

**REPORT
OF
COMMITTEE ON BUDGETARY REFORM
IN
MUNICIPAL ADMINISTRATION**



**GOVERNMENT OF INDIA
MINISTRY OF WORKS AND HOUSING
NEW DELHI-110011
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COMPOSITION OF THE COMMITTEE

CHAIRMAN

Prof. G. Mukharji

MEMBERS

S/Shri

B. N. Pande

S. Samaddar

C. C. Doctor

K. S. Sastry

R. Kulandaivel

M. R. Sivaraman

A. K. Mathur

R. G. Godbole

C. S. Chandrasekhara

MEMBER-SECRETARY

Shri Satish Kumar

ASSISTANT SECRETARY

Shri L. G. Keswani

CHAPTER I

INTRODUCTION

The Seventh Conference of Municipal Corporations held at Madras in April 1970, considered an item (Appendix I) sponsored by the Town and Country Planning Organisation of the Government of India underlining the importance and urgency of employing new and advanced methods and techniques in the sphere of Municipal Budgeting. The Conference passed a resolution recommending the appointment of an Expert Committee to examine the subject in detail and make recommendations thereon *vide* Appendix II.

1.02 The Ministry of Health and Family Planning, who were then dealing with the subject of Urban Local Government, constituted the Committee on Budgetary Reform in Municipal Administration under the Chairmanship of Prof. G. Mukharji, Director, Indian Institute of Public Administration, New Delhi, under order No. F.5-33/70-UCD dated the 24th August, 1972. (Appendix III).

Composition of the Committee

1.03 The Committee consist of non-officials, administrators, and high municipal functionaries, which make them a broad-based body of experts. Since their appointment, however, the membership of the Committee has undergone some changes because of the transfer of incumbents of the posts in certain Municipal Corporations, etc. who were *ex-officio* members of the Committee. At the time of the preparation and finalisation of the report, the Committee comprised the following :—

- | | |
|--|----------|
| 1. Prof. G. Mukharji | Chairman |
| 2. Shri B. N. Pande,
Ex-Mayor of Allahabad | Member |
| 3. Shri S. Samaddar,
Commissioner,
Municipal Corporation,
Calcutta. | ” |

- | | |
|--------------------------------|--------|
| 4. Shri C. C. Doctor, | Member |
| Commissioner, | |
| Municipal Corporation, | |
| Ahmedabad | |
| 5. Shri K. S. Sastry, | " |
| Director (Budget), | |
| Ministry of Finance, | |
| (Deptt. of Economic Affairs) | |
| New Delhi. | |
| 6. Shri R. Kulandaivel, | " |
| Director of Municipal | |
| Administration. | |
| Government of Tamil Nadu. | |
| Madras. | |
| 7. Shri M. R. Sivaraman. | " |
| Director, | |
| Department of Finance, | |
| Government of Madhya Pradesh | |
| Bhopal. | |
| 8. Shri A. S. Verma,* | " |
| Chief Auditor, | |
| Municipal Corporation. | |
| Agra (U.P.). | |
| 9. Shri A. K. Mathur, | " |
| Chief Accountant, | |
| Municipal Corporation. | |
| Delhi. | |
| 10. Shri R. G. Godbole, | |
| Chief Auditor, | |
| Municipal Corporation. | |
| Bombay. | |
| 11. Shri C. S. Chandrasekhara, | " |
| Additional Chief Planner, | |
| Town and Country Planning | |
| Organisation, New Delhi. | |

*Shri A.S. Verma retired from service on 23rd May, 1974 and did not attend the final meeting.

12. Shri Satish Kumar,
Deputy Secretary,
Ministry of Works and Housing
New Delhi.

Member-Secretary

1.04 The Committee were authorised to co-opt a few experts in the fields of management and accounts. Accordingly, the Committee coopted Shri N. P. Tiwari, Commissioner, Municipal Corporation, Bhopal and Prof. Deva Raj, Director, National Centre for Training and Research in Municipal Administration, Indian Institute of Public Administration, New Delhi, to assist them in their deliberations and the study of various problems. The Committee constituted a Working Group, to supervise and guide the work of study and to help in drafting the report. The Working Group included :—

1. Chairman
2. Shri R. G. Godbole
3. „ A. K. Mathur
4. „ K. S. Sastry सत्यमेव जयते
5. „ N. P. Tiwari
6. Member-Secretary

1.05 For reasons of economy, the Committee could not be provided with separate staff and the UCD/LSG Technical Cell in the Ministry headed by Shri L. G. Keswani, Research Officer, functioned as office of the Committee attending to both technical as well as administrative matters. Shri Keswani was designated as Assistant Secretary to the Committee. Shri Satish Kumar joined the Cell as another Research Officer with effect from 1st March, 1974 and was assigned to assist in the work of the Committee.

