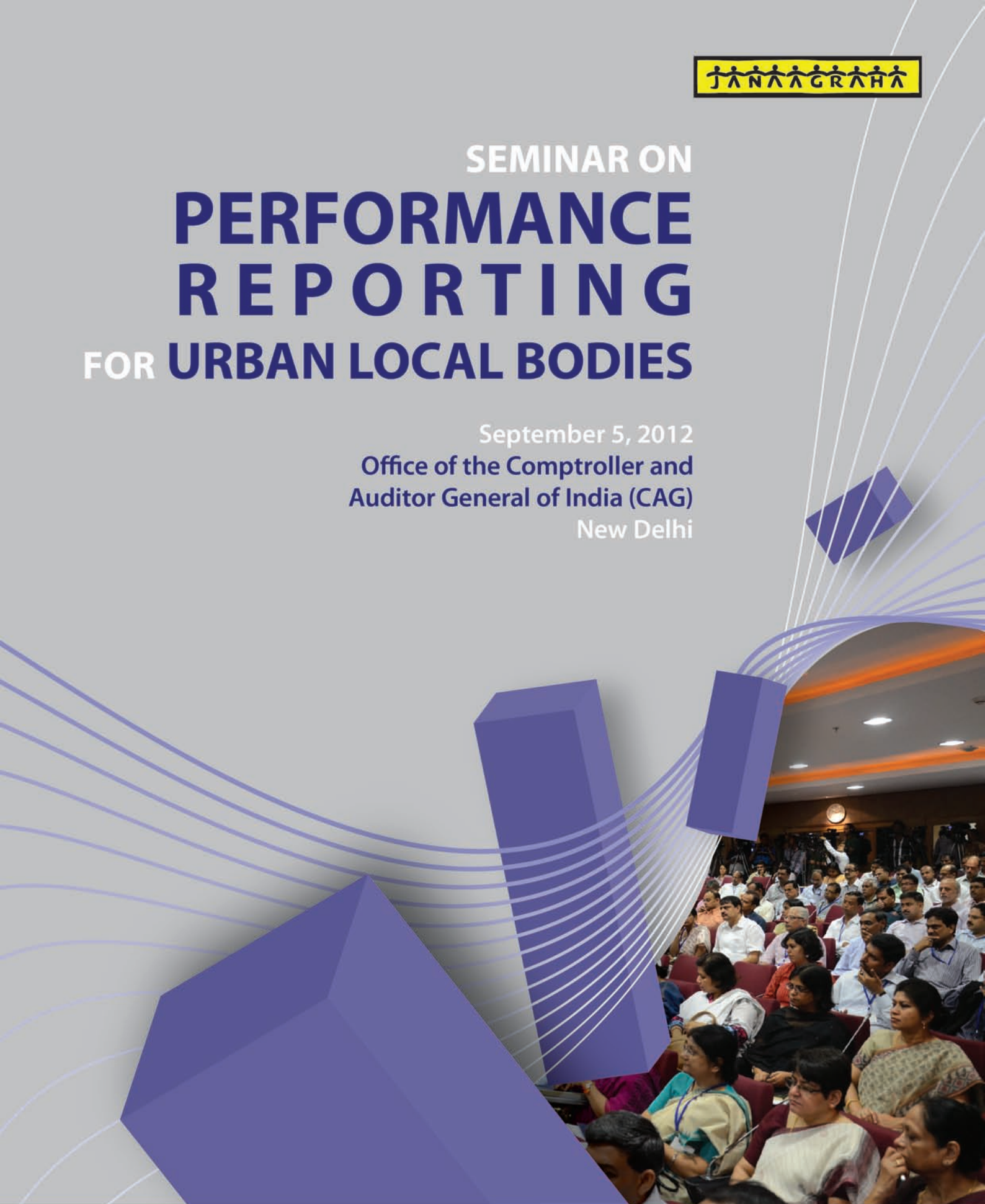




SEMINAR ON PERFORMANCE REPORTING FOR URBAN LOCAL BODIES

September 5, 2012
Office of the Comptroller and
Auditor General of India (CAG)
New Delhi



A report by
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PROOF
Public Record of
Operations & Finance

SEMINAR ON PERFORMANCE REPORTING FOR URBAN LOCAL BODIES - *An Update*

The Context

One of our significant goals in P.R.O.O.F is to get city governments to achieve reporting of financial and performance data of their operations within a standardised framework. PROOF envisages a National Performance Reporting Framework for Urban Local Bodies (ULBs) which will be standardised across ULBs in India and result in timely disclosures of financial and performance data, facilitating comparability across ULBs and resulting in greater accountability, better service delivery.

