

Hawking double- entry at the local level

THE 74th Amendment to the Constitution has

given impetus to the macroeconomic changes taking place in the country, with the third tier in the government (such as urban local bodies) being given more importance. Decentralization, increased participation by the citizenry and open and transparent systems are the three major aspects of the amendment has been chequered and slow. However, the past few years have seen a changes in the way have seen a change in the way these reforms have been addressed, especially in Karnataka where modern accounting systems are being introduced in urban local bodies (ULBs).

What follows are some of the salient features of the Karnataka experiment, particularly in Bangalore.

PPP

In Karnataka, accounting reforms in ULBs began in early 2000 with the Asian Development Bank (ADB) initiative in Tumkur municipality, to introduce a modern accounting system. Around the same time, the new government under Mr S.M.Krishna initiated several innovative approaches, the most laudable of them being the formation of the Bangalore Agenda Task force (BATF) – comprising eminent citizens and headed by Infosys CEO, Mr Nandan Nilekani.

The major focus of this task force was a public-private partnership (PPP) to enable the improvement in the performance of select organizations within the city, and the major partner in this regard was the Bangalore city Corporation (BCC)

In the BCC, the BATF and its members involved themselves in involving and implementing global best-practices and supported (financially and intellectually) the implementation of a fund-based accounting system (FBAS).

Re-engineering the system

The major changes that were initiated in the BCC were based on a set of well-structured activities, such as process mapping and study of existing acts and rules, as also the work culture. The major challenges was in streamlining the revenue flows, which operated through over a hundred bank accounts. In the area of expenditure, while centralization was convenient to understand, introducing changes, particularly controls in accounting, were difficult.

MIS

The core aspect of implementation was the introduction of a management information system (MIS) in all the major BCC departments. The only ways to make the employees understand the power of the system and their role is to enable MIS at various levels and provide for a review mechanism at the senior level. The BCC Commissioner and various departmental heads were involved in the line of MIS for review purposes.

Over 50 different MIS reports are now getting generated for use various levels. In all, there are four types of reports : the detailed, the summary, the analytical and the functional (such as the one to elected representatives). The highlight of the experiment at Bangalore is the excellent link between accounting and MIS. This is conspicuously absent in all other experiments.

Current status

The FBAS has been introduced fully and the only accounting system that works in the BCC is the FBAS. The Budget for 2003-2004, prepared based on the earlier years' FBAS data, introduced the new budgeting system. Financial and accounting information are available in the form of computer database and various reports needed for decision-making are now generated.

The entire process is currently managed by external consultants and, by the end of this financial year, complete internalisation is expected.

Demand, supply aspects

The Karnataka experiment started with the supply side of municipal reforms. The BCC was given supports to completely revamp its accounting operations and be ready with reliable information not only in accounting but also in related areas, such as ward works management, budgeting and so on. The MIS implemented provided the necessary methodology for generating various reports.

Sensitising citizens on the rights and access to information, training them on various aspects of budget analysis and supervision of ward works are important aspects for sustaining the change mechanism that has been introduced.

Implementation checklist

The Bangalore experiment has been unique. While, on the one hand, it has been built upon the world's best practices, on the other, it is a unique PPP experiment, well conceived, perfectly planned and professionally executed. Over 100 BCC staff have undergone training and the Chief Minister has officially announced that all ULBs in the State need to follow the FBAS.

Based on the lessons learnt from the Bangalore experiment, the checklist for transformation to an efficient finance/accounting system include, at the policy (government) level:

- Making it official that accounting reforms would be implemented at any cost;
- Using various innovative models for funding and providing support through PPP;
- Giving the ULB management a clear-cut mandate so that the changes implemented are seen as "administrative reforms" rather than as a "political mandate";
- Taking clear cut and quick decisions to identifying key personnel with ULBs (on deputation) and not transferring them until the implementation process is complete;
- Hiring professionals at least on a temporary basis should be eased, especially when it is difficult to find personnel within the system; and
- Introducing legal and regulatory changes without delay.

At the process (ULB) level:

- There needs to be clear-cut mandate for implementation and the same must be properly communicated to various levels of the organization.
- The ULB and the consultants should form a combined implementation team, which should be monitored on a short-term basis, that is, weekly or once in 10 days;
- Review of not only the progress, but also the performance of various departments needs to be done by the MIS reports. This will enable faster implementation, fine tuning of the process and software and meaningful review by the management resulting in tangible benefits;
- The exercise should not be seen as an accounting exercise and all the departments should be involved; and
- Plan for early internalization of the activities should be made.

The FBAS that has been introduced in the BCC is definitely a small but firm step towards restructuring State-level finances. It is hoped that just as IT in Bangalore has inspired other States, the FBAS would also play its part.

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