CHAPTER VII

BUDGETING AND AUDITING: APPARATUS IN RATIONALIZING THE EXPENDITURE

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**Introduction:**

If, any municipal body desires to earn income leading to surplus with extension of first-rate civic services it should have to use the following techniques in managing its financial and physical resources

(i) Financial and performance budget

(ii) Internal check system

(iii) Internal control system

(iv) Internal/external Audit

Hence, the present chapter focuses the salient features of the above to reveal how these techniques are practiced by the municipal councils in the Aurangabad District.

**Municipal Budget:**

Municipal budget is the annual financial statement of the anticipated income and expenditure of the concerned municipal body. Budget preparation is usually the occasion for determining the levels of taxation and the ceilings on expenditure. The main objective of the budget is to ensure that funds are raised and money is spent for the duly approved purposes. The budget ensures money is being spent by the executive department in accordance with rules and regulations and within the limits of sanctions and authorizations by the municipal council. The councilors look at it as an opportunity to press forward interests of their constituencies and to appraise the policy fulfillments. In the state governments’ view, it is a method of exercising control and enforcing uniformity in the interest of efficient functioning of local government institutions.
The responsibility for preparing the budget rests with the Executive and the Finance sub-committee often considers it before it is put to the council for discussion and approval. The approval of the budget is granted by the state government in the case of Class – I and the Deputy Commissioner in case of Class – II and III municipalities. Municipalities are required to submit the budget for approval to the government before February 25 every year. It is not feasible for the authorities to scrutinize the budget in a short span of one month and is therefore approved in a hurry. As a matter of fact the budgets are treated as routine communications and are examined mostly at the clerical levels and passed with certain routine remarks. In most cases, the approval is accorded even without properly examining the documents. Detailed examination is conducted only in case the state government has received complaints about serious irregularities.\(^8\)

The system of approval of budget by the state government either directly or through its functionaries is not conducive to efficient management of municipal affairs as quite often the process of approval is time consuming and until the formal approval is received. The municipal government is run on a most slender budget. Consequently, no worthwhile activities are undertaken in the first three to four month. The delay also occurs unwittingly on the part of the state government because of the fact that the Department of Local Government and Directorate of Local Government are not adequately equipped to make such scrutiny quickly and comprehensively.
But the state government had its own reasons to have the right to approve the municipal budget, chief among them being its concern in ensuring proper financial health of the local government for which it is accountable to the legislature on the one hand and to the people on the other; it gives substantial grants to the municipal bodies for a number of activities and it would naturally be interested in ensuring proper utilization of such grants.

The via media could be that the state government should retain indirect control over the budgets of the local bodies. It should assume powers under the municipal statutes to issue guidelines in sufficient details and the municipal bodies be left free to formulate and finalize their budgets within the framework of the provisions and laid down there under. Similarly, the controls like laying down certain conditions at the time of giving loans and grants with a view to gain some leverage for providing guidance would be preferable to the direct and negative ways of control.

As in the case of the State Government, every Municipal Councils in A’bad Dist. is required to prepare its annual budget. The Executive Officer in consultation with the Chairman prepares the Budget. The Chairman then presents the Budget to the Municipal Council for its approval. Thereafter it is presented to the State Government for approval. Since the Budget deals with the sources of revenue and heads of expenditure of a municipal government, it is necessary to discuss the same in further detail.
Accounts:

Each Municipal council, whether small or large, designs its own system for controlling and monitoring the volume of its activities as per govt. direction and municipal Act. These systems mostly consist of various forms of budgets. In some large-scale municipal authorities like corporation, the concept of budgets is taken as a tool to control the expenditure. However, budgetary control should really be used to infuse dynamism into the municipal council. The budgetary control systems can give excellent results if carefully developed properly installed and implemented after due consultation with the concerned elected councilors, technical personnel, and such others. In case of small municipal council this exercise should be done and implemented by President and CEO together.

Often it is believed that finance, control systems and its techniques requires a special set of knowledge, and that it is beyond the scope of the untrained staff of the council. Nevertheless, where the use of costing, estimating, statistical, techniques and the projections of variables influencing the I/E, are concerned other functional experts also have a role to play to make useful contributions. Since the entire municipal service process involves production of the civic services and facilities, an expertise of persons from respective fields should be sought. Engineers and other technically trained persons engaged in service production work always have edge over others in implementing the budgets and get the desired results. Similarly, persons working in the fields like water supply, public health etc. has an expertise in dealing with the problems related to citizen. When those problems are discussed with experts from technical and finance field, it
would certainly increase the satisfaction of the people. These persons should be given a chance to express their opinions and thoughts at the time of preparing the budgets. This shall certainly make a budgeting exercise more accurate and realistic one for the enterprise. Every branch of knowledge has its limitations and an edge over the other. Hence, assistance should always be sought from the persons working in all other departments. Budgeting is an exercise to balance the expected income and expenditure. A municipality has to prepare its budget to know, monitor these two aspects: Income and Expenditure, that decide the fate of its objective (public satisfaction). Let us therefore study some major and salient points in this exercise including municipal Act. Section 101 of MMC, NP & Industrial Township Act, 1965 states that -