Several initiatives have been undertaken in the last decade by the Ministry of Urban Development and the Office of the CAG on issues of accountability and disclosures by ULBs of which the Service Level Benchmarking initiative and the Public Disclosure Law were spearheaded by P.R.O.O.F. Systematic reporting of Financial and Performance data by Urban Local Bodies is however not yet a reality.

Accountability and Reporting by ULBs assumes even greater significance given the large amounts of funds that will increasingly flow to them to meet infrastructure and service demands estimated to cost USD 1 trillion!

The Objective

Against the above backdrop, the singular purpose of this full day Seminar on Performance Reporting for Urban Local Bodies was to catalyse action. We believed that this was best done by bringing together ALL relevant stakeholders under the same roof and agreeing on next steps, which will result in standardised, timely performance disclosures.

Key Note Addresses

Key Note Addresses were delivered by Mr Kamal Nath, Union Minister for Urban Development and The Comptroller and Auditor General of India (CAG), Mr Vinod Rai. Also present on the occasion was Dr Sudhir Krishna, Secretary, Ministry of Urban Development, Government of India.



“For the cities in India to be able to access markets for finances, they must be able to ensure that their financial reporting practices are in line with the other entities that access the markets for funds. From the Urban Local Bodies that are represented today in the Seminar, I gather that while a number of them have audited accounts available till FY 2010-11, in quite a few audited accounts are pending for a number of years. Similarly, while most cities have switched to the double entry accrual system of accounting, there are a number which continue with single entry based accounting. We clearly need to cover a lot of ground and we need to do so on an urgent basis.”- Vinod Rai, Comptroller and Auditor General of India

The full text of the CAG’s speech can be accessed at the below link:
http://saiindia.gov.in/english/home/Public/Speech/05_09_12.pdf

Panel discussion

The Panel discussions and the Q & A session brought out a fascinating dialogue between nuanced policy level articulations and voices grounded in operational realities. The result was as envisaged, a consensus that urgent steps needed to be taken to fructify the goal of performance disclosures! Specific take-aways from the seminar included:

- Urgent need for ULBs to follow accrual based accounting as the only method of accounting;
- Need to explore solutions to time-lag in audit of ULB accounts such as empanelment of CA firms under oversight of the CAG, adaptation of the model followed by Public Sector Enterprises etc.;
- Standardised formats needed to facilitate comparisons, stakeholder engagement and the need for such formats to be citizen-centric.
- Legislative action required at State-level to firmly embed reforms such as the above;
- Harnessing ICT solutions for standardised data generation and reporting; and
- Extensive and sustained Capacity Building of Municipal staff to handle all of the above.

There was also consensus on the fact that multi stakeholder initiatives such as this seminar, including participation by civil society, is critical to attainment of an objective such as this.

