enable them to function as institutions of Self Governance.

**29 Functions for PRIs and 18 Functions for ULBs** are included in the 11th and 12th schedules which **are to be devolved to LSGs** by the respective State Legislatures.

These functions have been **devolved** to the LSGs in different States in **varying measures**.





# Funding to LSGs

The units of LSGs are uniquely placed to ensure **optimum service delivery** at the grassroots level.

Therefore, LSGs are increasingly **coming to the forefront** in the **implementation** of various **social schemes**.

Successive **Finance Commissions** have allocated **increasing volume of funds** to these LSGs. The 15<sup>th</sup> Finance Commission has allocated ₹ 2.4 lakh crore to the PRIs and ₹ 1.2 lakh crore to the ULBs.

Besides, the LSGs also receive funds for implementing **Central and State Schemes**, from **State Budgets**, **State Finance Commissions** and from their **own revenues**.



# Accounting in LSGs

The **accounting formats** for the LSGs were prescribed by the **CAG in collaboration** with the **MoPR and MoHUA**, Government of India.

## Accounting Manuals

For PRIs	For ULBs
Model Accounting System (MAS) issued in October 2009	National Municipal Accounting Manual (NMAM) issued in November 2004

The LSGs are currently **preparing their accounts using online platforms** such as e-GramSwaraj developed by MoPR, Gol, other similar applications developed by State Governments and commercial accounting softwares.

**Payments** by LSGs for various activities are made **through online portals** such as Public Finance Management System (**PFMS**) for central transactions and Integrated Financial Management System (**IFMS**) for transactions from State Funds.



# Audit of LSGs

As per 73rd and 74th Constitutional Amendment Act, the **State Legislatures** may, by law, make provisions with respect to the **maintenance of accounts** by LSGs and **auditing of such accounts**.

Consequently, most of the States have passed **State-specific Acts and Rules** for maintenance of accounts of LSGs and their audit.

States have appointed **designated authorities as primary auditors** of LSGs . They are responsible for the **certification** of LSG accounts and are commonly known as **Local Fund Auditors**.

The **CAG** provides **Technical Guidance and Support (TGS)** to Local Fund Auditors; and conducts audit of LSGs.



# Problem Statement

**There are shortfalls in the preparation of accounts** across various tiers of LSG as evident from the audit conducted by the CAG and Local Fund auditors; various reports prepared by governing departments of LSGs; and as highlighted by successive Finance Commissions.



**One of the primary reasons** is the **shortage of competent accountants** in adequate numbers willing to work in LSGs, particularly in the lower tiers and remote localities. Chartered Accountants or other competent accountants generally avoid such assignments due to low remunerations and remoteness of the LSG units.

**Appropriate skilling** at local levels to create qualified accountants is the **main challenge**.





# The SOLUTION

Based on **interactions** with various **Stakeholders**, the solution identified was to create a **pool of accountants**, preferably drawn from **contiguous areas** of LSGs, who would be willing to work as accountants in LSGs in their local areas.

To promote **skill development** and to inculcate the requisite **professional competence**, such accountants would have to be provided adequate **training**, followed by a qualifying **examination** and **certification** of successful candidates by a reputed authority.



# Initiative for Certification Course



The Comptroller and Auditor General of India (**CAG**) and the Institute of Chartered Accountants of India (**ICAI**) have entered into a Memorandum of Understanding (MOU) for **collaborating** to develop a set of online courses for different categories of LSGs.

Under the aegis of the MOU, a Certification Course has been designed to develop requisite competencies.

Those certified will be available **locally** as a **skilled talent pool**. The LSGs will have the **choice and discretion of hiring** them to prepare their accounts, on payment of requisite remuneration.

The Certified Accountants will also be **available for other jobs** of similar nature.

