

Success Story

Public Governance

Updation of Accounting Manual & drafting of Budget Manual for ULBs of Tamilnadu

Storyline...

The project was executed for 'The Directorate of Municipal Administration' of the Government of Tamilnadu under the World Bank funded TNUDP III Project.

MaGC® (formerly NCRCL®) prepared the updated Accounting Manual and drafted the Budget Manual for municipalities. The accounting manual lays down accounting policies, procedures and reporting formats in line with the National Municipal Accounting Manual.

Once upon a time...

The system of accounting followed in Tamil Nadu Urban Local Bodies was based on double entry, accrual. However, the system suffered from many limitations, partly because Tamil Nadu was one of the earliest states to move into double entry, accrual and no major improvements had been made to the accounting system since it was originally implemented.

There was a need to update the existing accounting manual based on the NMAM and also draft a budget manual suited to the ULB needs. The manuals were also required to initiate the next round of computerization of accounting and budgeting functions.

Moving on...

The MaGC team began with a discussion with the Manual Updation Committee. A series of field visits to ULBs gave the team a good idea of the local requirements. This was followed by a preliminary study of the existing accounts manual for its content, form and utility. The alignment of the existing accounting manual with the NMAM was looked into taking into consideration the overall philosophy of the NMAM and the practicality of the local situation. The accounting policies and the Chart of Accounts were drafted. The processes and document formats were then revised based on the proposed accounting policies. The Accounting Manual included an Accounting Entry Matrix which outlined the types of entries to be passed for each type of transaction that takes place in a ULB.

As far as Budget Manual was concerned, the existing guidelines and instructions on budget preparation were reviewed by the consultants. Best practices from the states of Karnataka, Andhra Pradesh and Kerala with regard to the budget process were studied. Based on this the consultants came up with the chapterization of the manual and had discussions with key stakeholders. The manual was drafted to include detailed guidelines and processes for Financial Budgeting, Performance and Outcome Budgeting.

An important consideration while preparing both the manuals was their suitability for computerized accounting. A separate implementation note accompanied the manuals which gave inputs to the CDMA for undertaking implementation.

Multiple rounds of discussion were held on the draft manuals and the changes were incorporated. The team employed its time tested research methodology and implementation expertise to provide value-adds while preparing the manuals. The manuals were finalized after a validation workshop of key stakeholders.

Finally...

The participative approach ensured buy in at all levels to the manuals. The manual was accepted by the client and immediately taken up for implementation. The necessary technology changes to computerize the ULB accounting were also initiated. MaGC continues to advise the CDMA in implementation matters.