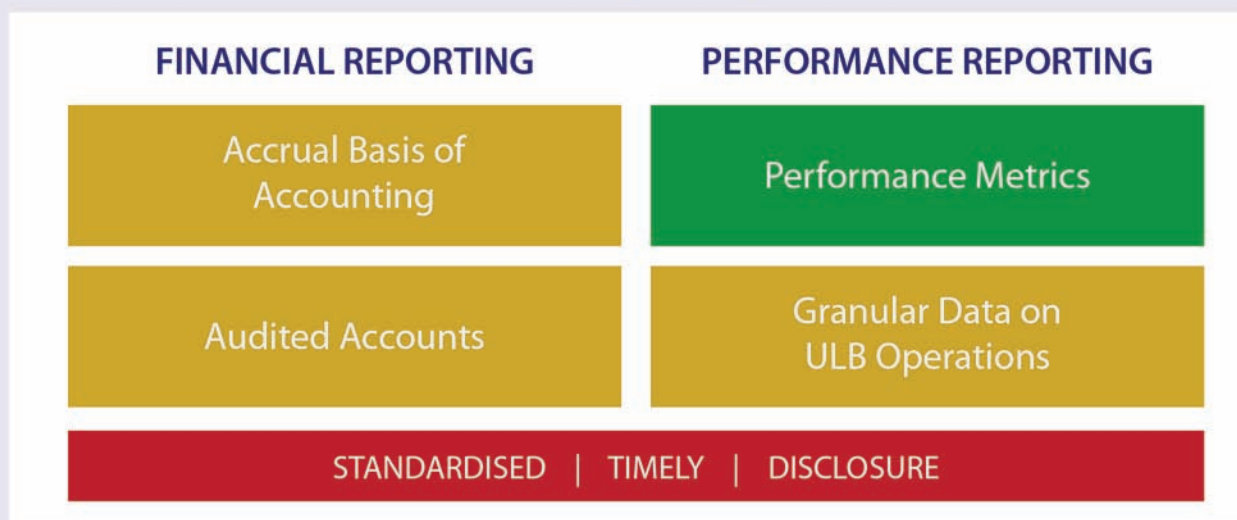
Next Steps

We see the seminar only as a beginning, but a solid one. Our endeavour now is to constitute a multi-stakeholder team that would build on the discussions at the seminar and over a 2 year period, actually bring to fruition performance reporting by select ULBs in India. We believe that they in turn would become role models for their peer cities.

While all of the above deals with what we call as “supply side”, we also need to actively synergise demand for performance reporting, so that eventually citizens would engage with local governments on data and metrics. It is here that we believe the Private Sector in India can play a pivotal role. We look forward to engaging with you on this very soon!

What is needed now?

A Standardised Performance Reporting Framework



■ Some progress made ■ Mixed results ■ Traction needed



Left: CAG delivering Key Note Address
Right: Kamal Nath, Vinod Rai and Ramesh Ramanathan

Seminar Profile

1. In Attendance

Attendees	Office
Kamal Nath	Union Minister for Urban Development
Vinod Rai	Comptroller and Auditor General of India
Mayors	Urban Local Bodies
Secretary/Addnl Secretary/Jt. Secretary	Ministry of Urban Development (MoUD) Government of India
Principal Secretaries, Urban and Finance departments	State Governments
Principal Accountant Generals (Audit)	Office of the CAG, State-level
Municipal Commissioners	Urban Local Bodies
Chief Accountants and Chief Auditors	Urban Local Bodies
The Institute of Chartered Accountants of India	
Academia & Civil society	

2. The Panel & Presenters

Session 1- Financial Reporting Framework	Session 2- Service Level Benchmarking
The Panel	
Sushama Nath, Former Finance Secy (Chair)	Dr M Ramachandran, Former Secy, MoUD (Chair)
Rajan Chellappa, Mayor, Madurai	Prof AK Premajan, Mayor, Kozhikode
Sindhushree Khullar, Secretary, Planning Commission	Chetan Vaidya, Director, National Institute of Urban Affairs (NIUA)
Sudha Krishnan, Joint Secretary-Financial Adviser, MoUD	Dr Guruprasad Mohapatra, Municipal Commissioner, Ahmedabad
Sitaram Kunte, Municipal Commissioner, Mumbai	Ramesh Ramanathan, Co-Founder, Janaagraha
Jayant Gokhale, Institute of Chartered Accountants of India	D Diptivilasa, Additional Secretary, Ministry of Urban Development, Government of India
Om Prakash Mathur, Distinguished Professor of Urban Economics, NIUA	

3. The Presenters

The Presenters

AM Bajaj, Principal Director, Office of the CAG

Ashok Singhvi, Jt Secretary, Ministry of Urban Development, Government of India

Srikanth Viswanathan, Manager-P.R.O.O.F, Janaagraha

Dr Ashees Sharma, Former Municipal Commissioner, Pimpri -Chinchwad Municipal Corporation

4. Participating Cities

Sl. no.	City	State
1	Mumbai	Maharashtra
2	Kolkata	West Bengal
3	Bengaluru	Karnataka
4	Ahmedabad	Gujarat
5	Vadodara	Gujarat
6	Jaipur	Rajasthan
7	Kozhikode	Kerala
8	Pimpri-Chinchwad	Maharashtra
9	Patna	Bihar
10	Jabalpur	Madhya Pradesh
11	Bhopal	Madhya Pradesh
12	Madurai	Tamil Nadu
13	Meerut	Uttar Pradesh
14	Srinagar	Jammu & Kashmir
15	Shillong	Meghalaya
16	Dehradun	Uttarakhand



The Economic Times, September 6, 2012

“Amid huge investment requirements to bridge infrastructure deficit in cities, apex auditor CAG today asked urban local bodies to improve their financial reporting practices to access markets for funding needs. At a seminar on Performance Reporting for Urban Local Bodies here, Comptroller and Auditor General (CAG) Vinod Rai said challenges posed by the urban infrastructure deficit call for investments of a scale that require immediate attention.”

The Mint, September 6, 2012

“As the importance of municipal bodies grows in step with urbanization, CAG has been stressing the need to increase accountability of ULBs by auditing their accounts. Rai said the financial reporting practices of the ULBs should be in line with that of other entities that access the capital markets for them to attract investors.”