Terms of Reference

1.06 The terms of reference as specified in the order dated 24th August, 1972, are as under :—

- (i) to undertake a comprehensive examination of the existing budgetary systems, methods, practices and procedures, including financial control, in the Municipal Corporations and large municipalities;
- (ii) to suggest improved budgetary systems, methods and procedures so as to make budgeting an effective tool of financial and general management especially in the context of the need for planned development of urban areas and implementation of development plans, programmes and projects;
- (iii) to consider and make recommendations as to how budgetary reforms can contribute towards more effective financial management and resource mobilisation;
- (iv) to examine the desirability of introducing programme and performance budgeting in Municipal Government and the feasible ways in which these budgetary reforms could be achieved within a reasonable period of time; and
- (v) to consider other relevant matters.

The terms of reference are wide in scope and comprehensive in nature and required the Committee to make a detailed study of various aspects of the problem. The Committee were also required to go into allied matters.

Scope and Importance of the Study

1.07 The social and economic changes ensuing from the changed concept of the State's activity have inevitably led to steady rise in government expenditure. This is true not only in respect of the Central and State governments but also for the administration at the local level. Over the past few decades, the

expenditures of most of the major cities have increased several fold. In spite of this, however, the city Governments are still in dire financial need. While there is no doubt that financial stringency has been caused by various factors like population growth, inflation, widening of scope and field of civic services, etc., there is a widespread impression that the local authorities do not manage their finances with needed care and prudence. The procedures followed are cumbersome, inflexible and dilatory. The credibility of the local authorities is perhaps at the lowest in this respect. Whereas a good deal of attention has been paid in the past to the question of augmentation of financial resources of these authorities, none of the expert committees has examined the budgetary systems and procedures in detail even though budgeting constitutes an integral part of financial management and fiscal reform. The result is that in spite of enormous rise in income the municipal budgeting continues to be traditional or conventional. In the words of Rural Urban Relationship Committee, (1) the municipal finances suffer from the inhibitions of private budgeting instead of following the principle of public finance regulated by expenditure policies and programmes. The Committee also noted that the control exercised by the State governments and the district authorities had lacked a positive and constructive approach.

1.08 The municipal budgets are at present, organised and presented along departmental lines and in purely financial terms. These are made for one financial year only and are not conceived along a longer time perspective. They do not provide for a complete picture of the financial implications of any programme and activity as a whole. Besides, the present budgeting practices operate more in the nature of negative checks rather than as a positive incentive towards achievement and efficiency. In the present state of scarce resources, therefore, budgetary reform assumes greater importance. By streamlining the procedures, employing modern techniques, eliminating delays and wastages

(1) Report of the Rural Urban Relationship Committee Vol.1, Government of India, 1966.

and making the system more functional, purposeful and action-oriented, the local authorities could achieve economy and efficiency with more or less the same level of investment bringing about quicker and higher results. With better management of their finances, these authorities could look forward to receiving more willing and active cooperation from the public for widening the scope of their financial resources.

Methods of Study

1.09 With a view to making the study comprehensive, the Committee employed different methods such as issue of a questionnaire, collection of factual data from the urban local bodies and the State governments, discussions with the officers of the State governments and the Municipal Corporations and organising a national seminar.

1.10 The proforma eliciting information about financial data, budgetary procedures, financial control, audit, etc. was circulated among 378 local authorities in Class I and Class II cities i.e. cities with population of fifty thousand and above. The Committee note with satisfaction that the response from the local authorities was quite satisfactory as completed proformae were received from as many as 163 local authorities indicated in Appendix IV. A separate proforma was circulated among the State governments. While there was no response to this, several State governments provided the Committee with detailed notes on different aspects of municipal budgets at the time of regional discussions.

1.11 To save time and expenditure, the Committee instead of visiting State Headquarters for recording views and suggestions, adopted the method of regional discussions. The first such discussion were held at Hubli in August, 1973 on the occasion of the 9th Conference of Municipal Corporations organised by the Ministry of Works and Housing. The representatives of the neighbouring State governments and Municipal Corporations participated. Subsequently, the Committee visited Bombay in April, 1974 and held discussions with the representatives of the

State governments and the Municipal Corporations. The list of participants of these discussions is given in Appendix V.

