

**Address by Comptroller and Auditor General of India
on the occasion of
Joint Professional Development Programme,
"Public Sector Accounting & Financial Reporting"**

1. Mr. I P Singh, Mr. Sathyamoorthy, Dr. Hughes, Ladies and Gentlemen, it gives me great pleasure to be with you at the inauguration of the Professional Development Programme on "***Public Sector Accounting and Financial Reporting***". The programme is topical and useful in as much as it aims at sharing experience on aspects of public sector accounting which are currently receiving our attention in India. I would like to take this opportunity to welcome the speakers and delegates visiting India and I hope this programme will also enable them to see a little bit of India on the side.

2. In India, government accounting has operated within the framework of legislative accountability by means of specific financial reporting and budgetary control practices under a predominantly cash based system of accounting. However, during the last few decades, many governments in a similar position have taken initiatives to transit from cash accounting to accrual accounting or some variant of accrual accounting. There is in fact a growing convergence between public and private accounting standards and practices. Therefore, a need to revisit the conceptual underpinnings of government accounting systems has been felt in India largely due to realisation of deficiencies in the cash based system particularly for purposes of modern financial management and the need for greater transparency and user friendliness. The driving force behind accounting reform is the achievement of effective accountability.

3. Two issues that need particular attention in this regard are the establishment of appropriate financial reporting standards and the development of new accounting skills in government accountants. I am sure, professional development programmes of this nature would enlarge the understanding of the issues involved in formulating standards and help in the development of skills amongst government accountants.

4. At international level, the International Organisation of Supreme Audit Institutions (INTOSAI)'s Standing Committee on Accounting Standards has issued a 'Framework of Accounting Standards' for governments, which provides valuable guidance to governments in this matter. IFAC's Public Sector Committee has also issued Cash Based as well as Accrual Based Accounting Standards.

5. We have also set up a Government Accounting Standards Advisory Board (GASAB). With the approval of the Government of India, I have constituted this Board to cover both the Union and the States. The basic objective of this initiative is to promote best practices on the basis of generally accepted principles of Government accounting and steer a gradual course in reforming our accounting system. The Board is responsible for not only formulating and proposing Government Accounting Standards to improve the usefulness of Government's financial reports based on the need of the users but also to keep these Standards current so as to reflect changes in the international environment. I am sure the GASAB will be enriched by sharing of experience and practices of other standard setting bodies.

6. The Government Accounting Standards Advisory Board has already proposed its first Indian Government Accounting Standard (IGAS1) on

“Guarantees given by Governments: Disclosure Requirements” which is under consideration by the President of India for notification. The Board has also issued Exposure Drafts on “Accounting and Classification of Grants-in-aid”, “Cash Flow statements”, “Presentation of Financial Reports” and “Components of Financial Reports”.

7. I have also commissioned a study of the Indian Accounting System to comprehensively review the current government accounting system in India both at the Centre and in the States and to delineate a road map for changes required in our system over the next decade. I hope that after this study we would be able to crystallise our reform agenda and move more meaningfully in the direction of accounting reform in India.

8. I hope this programme will throw new light on these issues and I wish the organisers success.

Thank you.