

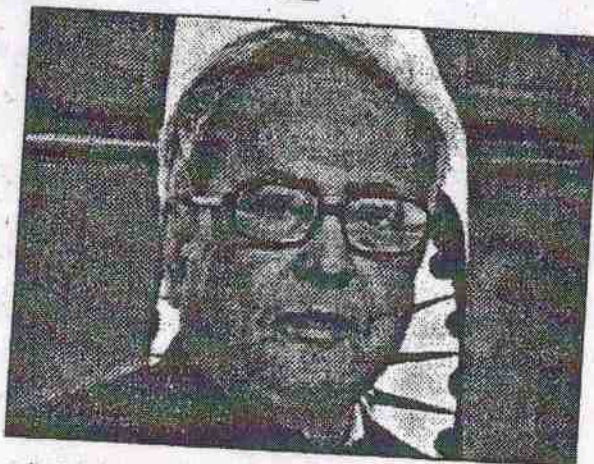
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Pranab to address state FMs on financial reporting reforms

statesman news service

NEW DELHI, 20 JUNE: The Union finance minister, Mr Pranab Mukherjee will inaugurate here tomorrow a national conference of state finance ministers which is expected to trigger discussions on operational guidelines for conceptualising 'General Purpose Financial Reporting' under accrual based accounting system.

He will also release the operational guidelines for shifting to accrual accounting. The conference includes participation from all stakeholders from Union and state governments, secretaries to the Government of India, state finance secretaries, financial advisers from key ministries and state accountant generals. The conference is being organised by Government Accounting Standards Advisory Board (GASAB) under the Office of the Comptroller and Auditor General of India.



The Twelfth and Thirteenth Finance Commissions and the Second Administrative Reforms Commission have all recommended a gradual shift to accrual basis of accounting. The Government of India has entrusted the GASAB to steer the process of transition to accrual accounting. The GASAB is a high-power advisory body which includes heads of six major accounting departments of the Government of India, Indian Audit and Accounts Department, Indian Civil Accounts Department, Indian Defence

Accounts Department, Indian Railway Accounts Department and Indian Postal Department.

The present cash based accounting system lacks an adequate framework for accounting of assets and liabilities, depicting consumption of resources and presenting the full picture of the government's financial position at any point of time. In this system, there is no effective way of tracking assets created out of public money which, in turn, dilutes accountability of departments for management of government assets. The deficiencies in the present system result in lack of transparency, poor stewardship and impaired ability to accurately predict the future cost of a current financial commitment.

Reforms in the financial system are an integral part of overall reforms. A move from cash to accrual accounting will be a fundamental change which will help overcome the deficiencies of the present cash system.