# Key Attributes of the Endeavour

**Adherence to Accounting formats**, as prescribed by CAG for LSGs;

**Reliability**, the experience and expertise of ICAI;

**Accessibility**, online, for wider reach;

**Skill Development**, creating a widely dispersed talent pool for accounting, useful for both LSGs and even otherwise;

**Employment Generation**, as educated and qualified local candidates can get these assignments, depending on the requirements of the LSGs;

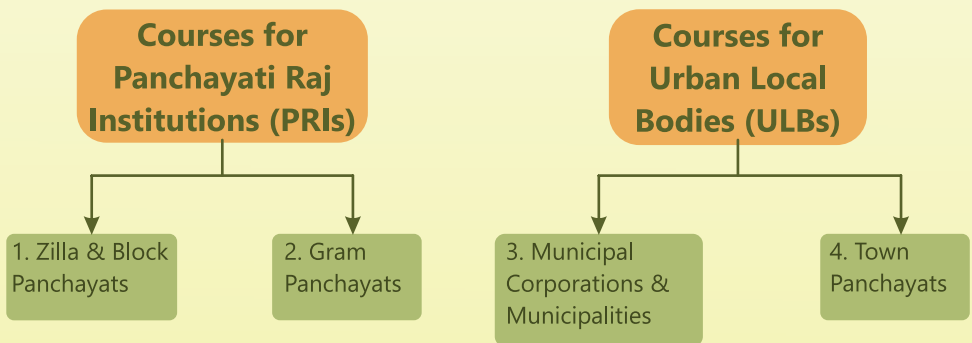
**Affordability**, nominal entry fees for enrolling; and

**Linguistic outreach**, course modules in 10 different languages initially, to cater to varied participants. More languages to follow, as required.

# Course Design

**Four different Courses have been designed**, graded for different levels of Local Government.

This is keeping in mind the complexities and requirements at various levels.



Each Course runs for **3 months**, from the closing of Registration to the date of Main Examination.

Separate Registration, **Screening & Main Examinations** and Certificate envisaged for each Course.

Any **Class XII qualified** candidate can apply by paying a **Registration Fee of Rs. 500/-**.





## Timelines for the Courses

**Time for Registration :** 1 month

**Screening Examination :** 1 month from close of Registration

**Main Examination :** 2 months after Screening Examination

**Self - study materials** (both e-study materials and pre-recorded lectures) will be made available immediately on Registration.

# Course Contents

## For PRIs

### **Screening Examination - Basics of Accounting**

(Overview of Cash Based Accounting System)

- Accounting Concepts, Principles, Conventions & Policies
- Basic Accounting Procedure
- Preparation of Financial Statements

### **Main Examination - Accounting of Panchayats**

- C&AG Accounting Formats
- List of Codes
- E-Gramswaraj
- Mandatory Conditions for Grants for PRIs (XVth FC)

## For ULBs

### **Screening Examination - Basics of Accounting**

(Overview of Accrual Accounting System)

- Accounting Concepts
- Principles
- Conventions & Policies
- Basic Accounting Procedure

### **Main Examination - Accounting of Municipal Bodies**

- Selection of Accounting Policies and Change in Accounting Policies
- National Municipal Accounts Manual (Chart of Accounts, Accounting for Municipal Transactions)
- Preparation of Financial Statements including opening balance sheet

# Mode Of Learning



The approach to the training will be **multi-modal**, using **pre-recorded lectures** (with sub-titles in regional languages) for Screening Examination, and **live virtual revisionary** classes for Main Examination.



There will be **E-study material** for the entire Course, prepared by ICAI.



All materials will be made available in **10 languages** currently, with scope for more regional languages being added later. Languages to be used for now are English, Hindi, Marathi, Telugu, Tamil, Odiya, Gujarati, Kannada, Bengali, and Punjabi.

# Mode Of Examination



**Objective mode** Multiple Choice Questions (MCQs) of examination will be used for the Screening Examination.



Both **objective (MCQ)** and **subjective questions (hands-on accounts preparation)** will be used for Main Examination.



Option of taking examination in **regional languages** will be available.



# Continuing Education & Learning Programme



There will be a **mandatory** online education of **4 hours in each calendar/ financial year**, to update the qualified certificate holder about latest regulations, norms and updations in software applications on a continued basis.

