

GOVERNMENT OF ANDHRA PRADESH  
A B S T R A C T

Municipal Administration and Urban Development Department – 13<sup>th</sup> Finance Commission – Implementation of Stipulated Condition 1(b) of 13<sup>th</sup> Finance Commission to access performance Grants of Rs.664.25 Crores during 4 year period- Accrual Based Accounting System (A.P. Municipal Accounts Reform Project) in all Urban Local Bodies in Andhra Pradesh – Strategy for Rolling out the Accounting Reform in Urban Local Bodies of Andhra Pradesh- orders –Issued.

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MUNICIPAL ADMINISTRATION & URBAN DEVELOPMENT (R) DEPARTMENT

G.O.Rt.No. 287

Dated 21.02.2011

Read the following

- 1.GO Rt.No. 531, MA & UD (R ) Department, dated 14.05.2010
- 2.From Commissioner and Director of Municipal Administration, AP,Hyderabad Lr No.CDMA/13<sup>th</sup> FC/2010 dated; 01.12.2010.

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ORDER

In reference 2<sup>nd</sup> read above the Commissioner and Director of Municipal Administration Andhra Pradesh Hyderabad has reported that, implementation of the Double Entry Accrual Based Accounting System in all Urban Local Bodies in the State is one of the 9 stipulated Conditions of 13<sup>th</sup> Finance Commission by 31.03.2011 to access performance grants of Rs.664.25 Crores and that this Accrual Based Accounting system is also a mandatory reform which is committed under JNNURM funded project. He is also reported that the accounts in 57 ULBs for the year 2008-09 have been migrated in to the new accounting system from the existing Single Entry Cash Based Accrual System. The Planning and Monitoring of Double Entry accrual Based Accounting Reform (AP. Municipal Accounts Reform Project) has been transferred from O/o APUFIDC to the O/o C D M A. vide GO.1<sup>st</sup> read above.

2. Further the Commissioner and Director of Municipal Administration has submitted a Strategy document for rolling out the Accounting reform as Andhra Pradesh Municipal accounting Reform Project in 123 ULBs except Grater Hyderabad Municipal Corporation as stipulated under 13<sup>th</sup> Finance Commission and also mandated under JNNURM for approval of Government.

3. Government after careful examination of the matter and after Scrutiny of the Strategy Document submitted by the Commissioner and Director of Municipal Administration is hereby accepted by the Government and the CDMA, AP, Hyderabad is requested to take necessary action accordingly.

4. The strategy document is as follows:

**Executive Summary**

(i.) Double Entry Accrual Based Accounting Reform (AP. Municipal Accounts Reform Project) is a mandatory reform committed by the Urban Local Bodies in the State under JNNURM and is also one of the 9 stipulated conditions of the XIII Finance Commission. The XIII Finance Commission has categorized the Grants to the States as a) general Grants & b) Performance Grants. The release of performance grants to the State is contingent to the fulfillment of the stipulated conditions laid down by the XIII Finance Commission. GoAP (Municipal Administration and Urban Development Department) vide GO Rt No 531 Dt 14/05/10 ,MAUD Department, GoAP , has transferred the monitoring and implementation of Double Entry Accrual Based Accounting Reform in all ULBs of the State from the O/o APUFIDC to O/o CDMA. In this context this document sets out the implementation strategy required for rolling out the Accrual Based Accounting Reform (AP. Municipal Accounts Reform Project) in Urban Andhra Pradesh.

ii. Primary Benefits identified in rolling out the Accounting Reform are as follows:

- Conditions under JNNURM as well as XIII Finance Commission are met and fulfilled by the State of Andhra Pradesh

- Accountability, Transparency and Efficiency in Urban Service Delivery are scaled up.
- Municipal Accounts meet the prescribed norms/procedures under the National Municipal Accounting Manual facilitating audit and disclosure.
- A real time web enabled online accounting system is set up and implemented in all Urban Local Bodies of Andhra Pradesh.

iii. The context level view of the Accounting Work to be delivered in the Urban Local Bodies of Andhra Pradesh and costs involved:

| Deliverable   | Cost in Lakhs(Rs) | Indication for funding   |
|---|-------------------|--|
| Audit for 57 Project ULBs which have completed the Accounts for F.Y.2008-09 under the new accounting system   | NA                | NA   |
| Completion of the Accounting Work in 34 identified Urban Local Bodies for the F.Y. 2008-09  | 95                | (i) Funding by APUFIDC for the F.Y. 2008-09 & F.Y. 2009-2010 .( 91 of the 123 Urban Local Bodies are covered under JNNURM and reform is mandatory under JNNURM).                         |
| Implementation of the Accrual Based Accounting System in 123 Urban Local Bodies of Andhra Pradesh for the F.Y 2009-2010 and F.Y. 2010 -2011 and set up a Live Real Time Web Based Online Accounting System in all ULBs from 01-04-2011 in 123 Urban Local Bodies of Andhra Pradesh. | 934               | (ii) The funds earmarked under the XIII Finance Commission for the F.Y.2010-2011 as implementation of Accrual Based Accounting is one of the (1b) 9 stipulated conditions under XIII FC. |

### **Current Situation:**

The Double Entry Accrual Based Accounting Reform has been successfully introduced by APUFIDC in 57 Urban Local Bodies for the F.Y. 2008-09 and 34 ULBs have been identified and the accounting work is under progress for the F.Y. 2008-09 in these 34 ULBs. After the closure of accounting work for the F.Y. 2008-09 the reform needs to be continued in these 91 Urban Local Bodies covered under JNNURM and the reform also is to be introduced in the remaining Urban Local Bodies from 2009-2010. Thus in 123 Urban Local Bodies of Andhra Pradesh, the accounts have to be prepared for F.Y. 2009-2010 and F.Y.2010-2011 under the new accounting system and a real time web based online double entry accrual based accounting system needs to be set up in these 123 Urban Local Bodies for ensuring reform continuity from 01-04-2011.

