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From Accounts to Accountability: ICAI's Role in Public Financial Management

Public Financial Management (PFM) System can bring lasting impact by making government system more effective and trustworthy. At its core, PFM deals with how public money is mobilised, allocated, spent, and accounted for. It is essential for ensuring fiscal discipline, aligning resources with strategic priorities, and maximizing service delivery efficiency, that ultimately lead to economic growth. It also enhances transparency, accountability, and fiscal sustainability, which are essential for building public trust.

As governments move toward real-time reporting and adopt advanced technologies like Artificial Intelligence, the need for reliable and well-structured financial data becomes more important. The reliability of financial data depends on financial reporting. However, sustainable PFM reform depends not just on adopting new technologies, but on strengthening core systems and processes that ensure the integrity of financial data.

PFM in India

In India, PFM reflects both progress and persistent challenges. A strong institutional and legal framework, supported by audit mechanisms like the Comptroller and Auditor General (C&AG) of India and fiscal discipline under the Fiscal Responsibility and Budget Management Act, along with digital initiatives such as PFMS and Direct Benefit Transfer (DBT), has improved transparency and reduced leakages. However, issues such as

weak financial reporting, and limited capacity at the local level continue to hinder effectiveness.

While recent efforts emphasized transparency, fiscal discipline, and outcome-oriented governance, achieving lasting impact will depend on strengthening core areas like financial reporting, accountability, and institutional capacity to improve governance and service delivery. In this direction, the 16th Finance Commission is attempting to ensure

efficient allocation and effective utilisation of public resources across all levels of the government.

Role of ICAI in PFM

As a partner in nation building, the Institute of Chartered Accountants of India (ICAI), through its Public & Government Financial Management Committee (PGFMC)¹, plays a pivot role in strengthening PFM in India by supporting the Government in improving financial reporting

¹ PGMFC Website: <https://cpghm.icai.org/> / Twitter handle: @cpghmical

and management at all levels of Government(s) through capacity building of Government officials via trainings, webinars, & e-learning modules, assist in implementation of accounting reforms, and provide technical guidance.

Accounting Standards Setting for Government

In India, there are three levels of Government: (a) Central Government, (b) State Government (s), and (c) Local-self Government. Various efforts are being undertaken to standardise government accounting practices in India.

Central & State Government (s):

- Cash or Modified Cash accounting system is followed but key reforms are underway—most notably, the Ministry of Railways' shift toward accrual accounting.
- Article 150 of the Constitution of India provides that *"The accounts of the Union and of the States shall be kept in such forms the President may, on the advice of the Comptroller and Auditor General (C&AG) of India (i.e., Supreme Audit Institution (SAI) of India), prescribe."* In pursuance of this mandate, the Government Accounting Standards Advisory Board (GASAB, i.e., constituted



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by O/o C&AG of India) formulates cash-based Indian Government Accounting Standards (IGAS) and accrual-based Indian Government Financing Reporting Standards (IGFRS)².

- ICAI is a Member of GASAB and actively participates in its meetings and provides technical inputs on their draft standards and various other documents from time to time.

Local-self Government (also known as Local Bodies that is further sub-divided into Urban Local Bodies and Rural Local Bodies/ Panchayats):

- In Rural Local Bodies/ Panchayats, a cash-based accounting system is followed based on Model Accounting System (MAS, i.e., developed by O/o C&AG of India), through E-gramswaraj³.
- Urban Local Bodies are mandated to follow accrual-based accounting system based on National Municipal Accounts Manual (NMAM, i.e., developed by the Ministry of Housing and Urban Affairs (MoHUA) based on the

Task Force Report of the C&AG of India⁴).