The Chief Officer of municipal council in consultation with President of the council prepares an annual budget for his municipal council each year before the 31st day of December. The budget contains the following

- A statement showing the income and expenditure of the Council for the previous financial year;
- A statement showing the income and expenditure of the Council from the 1st day of April to the 30th day of November of the financial year then current and an estimate of the income and expenditure for the remaining portion of the current year;
- An estimate of the income and expenditure of the Council during the ensuing financial year and an estimate of the closing balance in the municipal fund at the end of the current year;
- A separate estimate of the income and expenditure of the council during the ensuing financial year in respect of the services, under
Chapter XIII about the Drainage and Chapter XIV – Water Supply facility

A report indicating whether the following services were being provided in a subsidized manner and, if so, the extent of the subsidy, the source from which the subsidy was met and the section or categories of the local population who were the beneficiaries of such subsidy namely:

(i) water supply and disposal of sewage,
(ii) scavenging, transporting and disposal of wastes,
(iii) municipal transport, and
(iv) street lighting.

**Key Guidelines Norms to be followed:**

(i) An expenditure /Income statements and estimates shall be prepared under such heads of account in such form as may be prescribed under the Municipal Account code framed under sub-section (1) of section 102.

(ii) The President shall on or before the 31st day of December place before the Standing Committee the budget prepared under sub-sections (1) and (2) and call a meeting of the Standing Committee on or before the 15th day January to consider the said budget.

(iii) No business other than consideration of the budget shall be transacted at such meeting, which shall be continued, if necessary from time to time, up to the 31st day of January.

(iv) If the President fails to place the budget before the Standing Committee or call a meeting of that Committee by the dates specified under subsection (2A), the Collector shall, on receipt of an intimation to that
effect from the Chief Officer or a Councillor, or sue motet, cause the
budget to be prepared and place" before the Standing Committee
through the Chief Officer, as soon as possible, a meeting called by the
Collector for that purpose.

(v) The Standing Committee shall consider the estimates and the
proposals of the Chief Officer and submit them to the Council with
such recommendations as it may deem fit to make, before the 31st day
of January:

(vi) The Council shall consider the estimates prepared by the Chief Officer
and the recommendations of the Standing Committee, if any, and
adopt the budget estimates with or without modifications not later
than the 28th day of February;

(vii) No budget shall be approved by the Council unless provision is made
therein -

- for the payment as they fall due of all sums and of all installments of
principal and interest for which the Council may be liable under this
Act or any other law for the time being in
- for the payment of contributions to the special funds constituent;
under this Act such as the Salary Reserve Fund and Water such-ply
Reserve Fund;
- for the payment of salaries and allowances of the officers and servants
[working under the council];
- for an amount equal to such percent of the estimated CUM revenues of
the Council as the State Government may, by general or special order,
directs for improving the living and working conditions of its sanitary
staff;
• for a minimum cash balance at the end of the year (exclusive of the balance, if any, in any statutory fund) of such amount as may be prescribed by rules by the State Government,

The budget so sanctioned may be varied or altered by the Council, from time to time, as circumstances may render desirable:

Municipal accounts:
Section 102 of MMC, NP & Industrial Township Act, 1965 states that
(i) Accounts of the receipts and disbursements of every Council shall be kept in accordance with the rules contained in the Municipal Account Code prescribed by the State Government and shall be placed before the Council in the prescribed manner.

(ii) After the end of each official year the Chief Officer shall arrange to get prepared, and if so required by Section 104 get audited by the Municipal Auditor, the accounts of the Council for the year and shall place them before the Council not later than the 30th day of June of the following year.

(iii) An abstract of the annual accounts as passed by the Council showing the receipts and disbursements of the municipal fund under each head of receipt and disbursement, the charges for establishment, the balance, if any, of the fund remaining unspent, and such other information as may be required by the State Government shall be forwarded by the Council to the Director, not later than the 31st day of July of the next financial year.
Section 103 of the above Act concerns to Publication of accounts as:–

- The quarterly and annual accounts, receipts and disbursements, and the budget when sanctioned, shall be open to inspection by any adult inhabitant in the municipal area. A note to that effect that a statement of such accounts and the budget are so kept for inspection shall be published in the local newspapers.