1.12 At the instance of the Committee, the National Centre for Training and Research in Municipal Administration organised an All India Seminar on Municipal Budgetary Reform at New Delhi on March 5-6, 1974. This was done with a view to obtaining views and suggestions from experts, non-official, administrators, academicians etc. who were directly connected with municipal affairs. The seminar greatly helped the Committee in crystallising the issues and the consideration of workable solutions. The conclusions of the seminar are given in Appendix VI.

Acknowledgements

1.13 The Committee wish to express their grateful thanks to the Union Ministries of Health and Family Planning and Works and Housing for their interest in the work of the Committee and for rendering all the help needed by them. The Committee offer their thanks to the State government and the urban local authorities for valuable suggestions and supply of factual data and also for participating in the discussions with the Committee. The Committee appreciate and gratefully acknowledge the excellent arrangements made for regional discussions by the Municipal Corporations of Hubli-Dharwar and Bombay. Thanks are also due to Prof. Deva Raj Director of the National Centre for Training and Research in Municipal Administration (I.I.P.A.), New Delhi and his staff for organising the seminar on Municipal Budgetary Reform and for helping in tabulation and analysis of data received from local authorities. The Town and Country Planning Organisation deserves our appreciation for the help rendered in analysis of information on capital budgeting.

1.14 The Committee wish to place on record their high appreciation of the very valuable support given to its work, including preparation of the report, by Shri L. G. Keswani, Research Officer and Assistant Secretary to the Committee and Shri Satish Kumar, Research Officer. For several months Shri Keswani bore the brunt single-handed, in addition to his normal work in the

Ministry, but towards the end of the Committee's work, he was ably assisted by Shri Satish Kumar. Between them they studied, sifted and analysed a mass of statistical and other factual information, evidence of which is amply available in the text of the report and the appendices. Shri Keswani's contribution, based on his long experience and background of urban local government, in the preparation of the report is noteworthy. The staff of the UCD/LSG Technical Cell of the Ministry including S/Shri H. K. Ghosh and G. S. Rawat, Research Assistants and S/Shri Swarn Singh and B. D. Sharma, clerks and Shri Govind Ram, P.A. to Member-Secretary put in hard work for the Committee from time to time and deserve our appreciation.

1.15 The Chairman and other members of the Committee wish to place on record their deep sense of appreciation for the utmost devotion of our Member-Secretary, Shri Satish Kumar, I.A.S. with which he applied himself to the task and brought to bear his vast knowledge and experience on the work of the Committee. In spite of his heavy normal duties as a Senior Officer in the Ministry, he did not spare himself in fulfilling his obligations to the Committee. This undoubtedly meant a great deal of extra strain. But for his unremitting toil, the work of the Committee could not have come to successful completion in time.

CHAPTER II

STRUCTURE OF LOCAL GOVERNMENT WITH SPECIAL REFERENCE TO MUNICIPAL ADMINISTRATION

Status of Local Government in the Constitution

2.01 The term 'the State' as defined in article 12 of the Constitution of India 'includes the Government and Parliament of India and the Government and Legislature of each of the States and all local or other authorities within the territory of India or under the control of the Government of India.' India has thus a three level system of government i.e. the Union, the States/Union Territories and the Local Government. The Governments at these levels are constituted on the basis of three fundamental democratic characteristics : popular authorities, assigned revenue resources, and thirdly, specified spheres of responsibility. The Constitution, however, prescribes the legislative, administrative and financial powers of the Union and the States only. It does not specify any thing in so far as local government is concerned. It is significant that local government, as such, figures at just two places in the Constitution. First in article 12 as indicated above and secondly in entry 5 of State List in the Seventh Schedule. The seventh schedule is, however, supplementary to article 246 relating to distribution of Legislative powers of the Union and the States. The State List enumerates the matters with respect to which the Legislature of any State has exclusive power to make laws for such State or any part thereof. In other words, local government is just one of the sixty-six subjects assigned exclusively to the States. It is also noteworthy that while organisation of village panchayats is one of the directive principles of State Policy fundamental in the governance of the country, urban local government does not find a place even there.

2.02 The local authorities, as such, are the creatures of the State statutes except for such authorities in the Union Territories without legislature and the Cantonment Boards which have their origin in Union laws. The State governments can, however, delegate only such powers and functions to the local authorities as are available to them under the Constitution. In fact, a number of Municipal Acts, for example, the Uttar Pradesh Nagar Mahapalika Adhiniyam 1959, empowers the local authorities to levy *inter-alia* any other tax which the State Legislature has the power under the Constitution of India to impose in the State although this power is never known to have been used by any local body. This, however, does not preclude the State governments from imposing identical or parallel taxes as have been allowed to the local authorities. The local government therefore, does not enjoy any Constitutional status of its own but has statutory status under the State laws.

