

### Strengthening of Public Financial Management in Taluk Panchayats

#### Storyline...

Government of Karnataka (GoK) has been working on reforms in the Public Financial Management area actively from 2001 in co-ordination with the World Bank and other agencies.

MaGC® (formerly NCRCL®) in association with Karnataka Institute of Public Auditors (KIPA) was appointed as consultants for the assignment of Strengthening Public Financial Management and Accountability of Taluk Panchayats (TP) in Karnataka. The assignment aimed at enhancing TP's capacity to deliver timely and better accounting and internal auditing services with a focus on accountability.

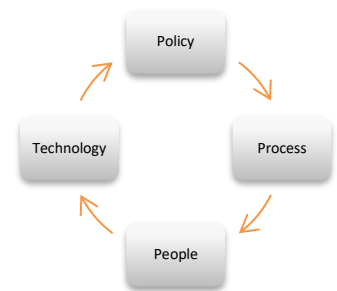
#### Once upon a time...

TPs form the middle rung of the state's three tier local governance system. There are 176 Taluk Panchayats in Karnataka. They manage a budget of Rs. 6,000 crore (approximately \$1 billion). The financial reforms until 2013 had focussed mostly on the Grama Panchayats (lowest rung). TPs had been largely left out. There was a need to streamline their business processes, accounting, internal audit and introduce IT for process automation.

#### Moving on...

MaGC team started off with a detailed study of the existing regulatory framework. The team visited a number Taluk Panchayats to understand the ground level processes. Information was collected with regard to the staff position, existing business processes, accounting records maintained and the training needs. To corroborate the findings during the field visits and to enable wider coverage questionnaires were distributed to all the 176 TPs to collect the required information.

This was followed by a gap analysis to identify shortcomings in the current system. A detailed study of the various proposed technology solutions to address the financial and accounting needs of the TP were conducted. MaGC deployed its **3PT** framework – **Policy, Process, People and Technology**, to come up with solutions to address the gaps.



The assignment resulted in a comprehensive Organization Structure & Staffing Report, Business Process Report and Information, Communication and Technology Report which gave recommendations under specific areas. An implementation roadmap was submitted to the Finance Department, Government of Karnataka. A TP Accounts Manual and a TP Internal Audit Manual were also submitted. Detailed discussions were held on the deliverables with senior officials of the Finance Department, the RDPR and the World Bank. Inputs gained during the discussions were incorporated in the respective Reports and Manuals and final deliverables were submitted. The pilot study on the Accounts and Internal Audit Manuals was successfully conducted to ensure that the manuals can be applied at the field level.

#### Finally...

The assignment helped the policy makers look at all aspects impacting financial management and accountability of TPs for the first time. It enabled the Finance Department and the RDPR to work closely in deliberating upon and introducing policy level changes to address the gaps. At the operational level the assignment produced the essential manuals which guided the TP Accounts staff in their day to day function. This assignment helped the GoK to immediately initiate implementation which included training to TP staff, a pilot run of the manuals and extending the Treasury Computerization project to include TP accounting also.