# Administrative Set-up for the Courses

**A Self-regulatory Organisation under the aegis of the ICAI** will run the Courses and issue the certificates.



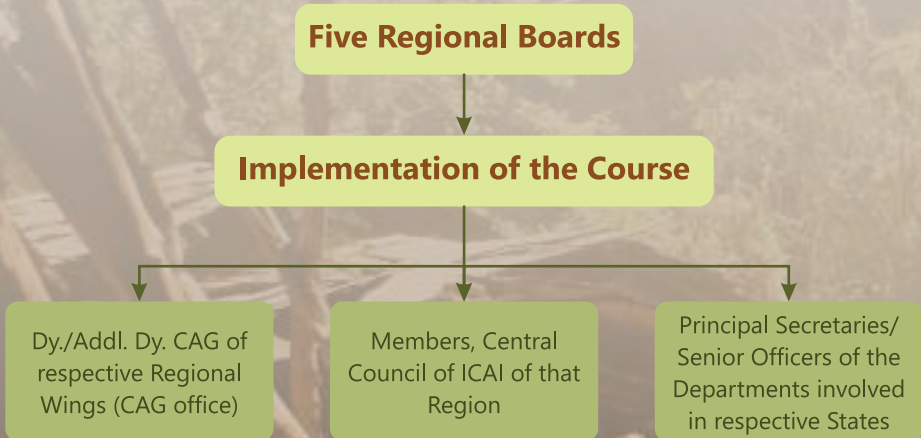
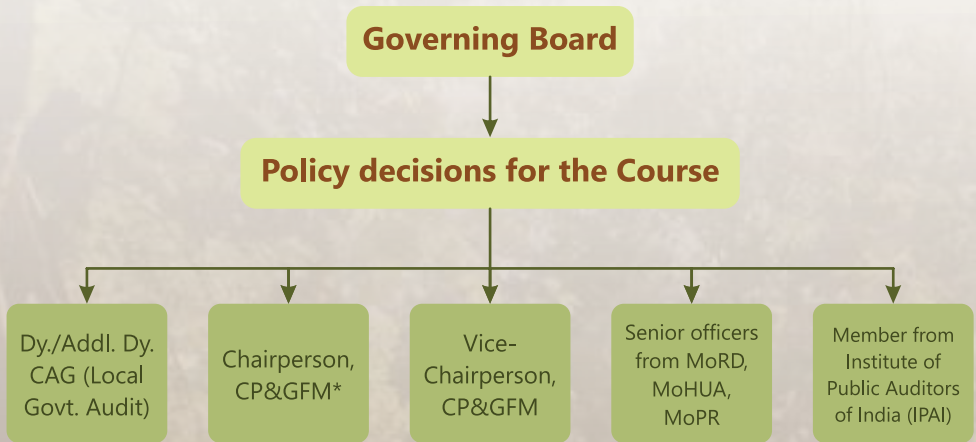
**Detailed Course contents** have been prepared by the ICAI **in consultation** with the CAG's institution.

**Governing and Regional Boards**, chaired by Dy./Addl. Dy. CAG level officers of CAG's institution, will deliberate on various **Course related matters**.

Representatives from CAG, ICAI, Central Ministries/ State Departments will people the Boards.



# Structure of Boards



\*CP&GFM : Committee on Public and Government Financial Management

## Expected Benefits



It is envisaged that once this Course is on the ground for a couple of years, more **skilled, willing and competent accountants will be available**, and at more

locations, than at present.

The List of Certified Panchayat/ Municipal Bodies Accountants will be available in the public domain. The LSGs **can hire them locally, even in remote locations** where others might be unwilling to join/work, on payment of some remuneration.