Patterns of Local Government

2.03 Local government in our country is divided into two main patterns i.e. the Panchayati Raj and the Municipal Administration. The Panchayati Raj covers the rural population and consists of a three tier system of popular institutions from the village to the district, formed on democratic principles and organically linked. The urban areas, which cover 1/5th of the population, on the other hand, comprise five different types of municipal bodies constituted with reference to character, size and importance of different towns and cities. These rural and urban local institutions are governed by separate enactments in each State and their control and supervision both at the Centre and in the States is often the responsibility of different departments.

Types of Urban Local Authorities

2.04 The Municipal institutions in India have evolved over the past one century and their form has largely been determined by the extent of control exercised by the State administration and its functionaries. Since Independence, this concept has undergone some changes and Municipal authorities are now created keeping in view the local needs and importance of the

local area. Since the Panchayati Raj covers the entire rural area and local administration in the form of Panchayats already exists everywhere, giving the status of a Municipal authority to a certain area means only a change in the form of local administration. This is done on the basis of the trend of urbanisation. There are at present five types of urban local authorities in the country as indicated below :—

1. Municipal Corporations
2. Municipalities
3. Notified Area Committees
4. Town Area Committees
5. Cantonment Boards.

While the first four types are created under State Municipal Laws, the Cantonment Boards owe their origin to a Central Act called the Cantonments Act, 1924.

2.05 It may be pointed out that the selection of items in the State List in the Constitution seems to have been made on the basis of local interest and it envisages the possibility of diversity of treatment with respect to different items in the different States of the Union. One, therefore, notices variations in even one type of these authorities from State to State and even within the same State. Moreover, leaving the municipalities aside, the other kinds of urban local authorities are not uniformly found in every State. Uttar Pradesh is the only State which has all the types of these authorities and Rajasthan which has only the municipalities.

Structure

2.06 Since our study is limited to Municipal Administration, in that too to Municipal Corporations and large municipalities, the Committee would not like to go into the system of Panchayati Raj. While basically Panchayati Raj and Municipal Administration have identical local authorities, the main difference comes

in their system of supervision and control. The Panchayati Raj contains a three tier democratic structure with an in-built hierarchy from Village to Block and then to District levels. The Municipal institutions, however, stand on their own and have no democratic controlling agency below the State level. The control at the intermediate level is exercised by an official hierarchy of the State Administration. Moreover, these authorities do not have any relationship or link between them.

2.07 Structurally, however, these authorities follow more or less the same pattern in all States, for instance, the elected council, system of committees, the Municipal Executive, the taxation powers, the functions, etc., as the basic concept is the same. Differences exist in size and area of the city/town, size of the council, extent of delegation of authority and quantum of control exercised by the State authorities. The Municipal Corporations enjoy more autonomy and are somewhat more strongly placed in their relations with the State governments and also in the matter of mobilisation of resources, etc. The municipalities, however, have to depend much more on State governments, both in administrative as well as financial matters.

Functions

2.08 The Municipal Acts enumerate in detail the civic and other functions which are expected to be performed by the Municipal authorities. These functions are divided as obligatory and discretionary. An obligatory duty is one the Municipal authority shall make adequate provision for; while in respect of discretionary duties, the local authority may, in its discretion, undertake them wholly or partly. This, however, does not necessarily mean that the local authority cannot incur expenditure on a discretionary function unless all the obligatory duties have been satisfactorily performed. This is so because on many occasions the unsatisfactory performance of an obligatory duty may arise mostly out of the circumstances beyond the control of a local body requiring the cooperation or sanction of some other authority.

2.09 The acts also provide a measure of elasticity and permissiveness by a general provision that the local authority may undertake any measure which has not been specifically named but which is likely to promote public safety, health, convenience or instruction (as in case of the Bombay Municipal Act). The sphere of the Municipal administration is also being enlarged by certain special acts like Shops and Establishments Act, the Prevention of Food Adulteration Act, the Minimum Wages Act, etc. Likewise, the town planning legislation entrusts the municipalities with certain obligations in regard to planned development to be carried out in their areas.