- **To harmonise diverse accounting practices across local bodies, ICAI formulates Accounting Standards for Local Bodies (ASLBs)** based on international benchmark Accounting Standards for all levels of Government (such as the International Public Sector Accounting Standards (IPSASs)). A total of 31 ASLBs have been issued, including a cash-based standard to facilitate transitioning from cash to accrual accounting. ASLBs are recommendatory in nature and will become mandatory from the date specified in this regard by the State Government(s) concerned. The State of Uttarakhand is the first one that has revised its Municipal Accounts Manual based on ASLBs.
- Recently, O/o C&AG has constituted a Steering Committee to revise NMAM 2.0. ICAI, as a member of it, contributes technical inputs in the said committee.

For effective implementation of Accounting Standards and reforms, sustained efforts, particularly in capacity building, are essential.

Capacity Building

The ICAI supports Government in capacity building exercise by undertaking extensive efforts to strengthen institutional competencies through structured training programmes, workshops and webinars in vernacular languages, and e-learning modules.

Till date, approx. 3,500 government officials have been trained including

² <https://gasab.gov.in>

³ www.egramswaraj.gov.in

⁴ *Based on the recommendation of the 11th Finance Commission and the guidelines issued by the Ministry of Finance, Government of India, C&AG had constituted a Task Force to recommend budget and accounting formats for Urban Local Bodies in India. The C&AG Task Force in its report suggested adoption of accrual basis of accounting by Urban Local Bodies.



officials of C&AG, Indian Cost Accounts Service (ICoAS), Tamil Nadu's treasury & Accounts department and Urban/Rural Local Bodies of States such as Gujarat, Tamil Nadu, Maharashtra, Uttarakhand, Nagaland, Tripura, Bihar and Punjab.

As part of its ongoing knowledge dissemination efforts, the ICAI is conducting a webinar series themed “वित्तीय वार्ता” on “Public Financial Management: Key for Growth & Governance”. Webinars on contemporary topics are organised every alternate Thursday with the objective of fostering continuous awareness and knowledge sharing in PFM domain among members and stakeholders.

Certificate Courses for Accountants of Panchayats and Municipal Bodies

ICAI in collaboration with the O/o C&AG of India had launched Certificate Courses for Accountants of Panchayats and Municipal Bodies⁵ during 2023 to make available trained accountants at grassroots level even in remote areas.

Now several Urban Development and Panchayati Raj Departments across states are mandating these courses for the accounts staff of local bodies, marking a significant step towards greater uniformity, accountability, and financial discipline at the grassroots level.

“Transparency, accountability, and fiscal discipline form the bedrock of effective governance, and robust PFM systems are central to India's journey toward becoming a developed economy.”

Till date, approx. 6,000 candidates have registered for the course out of which 356 have successfully passed this course.

Stakeholder Engagement

ICAI continuously interacts with various stakeholders such as Ministry of Housing and Urban Affairs (MoHUA), Ministry of Panchayati Raj (MoPR), Ministry of Rural Development (MoRD), Office of the Comptroller and Auditor General (C&AG) of India as well as various State Government Departments to extend its support to strengthen financial reporting and management in the Government of India. It regularly provides technical inputs and advisory support as required.

ICAI also interacts with institutions such as the National Institute of Public Finance and Policy and international bodies including the International Public Sector Accounting Standards Board and South Asian Federation of Accountants, thereby contributing to the development of both national and global public financial management practices.

Institutional Partnerships

To extend continuous support, ICAI has entered into MoU with several institutions, including the O/o C&AG of India, National Institute of Urban Affairs (NIUA), Centre of Excellence for Financial Audit (CoEFA, Hyderabad), Mahatma

Gandhi State Institute of Public Administration (MGSIPA), and Andhra Pradesh Police Department. These collaborations focus on capacity building, joint research, technical support, and policy advisory.