**Existing Deficiencies in Municipal Accounts:**

The main objectives of the municipal accounts as it is seen from the forgoing discussion are to provide timely finance related information for decision making to the various levels of management, to keep account of assets, liabilities, & expenses and to help managing the sources and applications of funds. Since finance is controlled mainly through govt. prescribed manual with little use of computers, it inherits a number of shortcomings. An experience survey, hence, was conducted to record the various shortcomings, which, besides much other reason are the result of weak financial control within the municipal council. The observations under the said experience survey are as given below:

(a) The account department in head office and in the branches occupy main place, nearly it covers more than 80% activities. However, it is not properly staffed with experienced people. It could not guide the activities of the Municipal council due to computer illiteracy prevailed in the majority number of the staff members.

(b) All accounts are kept on double entry principles. Real and nominal accounts are maintained. The efforts are made to record financial transaction but the performance and cost
aspects are left unattended. Costing aspect of services is manipulated to some extent in account data but deliberately avoided for full-fledged implementation. This is however vital to be altered.

(c) Trial balance, a photographic picture at given date is prepared annually for Municipal council as a whole. In fact, each Municipal council should institute a system of preparing monthly trial balance for reconciliation with the master trial balance to be prepared at the head office.

(d) Internal checks provided by Municipal council within accounting department are inadequate. There is a need to institute procedure to minimize the possibility of frauds or misappropriations. Cash flow should properly be managed to use the cash advantageously.

(e) The manuals and flow charts explaining accounting procedure do not at all exist. The same may be prepared for the guidance of all the staff.

(f) Internal audit department exists in Municipal council. The reports of the internal auditors are never reviewed intermittently for corrective actions.

(g) The absence of costing system is felt. There is a need to organize the wing of costing, system design and research so as to equip the finance control system. At present, no cost standards exist.

(h) Estimations about amount of advances to contractors, interest accruable on them and physical performances achievable are roughly prepared. There is also a need to
trace out the benefits of advances after completion of project. In other words, cost and benefit analysis from the social point of view seems to be imperative.

(i) As said already, the system of budgetary control is restricted to few areas. In fact, the budgetary control may be elaborated to all types of expenses, including bad debts.

(j) There is no any method of allocation, apportionment and absorption of overheads. Methods, which are used, are not scientific. As a result, the comparative efficiency of particular project or a Municipal council cannot be traced out.

(k) Accounting for residents benefit planning technique does not exist.

(l) Future requirements of funds are not estimated periodically. Advances are not related to the planned levels of activity.

(m) The capital structure is given. The Municipal council has no scope to use its entrepreneurship to design liberally its own capital structure. The Municipal councils simply act, as conductive pipeline passing funds as per wish of the revenue collector of the district.

(n) Cost of management of particular project or cost of advancing to particular civil project not been articulated. This hides inefficient Municipal council.

(o) There is a need to present a detail financial analysis before funds are committed for disposals. The absence of this, many times delay the project, to be instituted
At present, each Municipal council does not attempt to estimate working capital needs as the same are determined as and when there is a need of liquid funds. This is not sound financial base. Credit and cash of each Municipal council are to be reviewed periodically to keep the working capital at the optimum level. There is no specific model established for financing working capital as each Municipal council may take a help of revenue collector for such needs.

Each Municipal council maintains subsidiary records. All these records are not reconciled periodically and if any error or fraud is detected that is overlooked. There is a need to appoint, the vigilance committee to undertake the scrutiny. The main shortcoming of this reconciliation is that, the Municipal council Head Office insists the verification only to the amount of advances to project but not compare the same with performances This provides scope for Miss-utilization of funds.

Inter sectional accounts are not reconciled time-to-time and any excess or deficit in the transaction is reported the same is not corrected. In-fact there is a need for each Municipal council to publish periodically the necessary financial returns but these returns are not prepared.

The District Collectorate in its attempt to control Municipal council in various spheres including finance necessitates the Municipal council to fill up various returns. All these reporting are looked as matter of formality and source to
storage of statistical data. Collectorate does not try to undertake scrutiny of the returns supplied.

(t) Balancing of Books of accounts may, only at rare occasions, scrupulously undertaken by the Office and also by the District Collectorate. This should, however, be regularly done.

(u) The Municipal council has no vigilance squad to investigate in the matter of frauds. There is a need to organize this with the help of outside detective agencies.

(v) The systems of external and internal audit exist. Nevertheless, this system only insists accounting and documentary accuracy of the books but it does not try to verify the fairness of financial transactions.

(w) Budget preparation is looked as mere formalities and most of the figure in the budget largely inconsistent to previous years' figures.

