



GOVERNMENT OF TAMIL NADU
DIRECTORATE OF MUNICIPAL ADMINISTRATION

Ezhilagam Annex, Chepauk, CHENNAI-600 005.

Telephone: 044-28549960, 28549921 FAX-044-28411364

Email: sfc@cma.gov.in, sfc.tnudp3@tn.gov.in

INDIA Loan No. 4798 TN

Tamil Nadu Urban Development Project-III

REQUEST FOR EXPRESSION OF INTEREST (CONSULTANT SERVICES)

The State of Tamil Nadu, India, has received a loan from the International Bank for Reconstruction and Development (IBRD), and intends to apply a portion of the loan proceeds to make payments under the contract for **consulting services for the Preparation of Municipal Budget Manual and Updation of Municipal Accounting Manual**.

The Terms of Reference for this assignment are available from the Directorate of Municipal Administration, Chepauk, Chennai-5 and in the website <http://www.tn.gov.in/cma> (Please check in "what is new" section in the website.

Interested consulting firms are invited to register their interest in participating in the assignment by sending the following information (five copies in English)

- Name, address and fax number of consulting firm
- Name and short CVs of Key staff
- Ownership and organizational structures of the firm
- Financial statement for the last three years
- Description of similar assignments done and details of experience with relevant hand on experience in accounting reforms in ULBs.

Expression of interest must be delivered during office hours on or before 12.7.2010 to the above address. Documents received thereafter will not be accepted.

On the basis of obtained information from interested consultants, the Director of Municipal Administration will prepare and short list six consultants who will be invited to submit their proposals.

Interested Consultants may obtain further information about the consultancy assignments from the following officers at the address mentioned above.

Contact person:

Thiru.K.Annadurai, Financial Advisor (fa.tnudp3@tn.gov.in , fa@cma.gov.in) at phone No. 044-28410363 (or)

Thiru. R.Lingasamy, Senior Financial Controller (Incharge), sfc@cma.gov.in , sfc.tnudp3@tn.gov.in at mobile phone No. 9444343063 Contact Hours : 10.00 AM to 5.45 PM

Sd/- P.Senthilkumar

DIRECTOR OF MUNICIPAL ADMINISTRATION

TERMS OF REFERENCE

Consulting services for the preparation of Municipal Budget Manual and Updation of Municipal Accounting Manual.

I. BACK GROUND

As a follow-up to the 74th Constitutional Amendment Act, the Govt. of Tamil Nadu has introduced a number of reformative measures to improve the Municipal Administrative system of Urban Local Bodies. Tamil Nadu was among the first States in the country to adopt Accrual Based Accounting System (ABAS). The State has been implementing to accrual accounting since 1999 in all the ULBs and has made considerable progress under the TNUDP - II, wherein the ULBs started preparing annual financial statements. Computerized financial accounting modules were also rolled out.

During the TNUDP-II, the new accounting system had been introduced in all the ULBs, but no separate Budget Manual was developed for the preparation of the Budget by the ULBs. There is no separate manual to assist the ULBs in preparing their Budget. As of now, the Municipal Budget is prepared based on the guidelines prescribed under paragraph 13 of the Municipal Manual and Section 120 & 121 of the Tamil Nadu District Municipalities Act 1920. Further instructions were issued in G.O (Ms) No. 167 Municipal Administration and Water Supply (Election) Department Dated. 26.12.2005 and in Go.Ms.No. 167 Municipal Administration and Water Supply (Election) Department Dated. 15.04.2008 in connection with the preparation of Budget. In order to guide the staff of the ULBs in the preparation of Budget, it is necessary to prepare and bring out a separate Municipal Budget Manual for the ULBs in accordance with the Accrual Based Accounting System.

There is a paradigm shift in the vision of the Directorate of Municipal Administration (DMA) as it envisages switching over from accrual based accounting system to an effective financial management system. The vision is articulated as follows:-

"Modern and transparent financial management consistent with best practices/ benchmarks providing demand based information for efficient and effective service delivery."

It may be highlighted that the improved financial management system is the means to achieve the end objective of provision of effective and efficient service delivery to citizens, which remain the mainstay behind the existence of a municipal institution.

Hence the need has emerged for identifying areas in which improvements have to be made in the accounting policies/accounting systems. It is felt essential that the ULBs ought to be supported with a Municipal Budget Manual besides an updated Municipal Accounting Manual, improved FAS and other new software modules and capacity building.

As a part of such improvement process, the Directorate of Municipal Administration (DMA) proposes to engage a consultant for the preparation of Municipal Budget Manual and Updation of the Municipal Accounting Manual.