2.10 Besides these legally allocated functions, the responsibilities of the local authorities have been growing in the wake of rapid urbanisation, whereby there is continuing and mounting pressure on the civic facilities and amenities. While the scope and area of the functions has been widening, there is no matching effort by the State governments to ensure adequate finances to these authorities nor have local authorities displayed much initiative in raising their revenues internally. The local authorities can meet these challenges only when adequate financial resources are made available to them, sufficient powers and authority is bestowed on them and the institutional and administrative structure is strengthened.

Decentralisation

2.11 It is now recognised at all levels that local bodies are important units to help achieve decentralisation of political power and promotion of democratic values. By securing active cooperation and participation of local communities, they can contribute substantially to the efficiency at the higher echelons of government by relieving them of purely local tasks. As against this approach, there has been an increasing tendency on the part of the State governments to take over more and more of local functions either directly or by creating special purpose uni or multifunctional authorities. This action is largely justified on the plea of the inefficiency of local authorities and their being

inadequately equipped to perform those tasks. The water boards, improvement trusts, electric undertakings, transport authorities etc. are cases in point. The Committee feel that if the State governments take steps to allocate adequate resources to these bodies, strengthen their organisational and administrative set up and provide expert and technical help to them urban local authorities can, because of the inherent strength in their system, handle most of these tasks with reasonable competence. The principle of decentralisation has to be practised with willingness and conviction. This trend of creating uni-functional authorities needs to be reversed and we recommend accordingly. Where for insuperable reasons of regional administration, the creation of such bodies must be undertaken in the public interest, local authorities in the area should find strong representation on them.

Role as Development Authority

2.12 In pursuance of the Balvantray Mehta Committee Report on Democratic Decentralisation,⁽¹⁾ the Panchayati Raj institutions have been entrusted with all functions at the local level including development functions. This can not, however, be said of the urban local authorities. Most of them have not been carrying out development functions for a variety of reasons. The foremost cause has been the lack of finances followed by a hesistancy on the part of State governments to entrust them with these tasks largely because they were doubtful of the proper utilisation of development funds by these bodies. The result was the creation of special development authorities. The City Improvement Trusts set up under special enactments in Bombay, Calcutta and Uttar Pradesh did not have the perspective and powers for taking care of future developments. The powers and functions of the Improvement Trusts were limited to different schemes of development and redevelopment prepared and executed by them without integrating these with the development of the city as a whole. These trusts were functioning

(1) Report of the Team for Study of Community Projects and National Extension Service, Government of India—1957

more or less as colonisers for new areas without caring for the core areas and the impact of their schemes on the services in the city as a whole. It was in the third plan that the real importance of city development was first taken notice of and preparation of Master Plans initiated. The idea has been developing ever since and master plans have been prepared for all major cities and towns keeping in view the needs for development of the region around. There has, however, been no adequate follow up on these plans due mainly to lack of finances. In this process also the local authorities have not been given the importance they deserve. While there is no doubt, that the tasks of planning and area development, because of their wider context, may have to be entrusted to an authority specially created for the purpose, the implementation of plans and execution could be best attended to by the local authority as it can muster active support from the local community. Any action that alienates this authority would only lead to creation of problems of coordination and may retard implementation. Further the felt needs of the citizens may not be reflected in the priorities and programmes undertaken by such special development agencies. The case is, therefore, made out for an organic linkage between the special development agency and the local authority.

Relationship with other Development Authorities

2.13 The nature of this relationship of the Municipal authorities with the special development authorities therefore becomes crucial. There is great variation among the development authorities set up at different places depending on the type of the authority established. The first type is the improvement trusts. Such authorities did not prove successful as they lacked long term perspective and they had reduced themselves to a position of a 'Department' concerned with constructing housing colonies without ensuring adequate provision of civic and social services for the new areas. It is for this reason that the Improvement Trusts have been or are being transformed into the new development authorities. In Uttar Pradesh, with the establishment

of Nagar Mahapalikas (Municipal Corporations) in KAVAL cities, the Development Boards were merged with the new Corporations. The Municipal Corporations are now empowered to perform planning and development functions.

2.14 Delhi has both powerful civic authorities and a high-powered development authority. Both have independent status. While the Municipal Corporation is a popular civic authority, the Delhi Development Authority is a nominated body consisting of official as well as non-official members. In the matter of development both have to function in close coordination and cooperation. The Delhi Development Authority has to synchronise its development activities with the provision of water supply, sewerage and drainage facilities which continue to be managed by the Delhi Municipal Corporation. Moreover, the maintenance of services in the new colonies has to be ultimately entrusted to the Municipal Corporation. The proposal to have a separate autonomous authority for water supply and sewerage for Delhi is under active consideration of the Government of India.