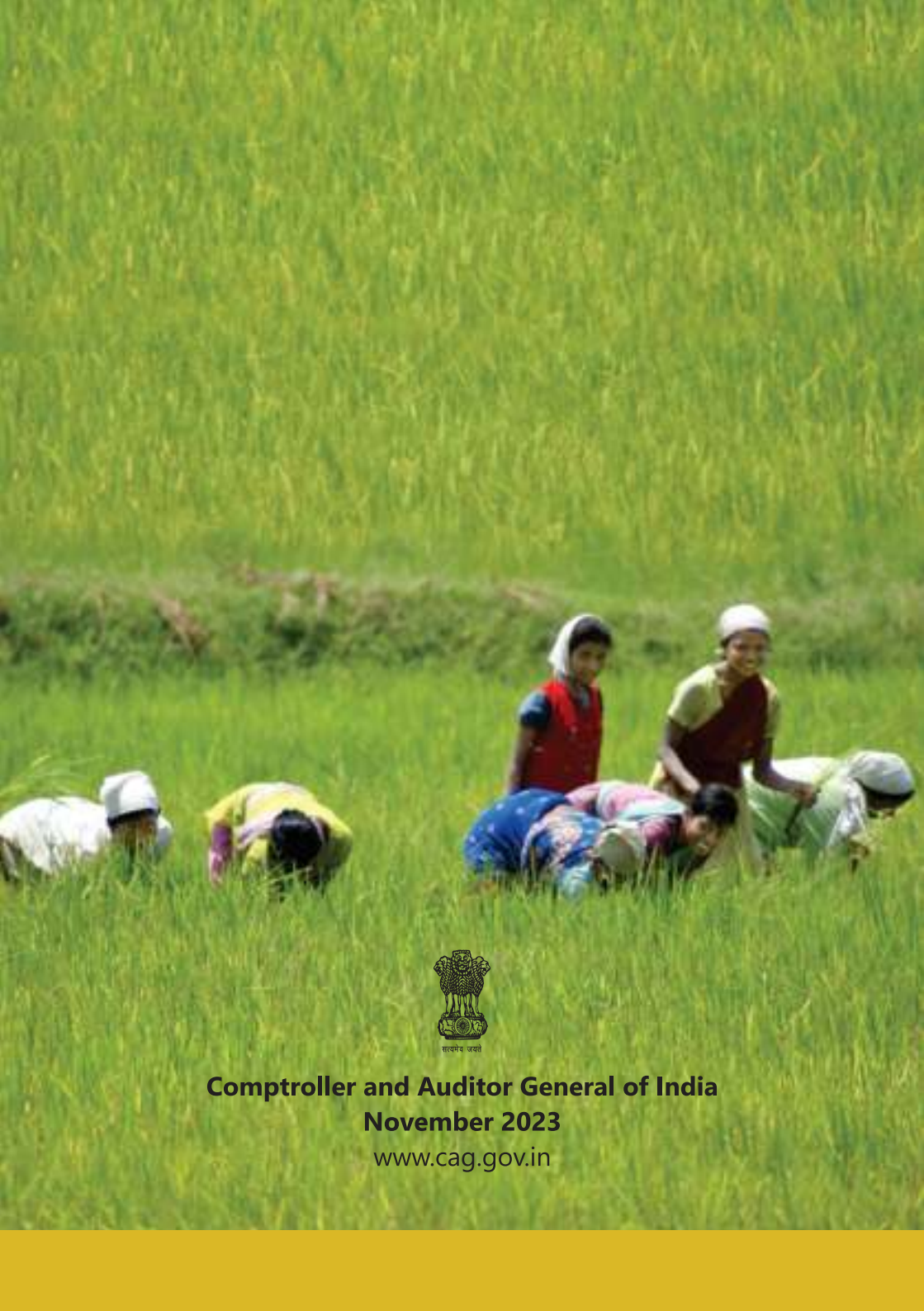
The Certified Accountant will also be benefitted as they can get **employment closer to home**. Since this course will lead to **skill development**, these accountants **may even get other jobs**.

The LSGs will benefit from **better accounts** preparation.

Better **accounting** will **strengthen** the **internal control** and the **accountability framework**.







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