(x) The performance budget is reduced to target fixing and if the same is achieved, the credit goes to Municipal CEO and if it is not achieved, the same is taken casually.

**Performance Budget:**

The performance budget is prepared while preparing the financial budget. It tells in advance that what would be achieved after spending specific amount/ In other words the CEO of the municipal council has to inform in advance that will be accomplishment in the given the budgeted expenditure. This budgeted expenditure is of two types i.e. Capital expenditure budget and Revenue expenditure budget. The former
produces the real assets/infrastructure for the use while the latter has concern to routine work facilitating the civic services to the town dwellers. At present, in the municipal there is no practice of presenting the performance budget along with the financial budget. In lieu of that only rough targets like construction of specific segment of Road of the prescribed length or installation of specific number of electric polls for lighting of the street etc. are notified in the Board meeting. However, its actual achievements are never verified. Hence, it is recommended the following course of action to prepare the performance budget to facilitate the rationalization of expenditure of the municipal council.

- Every year along with the financial budget, the performance budget shall be prepared and get approved from the councilors and Govt.
- The performance budget shall classify the expenditure in two categories i.e. Revenue expenditure and Capital Expenditure
- Against each of the above two classifications, the performances to be accomplished be noted down keeping the time frame in sight.
- Estimation of Cash flow/ fund flow statement for budgeted performances shall be prepared
- Any deviation in the budgeted performance is noticed, the same will be verified at the end of the financial year and shall be reported to the Board members.
Meaning of Internal Check:

The whole system of accounting in municipal councils needs to be organized in such a manner that it may ensure some sort of check without incurring additional financial burden. To meet this end, the method of internal check has been practiced. It is an arrangement of the duties of members of staff in such a manner that another automatically and independently checks the work performed by one person. For example, in case of cash receipts from the citizen of property tax, the cashier is not be allowed to enter the cash to final register either or to issue the cash without the permission of manager The cashier receives the cash, the ledger clerk will makes entry in the Cash book. Such an arrangement amounts to division of labor, which in itself enhances efficiency. This also brings about an automatic and independent checking by one another. Each employee operates independently but it does not involve duplicating the work of the other. This reduces the possibilities of frauds, errors or irregularities to the minimum unless there is a collision between them. The job of the management would then, be simply to enforce the system effectively to bring about automatic control over the staff. However in the small section of municipal council it is not possible due to small number of employees.

CEO’s duty about Internal Check System:

1. **Design the System:** - if the system is absent, there is a need to design the system and trained the concern.

2. **Understand the System:** In the first stage, the CEO should understand the system of internal check. He can trace a few transactions through the system to know the procedures. He can
understand the system with the help of organization manuals, flow charts, discussions with the officials of the concern. If such instrument are absent, he should prepare the same urgently for his guidance and for the guidance of the Municipal Office incumbents.

3. **Where there is No System of Internal Check:** in the case of a municipal council where there is no internal check system and only one or two clerks control the books of accounts, it would be better if the internal auditor checks all the transactions from the beginning to the end.

4. **Where there is a Good System of Internal Check:** In the case of a big municipal council where there is a good internal check system, the CEO may rely upon it and may largely presume the accuracy of the accounts. Nevertheless, he must not be negligent. He should apply a few test checks.

5. **Use of Test Check:** In selecting certain transactions for test checks, the CEO should see that such sample transactions are representatives and true specimens of such entries throughout the year. He may apply test checks to verify the books of accounts.

6. **Evaluation of the System:** If he comes across a mistake, he should investigate the nature and cause of such mistakes. He should go deeper into the matter and increase his scope of work. If he finds that, there is no mistake and there is nothing to arouse his suspicion, he may presume that the accounts are correct and represent a true and fair view of the state of affairs.

7. **Knowing the advantages:** The CEO should understand the following advantages of the Internal Control System.
It -

- facilitates proper and rational distribution of work
- helps in the detection and discovery of errors and frauds
- minimizes commission of errors and frauds
- accomplishes increase in the efficiency of work
- assists preparing the final accounts with ease and quickness.
- facilitates division of labor and specialization
- assigns the duties precisely
- necessitates the incumbent to do the Jobs carefully and cautiously.
- leads to efficient and economic operation.
- assures genuineness and accuracy of the accounts.
- reduces costs of services.

There are many advantages of the internal control system. However CEO shall keep in mind the following disadvantages of this system

- Careless Attitude of Employees - The possibilities of some of the responsible and high officials being careless increases as they feel a sort of over-confidence that the work is automatically going on efficiently. The clerks of a council may become careless and not as serious as they ought to have been.