Calcutta Metropolitan Development Authority

2.15 The Calcutta Metropolitan Development Authority presents yet another model. The metropolitan district of Calcutta is spread over an area of 532 sq. miles and has within its fold a population of more than 8 million. There are 3 Municipal Corporations, 31 Municipalities, 63 Non-municipal urban units and 116 semi urban Anchal Panchayats in the Calcutta metropolitan district. The Calcutta Metropolitan Development Authority has been set up under a special statute and provided with various functions and powers to raise funds and administer, supervise and coordinate development programmes. The Statute gives authority to C.M.D.A. to undertake any development work in the jurisdiction of any local body without its concurrence. To that extent powers and authorities of these local bodies stand abridged. The civic authorities in the metropolitan area function as agencies for C.M.D.A. for implementing

various schemes and programmes initiated by C.M.D.A. in their jurisdictions. The Calcutta Corporation is one of the leading agencies out of several engaged by the C.M.D.A. for the purpose.

Other Examples

2.16 In Madras, the State government has set up a number of special purpose authorities like the Slum Clearance Board, the Housing Board and more recently, the Madras Metropolitan Development Authority. The local authorities there function as sister organisations for maintenance of civic services and community facilities. In Bombay, the Municipal Corporation takes care of development functions also within its areas. For looking after development needs on a wider and regional basis, other autonomous authorities have been set up. The Maharashtra Housing Board and the City and Industrial Development Corporation are examples in point. Then, there are Housing Boards or autonomous Corporations in other States. Uttar Pradesh has for example, a Housing Board for the entire State. A Water Supply and Drainage Board at the State level is being considered. Bangalore City too has Housing Board. These Boards are, however, official bodies financed and supported by the State governments and perform the limited functions of developing housing.

2.17 Thus, there is yet no clear pattern of relationship between the civic authorities and development authorities set up in different cities. This is still in a state of evolution.

Agency for State Government

2.18 The working of the State government and the local government differs in degree and extent and not so much in content. The functions like education, public health, housing, communications, transport, social welfare, etc., are matters which have local as well as wider importance. In the interest of democratic decentralisation, it should be the policy of the State governments to utilise the local authorities to the maximum extent for the performance of these functions at the local

level retaining to themselves the tasks of planning, providing help and guidance and for the execution of works covering larger areas. The interest of the local authorities and the State governments are so closely inter-related that a high degree of co-operation and co-ordination between them is necessary. The approach of restricting initiative and discretion to assume higher responsibilities by the local authority should give place to the positive policy of delegation of more and more functions together with adequate resources. In actual practice, however, one notices the tendency, on the part of the State governments, to discourage the local, authorities either by taking over the functions themselves or by setting up unifunctional authorities. In Western democracies, the local authorities function as miniature governments at the local level for almost all functions, including law and order. The Committee noted that the Gujarat Municipalities Act is perhaps the only Act which provides for transfer of a number of functions of the State Departments to the local authorities duly backed by adequate resources. The Committee commends this system to the other State governments for adoption in their States.

Accountability to the State governments

2.19 While the Committee are not strictly concerned with the entire field of State-local relationship, the question of accountability of the local authorities to the State government particularly in their financial relationship may be stated here to give an idea of the limits of local Government's operational freedom. Since the local authorities are creatures of the State laws, the State governments are the sole arbiters of their destiny. They enjoy exclusive and absolute powers to control the local authorities. The law gives wide powers of administrative and financial control to the State governments. As the main aim in setting up the local authorities is to secure the best possible and most efficient service for the people, it becomes the duty of the State government to see that the local authorities do not stray away from the path set for them. This approach regulates the relationship between these two levels of the government.

2.20 The accountability of the local authorities to the State government may be studied from two angles, (i) administrative; and (ii) financial. The administrative accountability requires the local bodies to submit resolutions, records and reports regularly. The State governments also arrange for periodical inspection. The State governments retain powers to require performance of certain functions and in the event of default, get them executed by its own agency and recover the expenses from the local body. Moreover, the State government can cancel or suspend the decisions and resolutions of the local authorities and in certain circumstances, supersede them also.

2.21 In the sphere of financial accountability, the submission of budget, approval of budget, submission of returns and performance reports, etc., are the various methods adopted for the purpose. While the general procedure for making the budget would seem to be uniform throughout the country both in respect of the Corporations and the Municipalities, the variation exists in procedures for revising rates of taxes, maintenance of minimum balances and system of prior approval of the estimates.