2. OBJECTIVES

The overall objective of the consultancy service is to prepare the Municipal Budget Manual and update the Municipal Accounting Manual with need based requirements keeping a close watch on the innovations in financial reporting brought about since introduction of Accounting Manual. The objectives of the study are as follows:

(a) Preparation of Municipal Budget Manual

The objectives of the study are as follows:

- Design and develop Municipal Budget Manual so as to facilitate the Budgeting process in line with the current participatory processes with focus on transparency and accountability
- Prepare Municipal Budget Manual with standard input forms and procedures for preparing, presenting and approving the budget and provision for public participation.
- Suggest the broad format of the budget presentation document to be used by different graded Municipalities and Corporations.
- Develop appropriate codification and classification for budget items. so that, it is possible to network the data on computer for the purpose of comparison and aggregating any information at DMA level and also for compatibility with the FAS. (budget module)
- Suggest the way for comparison of budget amounts with actual amount spent so that it enables the ULBs to establish effective budgetary control mechanism.
- Develop Municipal Budget Manual with guidelines for adopting performance budget, outcome budget so as to realize tangible benefits in service levels to citizens.

(b) Updation of Municipal Accounting Manual

- Update the existing Accounting Manual to the extent considered necessary reflecting the following:
 - A) Update the accounting policies/accounting systems contained in the existing Manual in tune with National Municipal Accounting Manual (NMAM), Accounting Standards for ULBs developed by Institute of Chartered Accountants of India (ICAI), etc.,
 - B) The deficiencies and gaps identified in the ABAS study.
- Update the existing accounting procedures to cater to the needs of computerized processing of accounts.

- Update the existing financial report and MIS to meet the requirements of all stakeholders including JnNURM
- Update the existing chart of account, accounting input forms (vouchers) for enabling the ULBs to track the cost of services
- Update the existing procedures set out for compilation / finalisation of annual financial statements including the formats of financial statements and with relevant disclosure of accounting policies and notes to accounts enabling the ULBs to submit the accounts & financial statements on time to the Local Fund Audit (LFA)

The Updation of Accounting Manual shall be need based and shall not be done merely to align with the provisions of NMAM.

3. SCOPE OF TASKS

3.1 The Consultant shall perform the following tasks/activities

- Meet at least for five working days with "Manual Updation Committee" to be formed by the DMA during the consultancy period.
- Consult DMA, JCMA,FA and SFC for decisions and advice on crucial matters
- Study the existing guidelines and instructions on budget preparation such as TN District Municipalities Act, 1920, chapter II of Municipal Manual, G.O (Ms).No-167 MAWS Dept Dt. 26-12-2005, G.O (Ms).No-167 MAWS Dept Dt. 15-04-2008 and Revised guidelines issued on outcome budget by the Ministry of Finance, GoI Dt. 6th January 2009
- Make recommendation on the changes required for effective financial management and budget monitoring;
- Suggest the way for allotting / providing funds to the urban poor for basic services
- The consultant shall be expected to prepare the Budget Manual with input forms, budget codification so as to incorporate them in the enhanced FAS
- The consultant is also expected to produce an updated Accounting Manual with revised chart of account, financial statements for incorporation in the enhanced FAS
- Conduct Validation workshop to the stakeholders on the draft updated Accounting Manual and Budget Manual

3.2 Methodology for the service

The methodology to be adopted for this service will be based on an extensive study of the existing accounting manual, existing guidelines on the budget preparation, the final report on review of ABAS submitted by the consultant, the accrual based accounting system and budget system

practiced in the state of Kerala, Karnataka, Andhra Pradesh, etc., NMAM requirements of JnNURM, and Accounting Standards for ULBs developed by Institute of Chartered Accountants of India (ICAI). The Manual Updation Committee will be consulted both at the level of planning and also at its finalisation as and when required on need based

4. SCHEDULE FOR COMPLETION OF WORK

The consultancy proposed to be carried out in four stages. The time frame for the reports is as follows:

Sl. No	Stages	Time frame	No of copies
1.	Stage I Inception Report	4 weeks from the start of the study; Review Committee shall offer remarks within a week	5
2.	Stage II Interim Report	10 weeks from the start of the study. Within a week's time the Review Committee shall offer its observations.	5
3.	Stage III Draft Final Report & Validation Workshop	6 weeks after approval of interim report Review Committee shall offer remarks within a week	5
4.	Stage IV Final Report	4 weeks after acceptance of Draft final Report.	10

5. OUTPUT OF THE STUDY

Preparation of Budget Manual:-

The service proposed to be carried out in four stages

Stage 1: Inception report including developing preliminary approach to the study, detailed methodology for preparation of the report, identification of data requirements and mode of data collection.