- As the section of the Municipal council is normally happens to be small, the introduction of the internal control system may be costlier.
Audit of accounts:
1) The provisions of the Bombay Local Fund Audit Act, 1930 (Bom. XXV of 1930) shall apply to the audit of accounts of every Council, subject to the modification that the powers conferred and duties imposed by that Act on the Commissioner may in regard to such audit be exercised and performed also by the Director.

(2) In addition to the audit provided for under the provisions of the said Act-
(a) an 'A' Class or 'B' Class Council shall make arrangements for the audit of its accounts by a Municipal Auditor at such intervals and in such manner as may be prescribed ;

(b) a 'C Class Council may, or if so required by the State Government shall, make arrangements for the audit of its accounts at such intervals, in such manner and by such agency as may be prescribed.

(3) The auditor shall, for the purposes of audit have access to all the accounts and relevant records of the Council.

Internal Audit: ⁵

It is a review of operations and records sometimes continuously undertaken within a Municipal office by a specially assigned staff. But internal audit must not be confused with internal check. Internal check consists of a set of rules that are a part of accounting systems introduced to ensure that the accounts of a Municipal Office shall be correctly maintained. On the other hand internal audit is the thorough examination of the accounting transactions as well as that of the system of accounting
transactions where these have been recorded, with a view to ensure the management that the accounts are properly maintained and the system provides adequate safeguards against misappropriation. Routine process of internal audit is more or less similar to statutory audit. Internal audit is managerial. A professional auditor is generally concerned with the legality and validity of the transaction while internal auditor is concerned in addition to legality and validity, economy and efficiency in the transaction, e.g., in the case of audit of purchases, statutory auditor will check whether the goods are really purchased and paid for or not, while internal auditor in addition to the above will check whether necessary procedure for purchase has been adopted or not and prices paid for goods are economical or not, necessary quotations have been called or not. Internal auditor will ensure that there is no wastage, excess payment or pilferage or misappropriation of goods or any asset by checking of accounts, reconciliation of physical and accounting records and inspection of assets. The exact scope will however depend upon the size and nature of the Municipal Office.

(III) Objects of Internal Audit:

♦ Verification of Accuracy and Authenticity - To verify the accuracy and authenticity of the financial accounting and statistical records presented to the management.
♦ Ascertainment of whether GAAP followed - To ascertain that the generally accepted accounting principles have been followed.
♦ Control over Assets - To find out whether there is proper control over the acquisition and disposal of assets.
♦ Control over liabilities - To confirm that liabilities have been incurred
for legitimate operations of organization.

♦ Review of Internal ("check System - To analyze and improve the system of internal check.

♦ Facilitate Statutory Audit - To facilitate and expedite the yearly statutory audit.

♦ Detection and Prevention of Errors and Frauds - To detect and prevent errors and frauds.

♦ Investigation- To make special investigation on behalf of management.

♦ Physical Verification - To physically verify assets like Fixed Assets, Stock, Cash, Investments.

**Relationship between Internal Auditor and Statutory Auditor:**

Most of the duties of an Internal Auditor and Statutory Auditor are similar. Though duty of an Internal Auditor is to see that transactions are carried out as per the procedure laid down, economy and efficiency is observed therein, in addition to its legality and validity. If the internal audit department is efficient in carrying out its duties properly, it helps the statutory auditor in evaluating the efficiency of internal control in an organization before he starts his audit. In recent times when qualified accountants are being appointed as internal auditors in large Municipal Office houses, it can be seen to it that their functions and the functions of statutory auditors can be integrated. It is not necessary for the Statutory Auditor to go over the same facts and figures as they have been previously examined by a competent and trained internal audit staff.
because their duties and functions in regard to accounting matters are similar and they have the following common interests.

1. Checking of systems of internal check.
2. Checking of accounting records and statements.
3. Verification of assets and liabilities.
4. Observations, comparing financial results with statistical records and enquiry.

**Accounting and Auditing:**

Accounting and auditing occupy a place of importance in any organization, public or private. In a local body they function as custodians of the public money and are responsible for ensuring proper custody. Accounting and expenditure in accordance with the rules and regulations and provisions in the budget.³⁶

Accounting reflects accurately the day-to-day financial transactions, the receipt of revenues and the payment of expenses. Municipal bodies are required to maintain accounts in the form and manner as prescribed by the state government and to follow the Accounts Coded which *inter alia* describes the duties of the officials connected with the financial transactions and lays down procedure for disbursement of money.