2.22 One obvious lacuna in the existing system is that the State governments are not in a position to force the local bodies to step up the revenues by revising the rates and effecting adequate collections. The Zakaria Committee on Augmentation of Financial Resources of Urban Local Bodies⁽¹⁾ had suggested certain measures to overcome the consistent slackness on the part of local bodies in taking adequate steps to raise the percentage of collection. These include *inter-alia* disciplinary action against the Chief Executive followed by such action against the President as may be deemed necessary, and finally, if the situation did not improve, the supersession of the local authority itself. The State governments, however, did not find it feasible strictly to follow up the recommendation. The system

(1) Report of the Committee of Ministers on Augmentation of Financial Resources of Urban Local Bodies—Government of India—November, 1963.

of audit is yet another measure to enforce accountability in financial matters. It is, however, not necessary to go into the details here as a separate chapter is devoted to this aspect.

2.23 In spite of the fact that the State governments have wide powers for regulating the financial actions of the local authorities, one finds that it is in this field where there is much room for improvement. This is perhaps because the State governments have not yet organised adequate and competent machinery to deal with the growing volume of work in respect of the local authorities. The budgets are treated as routine communications and are examined mostly at the clerical levels and passed with certain routine remarks. In most cases, we understand that approval is accorded even without examining the documents received. The detailed examination is conducted only in case the State government has received complaints about serious irregularities. This *ad hoc* approach towards the governance of local authorities can hardly be expected to strengthen the system. The State governments have to adopt an approach of a 'true friend and guide' to the local bodies.



CHAPTER III

PROBLEMS OF MUNICIPAL GOVERNMENT

Ambit of study

3.01 Although the main subject of study before the Committee is the municipal budgetary system, it needs no emphasis that this aspect can not justifiably be studied and fruitfully dealt with in isolation. It has to be examined in the context of an overall frame-work in which the municipal government in our country operates. We have to take cognizance of the limitation of powers inherent in the system as also the restrictions imposed by State action. The numerous problems that confront the city governments, at present, arise out of (i) lack of financial resources; (ii) general feeling in the Government and public that local governments are not able competently to discharge the duties assigned; (iii) inadequate attention devoted to local government and urban development in the process of national planning, and (iv) mal-functioning of existing structure. The examination of one aspect will therefore have to be extended to cover all the relevant problems simultaneously and in a common time frame. This approach leads us to the conclusion that the Committee can not leave out such aspects which, though not strictly within the ambit of their terms of reference, are, however, of crucial importance even to the budgetary aspects. The recommendations on the reform of budgetary systems will have no meaning if these were not related to financial administration, fiscal reform and administrative efficiency. We feel that in the interest of local government all the relevant aspects should be examined and dealt with. The Committee do hope that the implementing authorities will appreciate this point and give due weight to the recommendations relating to the ancillary aspects.

Lack of Financial Resources

3.02 Municipal authorities in our country are proverbially deficient in financial resources both qualitatively as well as quantitatively. As far back as in 1925, the Indian Taxation Enquiry Committee had noted that the 'finances of local bodies were inadequate for the services' they were required to perform. While the Municipal Acts set out an impressive list of obligatory and discretionary functions entrusted to the local authorities, the importance of matching these obligations with adequate resources has never been sufficiently recognised. Since Independence, this aspect has been enquired into by numerous Central and State Commissions and Committees but their recommendations have not been matched with adequate follow-up action towards implementation. Besides, the Central Council of Local Self Government, an apex body on policy and planning, with the Union Minister of Works and Housing as its Chairman and the Ministers Incharge of Local Self Government in all States and Union Territories as members, have in their annual meetings been discussing *inter-alia* problems of finances of local bodies and making recommendations to the State governments. The Central Government has also been organising annual Conferences of Municipal Corporations which constitute the most important segment of the municipal government in the country where the common problems including those relating to finances are considered in detail and suitable recommendations made. A new forum for voicing the needs of the major cities and metropolitan areas has been provided by the All India Council of Mayors, a registered body, which meets periodically and considers common problems. Yet, one more forum that has been developed by the Central Government is the Joint Meeting of the Central Council of Local Self Government and the Executive Committee of the All India Council of Mayors. These meetings afford an opportunity to the heads of the city governments and the State Ministers to consider major problems jointly and arrive at an agreed course of action. The practical results of these discussions have, however, been only marginal.