### **Requirements**

#### **(i) Technical Requirements:**

- Accounting Software
- Training to Municipal Functionaries & Project Personnel and Audit staff.
- Revamping of IT infrastructure at the Urban Local Bodies for implementation of the Accounting Software.

**(ii) Resource Requirements:**

- Regional Chartered Accountant Firms for the reform implementation at the Urban Local Bodies
- Expert Management Cell (experienced C.A. Firm) at the C&DMA for the overall accounting implementation and verification.

**(iii) Data Requirements:**

- Updated Accounts and Registers in the Urban Local Bodies in the existing Single entry Cash based Accounting System.

**(iv) Standards and Legal Framework:**

- Evolution of a Legal Frame Work and amending the Municipal Acts for giving the new accounting system legal sanctity.
- Facilitating Audit for the Accounts prepared in the new system in the 123 Urban Local Bodies in co-ordination with the Audit Department.

**Implementation Strategy Proposed for approval:**

**(i) Technical Implementation:**

The Accounting work for the F.Y. 2008-09 may be carried out using Tally Software for 34 ULBs and 2009-2010 may be carried out using CGG software in the 123 Urban Local Bodies. From 2010 and 2011 the software developed by CGG may be deployed. However upon commencement of the accounting work in the 123 Urban Local Bodies the RCA Firms positioned shall not only address the backlog accounting work for the FY 2009-2010 and F.Y. 2010 -2011 but shall also start the data entry into the CGG software from day one of the reform implementation.( current month data). This specific deliverable is to yield demonstrable results both by the providers of the Software as well as by the State to Gol.

**For facilitating the above:**

An MoU may be entered into with CGG for roll out of Double entry accounting system software developed by CGG in all 123 ULBs as elucidated above. CGG shall also develop additional features in the accounting software such as seamless integration of revenue modules of eSuidha database, printing of cash book, all account ledgers, payment vouchers, cheques etc. through the system. Also, a tool for monitoring project implementation status to be developed as part of the system. CGG is also to prepare a comprehensive plan to organize capacity building programmes for all stake holders, on regular basis. The capacity building programmes may be organized in decentralized mode, district-wise, for effective participation.

**(ii) Resource Requirements:**

The 123 Urban Local Bodies may be grouped into approximately 15 groups basing upon Population Data and Chartered Accountant Firms may be positioned at the ULBs and at the HoD level through bidding process for each of the groups thus categorized. A team consisting of P.D., APMDP, Commissioners of Rajahmundry and Ramagundam Corporations( now E.D.,XIII Finance Commission Cell), PM, eSuidha, MIS Expert (DEABAS Project), have visited Ahmedabad, on 16-07-2010, to study the processes and strategy adopted by Gujarat State, in rolling out the Double entry accounting system in all its 159 ULBs. Basing on the experienced gained during the visit an RFP has been prepared for empanelling and appointing RCA Firms in Andhra Pradesh and the same is to be published and bids invited from interested and qualified C.A. Firms in Andhra Pradesh.

**(iii) Data Requirements**

The Urban Local Bodies shall update the accounts and registers for the Financial Years 2008,09,10 in the existing accounting system and shall identify the fixed assets in their respective ULBs. This shall comprise of the preparatory work necessary prior to the Deployment of the RCA Firms at the Urban Local Bodies. The RDMA s along with the ULB Commissioners are expected to play a key role. At the ULB a Steering Committee shall be formed comprising of the heads of the different sections under the ULB Commissioner.

**(iv) Standards and Legal Framework:**

The Municipal Acts need to be amended to bring in legal sanctity and framework to the Accrual Based Accounting System.

The Audit Department shall has to be roped into the reform as Auditing shall now has to commence in the new system in the Urban Local Bodies.

5. This order issues with the concurrence of Finance Department vide their U.O.No.34968/127/FC.1/10 dated 27.01.2011

(BY ORDER AND IN THE NAME OF THE GOVERNOR OF ANDHRA PRADESH)

Dr.VIJAY KUMAR  
SECRETARY TO GOVERNMENT

To  
The Commissioner and Director of Municipal Administration, AP, Hyderabad  
Copy to:  
The Officer on Special Duty to Hon'ble Minister for Municipal Administration  
The P.S. to Secretary to Government, Finance (FC.I) Department.  
The Managing Director, APUFIDC Ltd., Hyderabad  
The P.S. to Principal Secretary to Government, MA & UD Department.  
The P.S. to Secretary to Government, MA, MA & UD Department.  
The P.A. to Special Secretary to Government, MA & UD Department.  
Sf/Sc

//FORWARDED BY ORDER//

SECTION OFFICER