Audit is a tool of financial control. Its function is to ensure that all financial transactions are conducted according to the rules, that all receipts are duly credited to the proper accounts and that no amounts are paid without proper authorization. It is required to take into account the
principles of financial property *i.e. of faithfulness*, wisdom and economy. Accordingly, Nigro has defined Audit as an analysis of proposed or past expenditure with respect not only of its legality but also to its desirability.\(^{37}\) Ashok Chanda describes its role aptly in these words:

> “In all recognized democracies, audit is not just tolerated as necessary evil, but is looked upon as a valued ally which brings to notice procedural and technical irregularities and lapses on the part of individuals, whether they are errors of judgment, negligence or acts and intents of dishonesty. The complementary role of audit in administration is accepted as axiomatic being essential for toning up the machinery of government”.\(^{38}\)

Audit of the municipal bodies generally is conducted by the Examiner, Local Fund Accounts. It can either be post-audit or pre-audit. In the former case, a test audit is conducted of a part of the financial transactions of the year and if it discloses serious irregularities, faults and mistakes, the government may order special audit. Post – audit is not considered to be of any value as it is post-mortem of the expenditure which has already been incurred and it is just like locking the barn after the horse is stolen.\(^{39}\) Pre-audit system, on the other hand, is regarded to be a more effective instrument of financial control. The state government introduces pre-audit system in selected municipal bodies and places at their disposal the services of one Resident Audit Officer representing the Examiner, Local Fund Accounts assisted by a number of junior auditors. The auditors draw their salary from the government which charges its audit fee from the municipal body concerned. They pre-audit all the
payments, whereas accounts of income, stock, etc. are subject to post –
audit check in accordance with the quantum prescribed from time to time
in respect of each account. Pre-audit is however, criticized on the ground
that it curbs initiative and leads to delay in the process of
implementation.\textsuperscript{40}

The audit prepares reports on annual audit which consists of (i) audit notes dealing with serious irregularities requiring particular
attention of the local and higher authorities and (ii) objection statement
relating to technical irregularities, mistake and defects. The council is
required to consider both the audit notes and the objection statement and
to express its opinion on them to the examiner. In case a particular loss is
incurred due to the negligence or misconduct of a particular councilor or
officer, the Examiner issues a certificate of surcharge and transmits it to
the state government who alone has the power of ordering surcharge and
realizing it from the councilor / officer concerned.

Objections of various kinds are raised by the audit. Instances of
some of them are: Municipal bodies do not put up the records asked for
by the audit. It leads the audit to feel that non-production of records was
intended to conceal serious financial irregularities committed by the
officers; Temporary advances remained outstanding against Government
Department / Agencies and municipal employees. Many of the
employees had either been transferred or had retired from service. It was
intriguing how the last pay certificates were issued to them without
getting the advances adjusted; The arrears of various taxes were not
worked out and carried over in the New Registers nor the statements
supplied to audit to enable it to depict their upto-date positions; No attention was paid towards the settlement of outstanding objections which had piled up over the years. Even the objections relating to the recoveries had not been attended to. Action on them might not be possible at this late stage being time barred under the Indian Limitation Act etc. It is a matter of great concern that the deliberative and executive wings of the municipal bodies do not take the audit reports and objections seriously. This is alleged to be quite natural in view of the inherent defects in the system. The audit objections are usually directed against the decisions of the councilors themselves who cannot be obviously expected to take action against them. The result is that an unconsciously long time it taken for reports to be put up for consideration and still longer to act upon the audit recommendations and with the passage of time, their value is considerably diluted.

Municipal bodies, on the other hand are highly critical of the negative attitude of the audit which has resulted in curbing initiative and creating friction between the deliberative and executive wings on the one hand and within the executive wing on the other. They feel that audit should not only be progressive and enlightened in outlook but also appreciative of the difficulties in implementation of the schemes. There is enough weight in the observations of the municipal bodies and it is therefore desirable that the audit should give greater emphasis on evaluation of efficient performance rather than just confining itself to the regulatory aspect as is the case at present.
As mentioned earlier, it has also been observed by the audit that innumerable audit objections have been pending for a number of years, some being as many as over two decades old. The continuation of audit objections in such a large numbers and for such a long period undoubtedly casts a reflection on the performance of the municipal bodies concerned but the keeping of these objections alive for so long is also of no value. Evidently the remedial or corrective value of these objections has ceased to exist. All long standing audit objections therefore need to be dropped.

In conclusion, it may be observed that the controversy regarding the role of audit is largely due to lack of appreciation on the part of the auditors and councilors / executive of the importance of each other.

