

Our Support to the Corporate Accounting System (CAS)

Background

Most Nepalese municipalities use a cash base double-entry accounting system, developed and endorsed by the Office of the Controller General. The system is basically designed to support the central base expenditure system of the government offices. In other words, it deals only with the preparation of revenue and expenditure statements of a particular financial year. As such, it does not have further scope to deal with the balance sheet. It is, however, appropriate for central public financial transactions, which are understood as revenues collected by different government offices, deposited into central deposit accounts and redistributed by the Ministry of Finance through the District Treasury Office to different government offices for expenditure purposes.

The municipalities are authorized to collect different taxes and fees. In return, they are responsible for providing basic urban services like road construction and maintenance, drainage and assuring the water supply as well as an efficient and effective social service delivery. These tasks explain why the municipality should keep updated information about bills payable and bills receivable through the preparation of a balance sheet. As this system is not in place, municipalities are not able to share this essential information to taxpayers.

To provide this vital information to taxpayers when and wherever required, the Corporate Accounting System (CAS) has been introduced in many organizations, which deal with public money.

What is a Corporate Accounting System?

CAS is a modern account-keeping system, which assures transparency. It manages all information important to municipal finance. Furthermore, it provides the necessary financial information for the preparation of the balance sheet, which, in turn, makes it easier to maintain municipal assets and liabilities.

CAS is guided by international accounting policies, standards, codes and general financial policies governed by the ethics of Public Finance. It is well recognized and accepted by international accounting/finance professionals and audit firms, as well as national and international financial institutions.

The benefits of implementing CAS for Nepalese Municipalities are:

- The system was legalized by the Local Self Governance Act, 1999.
- The system reflects the actual financial situation of local municipal governments at large;
- With the adoption of CAS, municipalities have reliable information about their assets and liabilities;
- The system is well recognized and accepted by all international financial institutions and development agencies; and
- It provides the required financial information of public funds collected and spent by municipal governments



Our Approach

udle is working and will work closely with MLD/LBFC to institutionalize CAS in Nepal. Furthermore, training to municipal staff on CAS will be carried out through Regional Learning Centres, as well as the Pokhara based Urban Development Training Center. We intend to support our partners by providing advisory services aimed at:

- Improving institutional frameworks;
- Strengthening institutional capacities; and
- Transparent Public Finance

Our Success

In 1996, the importance and concept of CAS was initially discussed and disseminated among all the stakeholders in Bharatpur. By 2001, Dharan and Butwal municipalities switched their accounting system from the cash based double-entry accounting system into a Corporate Accounting System. With the support of the private sector, CAS has now been extended to Kathmandu and Banepa as well. Recently, *udle* has been supporting the preparation of an adequate framework for implementing CAS in additional municipalities.

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