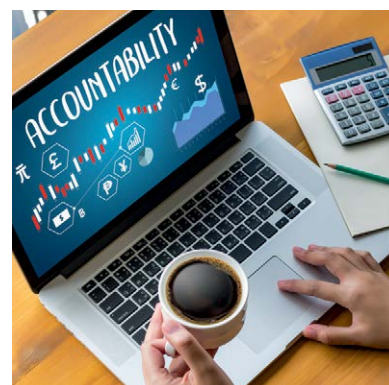
ICAI has also partnered with multilateral institutions such as the World Bank and the Asian Development Bank (ADB) to improve quality of audit of *Externally Aided Projects (EAPs)* in India.

ICAI Awards for Promotion of Accounting Reforms in Local Bodies

To recognise and encourage progress in financial reporting, ICAI also Institutes Awards for Promotion of Accounting Reforms in Local Bodies⁶. These Awards aims to motivate local bodies to enhance transparency, accountability, and the overall quality of financial reporting.

Publications on Public Finance and Government Accounting

ICAI also issues several publications on various aspects of Public Finance and Government Accounting⁷ including a Research study conducted jointly with NITI Aayog on “Transition to Accrual Accounting: Models and Learnings for Urban Local Bodies” that provides implementation roadmaps, policy insights, and reform strategies.



⁵ <https://lba.icaiarf.org.in/>

⁶ <https://cpghm.icai.org/icai-awards-for-promotion-of-accounting-reforms-in-local-bodies/>

⁷ <https://cpghm.icai.org/publications/>

ICAI COLLABORATIONS & STRATEGIC ALLIANCES

▶ DRIVING CAPACITY BUILDING AND SUPPORT THROUGH PARTNERSHIPS ◀

NATIONAL PARTNERSHIPS (MoUs SIGNED)

CORE FOCUS AREAS OF NATIONAL COLLABORATIONS:

CAPACITY
BUILDINGJOINT
RESEARCHTECHNICAL
SUPPORTO/o C&AG
of India
(Comptroller and
Auditor General
of India)National Institute
of Urban Affairs
(NIUA)Centre of
Excellence
for Financial
Audit (CoEFA,
Hyderabad)Mahatma
Gandhi State
Institute of Public
Administration
(MGSIPA)Andhra Pradesh
Police
Department

MULTILATERAL GLOBAL PARTNERSHIPS

THE WORLD BANK

PRIMARY GOAL:
IMPROVE QUALITY
OF AUDIT OF
EXTERNALLY
AIDED PROJECTS
(EAPs) IN INDIAASIAN
DEVELOPMENT
BANK (ADB)

Professional Opportunities for Members

Chartered Accountants can play an important role in Government in various fields such as accounting, auditing, financial management and policy formulation, that will ultimately help in better service delivery and effective utilisation of public funds.

The ICAI also runs Certificate Course on Public Finance and Government

Accounting⁸ to equip participants with comprehensive knowledge of Government economic policies, budgets, fiscal tools, public funds, grants, and accounting systems of Central, State & Local Bodies. This course can be attended by CA Members and officials of Government & Autonomous Bodies. This course has also got recognition in tenders issued by Local Bodies/ Government departments/ Authorities in Maharashtra, Madhya Pradesh & Jammu and Kashmir. The O/o C&AG has also included this course as one of the criteria for empanelment of CA Firms (additional 0.5/ 1 point). Till date, 3485 participants have been trained through this course.

Conclusion

Transparency, accountability, and fiscal discipline form the bedrock of effective governance, and robust PFM systems are central to India's journey toward becoming a developed economy. Through its sustained efforts in capacity building, standard-

setting, institutional partnerships, and policy support, ICAI has helped shift the focus from mere accounting to meaningful accountability in public finance. By strengthening the financial management capabilities of government officials, it is contributing to more transparent, efficient, and outcome-driven governance.

As India moves forward with its vision of Viksit Bharat, ICAI's continued commitment to excellence and reform will play a vital role in building a resilient, transparent, and future-ready public financial system, where every rupee is accounted for, and every outcome is aligned with national development goals.

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⁸ <https://cpghm.icai.org/certificate-course-2/>