**Bureaucratic Obstacles Leads To increase the expenditure on the Staff:**

Parkinson's Law shows how quietly organizational resources are utilized inefficiently. Municipal organization inherits such inefficiency which is perceived by the analysis of data gathered from Navy of British Empire during the period of 1914 to 1954, Parkinson has concluded that "work expands so as to fill the time available for its completion." This law suggests that work, particularly paper work, is elastic in its demand on time, it is manifest that there need be little or no relationship between the work to be done and the size of staff to which it may be assigned. A lack of real activity does not necessarily result in leisure or idleness. The thing to be done swells in importance and complexity in a direct ratio
with the time to be spent. Thus number of officials increases without really increasing the work.

Municipal administration possess the entire bureaucratic characteristic on par with the State govt. Department where the Parkinson's Law operates because of two factors: (i) a municipal official wants to multiply subordinates, and not rivals and (ii) these officials make work for each other. Parkinson has given an example as to how these two factors operate in practice. Thus if an official A appears to be busy, actual or imaginary, he would like to share his burden. He may have three alternatives: (i) either he must resign from the job to get rid of it; (ii) he may appoint a person to share the work; or (iii) he may appoint two subordinates to share the work. Naturally, he will prefer the third alternative because in the first case, he will lose his job, and in the second case, he has to bring his rival B which no body, including A in his position, likes. Thus, he may appoint C and D as his subordinates. Thus C and D will share his work. He will not like to appoint a single person as his subordinate as it amounts to bring almost a rival, which he has not liked. Over the period, C or D may complain the problem of overworked and subordinates for them will be appointed. Even if one makes complaint, subordinates will be appointed for both of them because A will not like that his subordinates are discriminated and he becomes a bad superior. This may result into appointment of E and F as subordinates of C and G and H as subordinates of D. Thus, number of personnel has increased without really increasing the volume of municipal work.
With the appointment of so many officials, the amount of work will not change, only work procedure will change. For example, in the initial stage, A was making all the decisions and executing them. Now decision process will start at the lowest level of E, F, G and H. The paper will reach to A through C or D because of prescribed channel of communication. C and D may also put their notes on the paper and ultimately A will decide the matter. In the reverse process, it will pass through C and D. Decision remains the same that is even before the appointment of these subordinates. Thus people have been multiplied without really adding to the work. Parkinson has given a formula to find out the proportion of multiplication of people per year even when work does not expand. The formula is as follows:

\[ X = \frac{2Km + 1}{n} \]

with following definitions:

- **X** = Number of new staff required per year
- **K** = Number of staff seeking promotion through the appointment of subordinates
- **M** = Number of man-hours devoted to answering minutes within the department
- **I** = Difference between the ages of appointment and retirement

Parkinson suggests that number of new staff required every year would be between 5.17 per cent and 6.56 per cent irrespective of any variation in the amount of work to be done.
Reasons for Application of Parkinson's Law in Municipal Govt.:

Though application of Parkinson's Law is a universal phenomenon, it applies more intensely in those municipal organizational behaviour set up, which generate opportunities for power building, promotion based on number of people in a unit, or lack of suitable job analysis. Normally, these three factors are responsible for the application of Parkinson's Law in the municipal administration. Let us see how these factors work.

♦ Power building is a natural tendency among councilors and incumbents of the Municipality. This may be the reason for organizational conflict and politics. In the power-building process, each unit of the municipal council section tries to strengthen itself. Since resources of the municipal council are distributed to various units based on their labor resources, these units emphasize firstly on increasing labour resources so that other resources are achieved automatically.

♦ The second factor which contributes to the application of Parkinson's law is the promotion criteria based on the number of personnel in each municipal unit. It is very common that senior and junior positions are granted in various units in certain specified proportion. It means that more the positions in a unit, more the senior positions in absolute terms and more is the chance for promotion. Thus, people try to get more positions in order to get them promoted. This tendency will work even if the higher positions are filled through the means of open competition and outsiders have chance to be selected.
The third factor that may be responsible for this phenomenon is the lack of suitable job analysis endeavored in the municipal councils. Though this may not be a natural tendency, it may help to justify the increase in positions in a unit. When jobs are not analyzed properly, it becomes very difficult to ascertain correctly the number of persons required to complete the jobs. Thus, lack of proper analysis of job may encourage or even provoke the people to multiply the personnel in any unit of the municipal council.

From the above analysis, it appears that application of Parkinson's law can be checked to a very great extent. This can be done by devising suitable criterion for promotion like direct contribution to organizational objectives rather than based on number of personnel in a unit, and by job analysis on periodical basis and objective justification of creation new positions. Like zero-base budgeting, work force demand can be analyzed with a zero base that is, assuming that there is no position existing in the unit. When this exercise is undertaken, this will reveal the work force requirement of a unit in relation to its work. This has been done by many municipal organizations in foreign countries by undertaking rigorous work force planning.