Stage II: Interim Report after having the extensive study of the existing guidelines and instructions on budgeting

Stage-III

- Draft final report including improved budgeting systems, budget code, budgeting input forms and revised Budget presentation documents and MIS.
- Conducting Validation Workshop on the draft Municipal Budget Manual.

- Stage-IV
- Final report incorporating the suggestions received during the Validation Workshop on the draft Municipal Budget Manual.
 - Training material should also be prepared and submitted separately for imparting training to the staff of ULBs.

Updation of Municipal Accounting Manual:-

The service proposed to be carried out in four stages

- | | |
|-----------|---|
| Stage-I | Inception report including developing preliminary approach to the study, detail methodology for preparation of the report, identification of data requirements, mode of data collection. |
| Stage-II | Interim Report after having the extensive study of the existing Accounting Manual, the final report on review of ABAS submitted by the consultant, accounting system of ULBs practiced in other states, requirements of JnNURM, NMAM and Accounting Standards for ULBs developed by Institute of Chartered Accountants of India (ICAI). |
| Stage-III | Draft final report including improved accounting policies/accounting systems, modified chart of account, accounting input forms (vouchers) and revised Financial statements and MIS.
Conducting Validation Workshop on the draft updated accounting manual. |
| Stage-IV | Final report incorporating the suggestions received during the Validation workshop on the draft updated Accounting Manual. Along with Training material and submitted separately for imparting training to the staff of ULBs. |

6. DATA, SERVICES AND FACILITIES TO BE PROVIDED BY THE TNUDP-III, DMA

- i. An in-house " Manual Updation Committee" team consisting of 2 expert representatives from ULBs in proficient use of Accounting Manual, 2 experts in FAS and 2 representatives from LFA shall be facilitated by DMA within two weeks of appointment of the consultant. The Manual Updation Committee will facilitate the study, specifically with regard to data collection, documents, past reports etc.,

- ii. The DMA shall furnish the list of participants for the validation workshop and communication will be sent to the participants for attending the validation work shop.

7.COMPOSITION OF REVIEW COMMITTEE AND REVIEW PROCEDURE TO MONITOR CONSULTANT'S WORK

- 7.1. The Committee consisting of the following officers will review and monitor the progress and the quality of the services rendered by the consultants:
- Director of Municipal Administration, or his representative
 - Joint Commissioner of Municipal Administration, Office of the Director of Municipal Administration, Chennai-5
 - The Managing Director and CEO, TNUIFSL (or) his Nominee
 - Director of Local Fund Audit, Chennai-108.
 - Financial Adviser, office of the Directorate of Municipal Administration, Chennai-5
 - Senior Financial Controller (I /c), TNUDP III.
 - An external expert from the field who shall be selected by DMA
- 7.2 If the services are not up to the mark as per the conditions referred to in the TOR/Agreement, the Director of Municipal Administration has the right to terminate the contract at any point of time without any notice.
- 7.3 The Review Committee will review the progress and quality of services in four stages as mentioned below and recommend for the payment of consultancy charges

Terms of Payment

- a) 25% of Contract value on submission and acceptance of Inception Report.
- b) 25% of Contract value on submission and acceptance of Interim Report
- c) 25% of Contract value on submission and acceptance of draft final report
- d) 25% of Contract value on submission and acceptance of final report.

8. LIST OF KEY POSITIONS :

The consultant may either be an organization or a team of individuals. The qualification and experience of the consultant will be as follows:

Sl. No.	Key Position	No. of Persons	Qualification & Experience
1.	Team Leader	1	C.A. or CWA with 15 years' post qualification experience with relevant 'hand on' experience in accounting reforms in ULBs.

2.	Urban Specialist (for budget manual)	1	Master degree in Urban Planning or equivalent with 5 years of experience
3.	Infrastructure Finance Specialist (for budget Manual)	1	MBA or equivalent with Municipal Accounting and Budgeting experience with 5 years
4	Accounting Specialists (for budget and accounting manuals)	2	CA/CWA/ICWA with not less than five years experience in Municipal Accounting Reforms. And Retired senior officer at the level of Joint Director or above with more than 5 years experience of transition of ABAS in ULBs in Tamil Nadu.

Sd/- P.Senthilkumar
Director of Municipal
Administration