Conclusions:

For the audit of local accounts, the present arrangements, i. e. scrutiny by the auditor belonging to the Maharashtra State Local Fund Accounts, is prevailed. With the maintenance of internal checks by the comptroller, this audit may continue to be only a test audit as at present. The auditors have the power to surcharge and disallow expenditure, but
their orders are appeal able to the Maharashtra State governments and the courts as at present. It only remains now to say a few words regarding certain miscellaneous matters which could not appropriately come under the foregoing heads of discussions, but which are nevertheless of too great an importance to be omitted altogether.

In the first place, it is very regrettable that Maharashtra State autonomy should mean separation of all connection between the Government of India and local self-government as has been the case since 1919. Of course, local self-government is and must remain a Maharashtra State subject; but just as in the case of education and health, the Government of India should maintain some central organization for purposes of co-ordination of policy, research, and collection of statistics and information for local self-government. The Government of India can look at the problems of local self-government policy with a detachment and breadth of view, which it is not possible for the Maharashtra State governments to command, and their resolutions on the subject in the past have had a beneficial effect on local progress. It is therefore, suggested that there should be a local self-government section and that the Government of India should periodically review the progress of local bodies in the country and offer such advice and suggestions that may seem to be necessary for further advance.

In the second place, the Maharashtra State governments should ensure greater publicity for local affairs and proceedings than is the case at present. This can be done by giving fuller information about the local bodies in the annual reports on their working than is found in them at
present. These reports are very sketchy as regards the descriptive matter and the statistical tables they contain. The Maharashtra Govt. Reports on the working of municipalities and Zillha Parishad inform only the statistics regarding constitution, income and expenditure. It is impossible to find out from these reports the mileage of roads that particular local bodies maintain, the number of medical institutions they maintain, the strength of the various kinds of staff they employ and similar other matters. No figures of municipal or district board electors or the percentage of them that voted at any particular election is given by the reports even for the election years. It is true that facts regarding certain activities of the local bodies are to be found in the reports of the State departments like education, health, etc., but we cannot expect the citizens to take the trouble of hunting out information about the local bodies in a large number of departmental reports. It is "worth while, even at the cost of some duplication, to gather all the relevant information about local bodies in the annual reports on their working. In the Maharashtra, no annual report is published regarding the panchayat, town areas, etc. There is no justification for this omission. Since the annual administration reports of particular local bodies are cast in the mould of state reports, they are equally uninformative.

Local proceedings are seldom published satisfactorily. Often they appear in some less known local weekly or monthly which very few people read. Even the municipalities and district boards which have good daily newspapers published from their headquarter towns do not take advantage of them to publish their proceedings. In this regard, the arrangement of the Sailu municipal council in Parbhani dist. of
Marathwada to get its proceedings published in special supplements of the “Lokamat” newspaper deserves commendation. Other local bodies should follow this example and arrange with leading English and Indian language dailies and weeklies of the state for the publication of their proceedings. No effective public opinion on local matters can be created until this is done.

Thirdly, it is necessary for the State governments to help the members of local bodies by placing at their disposal the local rules and laws in an easily intelligible form. Most of the members do not have adequate knowledge of English to understand the various manuals, which are prepared in that language. Authoritative translations of these manuals in Indian languages should be made available to the members and the public, if they are to understand their powers and duties. Guides to local work and administration should be prepared by experienced officials or other competent persons and published and distributed by the government. It is a matter of shame that after more than half a century of the working of local bodies, there is not a single publication wherein one can find the local self-government arrangements in the various districts of Maharashtra adequately described. The universities, the Maharashtra State governments, and even the Government of India should look into this matter.

Finally, the subject of local government should receive greater attention in the courses of schools, colleges, and universities. Commenting on the neglect of this subject in India, Mr Webb (now Lord Passfield) said about thirty years ago: 'I do not know how many of the
couple of hundred university colleges in India have even one course of lectures each session describing the history, organisation, and the functions of local government in India or elsewhere. I have not heard of the foundation of any Professorship of Local Government. ‘wonder how many books on local government are to be found in libraries to which the Indian college students have access. How often have Maharashtra State Directors of Education called attention to this omission? It would be interesting to enquire how frequently any problem of local government has been given as a subject for an essay, or made the topic for discussion at a debating society.\(^1\) Things are not quite so bad now as when these words were written, but there is ho remarkable improvement either. One reason for the backwardness of the study of Indian local self-government in our schools and colleges has undoubtedly been the lack of suitable literature on the subject. This want is still there and the Government and the Universities should make an effort to remove it. Until the educated men remain uninformed on the subject, no hope of improvement in local administration can be entertained. “Bureaucratic Obstacles Leads to increase the expenditure on the Staff”