Income and expenditure pattern

3.04 Before going into the measures that would help improve the situation, it may be relevant to make a rapid survey of the financial position of some major municipal authorities. The local bodies derive their income from three major sources viz. (a) Tax resources comprising property tax including water tax, conservancy and drainage tax, octroi and terminal taxes and other miscellaneous taxes like vehicle, cinema tax, etc.; (b) Non-tax resources; comprising fees, fines and realisation under special acts and receipts from remunerative enterprises; and (c) share of taxes and grants from State governments. As indicated in the Introductory Chapter, the Committee had circulated a proforma eliciting information and data on various aspects. Out of 34 Municipal Corporations, completed pro-formae were received from eighteen Municipal Corporations. The information received is briefly analysed below :—

TABLE I

Percentage of Income from different sources in relation to total revenue income during 1971-72

Name of Corporation	Total income (Rs. in lakhs)	Percentage of tax income	Percentage of Non-tax income	Percentage of shared taxes and grants
1	2	3	4	5
Hyderabad . . .	370.78	64.39	7.42	28.19
Patna	145.44	58.35	3.54	38.11
Ahmedabad . . .	1269.61	78.29	13.44	8.27
Baroda	344.32	73.72	13.01	13.27
Surat	297.11	78.28	8.81	12.91
Simla	65.22	57.66	0.04	42.30
Bangalore . . .	655.74	69.19	10.61	20.20
Hubli-Dharwar . .	218.43	57.57	25.39	17.04

1	2	3	4	5
Indore	214.42	77.72	17.09	5.19
Bombay	6288.89	82.25	15.99	1.76
Nagpur	383.32	80.93	8.00	11.07
Poona	605.97	81.37	9.58	9.05
Sholapur	183.41	77.56	12.33	10.11
Allahabad	205.90	63.88	19.12	17.00
Kanpur	360.71	66.54	10.36	23.09
Varanasi	204.07	57.87	22.73	19.40
Chandernagore	41.92	33.45	9.12	57.43
Delhi	2679.03	63.11	9.38	21.51

3.05 It will be noted from this table that in all, Municipal Corporations the major portion of the income is derived from the tax resources; the only exception being Chandernagore where tax resources contribute only one-third of the total income. The revenue from non-tax resources has only marginal importance leaving aside two or three Corporations. In so far as shared taxes and grants are concerned quite a few Corporations depend on this help for augmenting their income to the extent of one-fifth to one fourth or even more. Bombay Corporation is an exception which gets the minimum assistance from the State government through sharing of taxes or grants. The Committee feel that there is considerable scope for the Municipal bodies for exploring the field of non-tax income through remunerative enterprises, which will not only strengthen their income-base but will help reduce their dependence on the State government considerably. Self-sufficiency will have a cumulative effect on the efficiency of the local authorities and would add to their stature and self-confidence.

TABLE II

Percentage of income from different Tax Resources in relation to total tax Revenue-1971-72

Name of the Corporation	Property tax	Octroi and Terminal Tax	Other taxes
1	2	3	4
Hyderabad	64.88	18.49	16.63
Patna	92.29	—	7.71
Ahmedabad	44.88	52.11	3.01
Baroda	39.96	58.26	1.78
Surat	34.36	62.99	2.65
Simla	63.39	36.16	0.45
Bangalore	41.71	55.46	2.83
Hubli-Dharwar	44.24	51.86	3.90
Indore	16.02	82.37	1.61
Bombay	59.23	34.98	5.79
Nagpur	31.88	44.12	24.00
Poona	35.34	60.16	4.50
Sholapur	36.95	62.04	1.01
Allahabad	37.64	59.83	2.53
Kanpur	66.36	29.15	4.49
Varanasi	35.61	59.49	4.90
Chandernagore	46.92	33.26	19.82
Delhi	37.37	43.55	19.08

3.06 This table indicates the importance of income from the property taxes and Octroi in different Corporations. It is significant that Patna Corporation which is not allowed to levy octroi, derives 92.29 percent of its income from the property taxes. The dependence of the various Corporations on income from the other Tax sources is only marginal barring a few exceptions.

TABLE III

Per capita income and expenditure during 1971-72

Name of Corporation	Per capita Income	Per capita expenditure	Excess/Short fall in income	Population 1971 census (in lakhs)
1	2	3	4	5
Hyderabad	23.05	25.77	(—)2.71	16.07
Patna	30.75	29.78	(+)0.97	4.73
Ahmedabad	80.07	71.30	(+)8.77	15.85
Surat	62.99	46.28	(+)16.71	4.71
Simla	117.79	95.03	(+)22.76	0.55
Bangalore	42.56	36.79	(+)5.77	15.40
Hubli-Dharwar	57.61	39.40	(+)18.21	3.79
Indore	39.46	35.86	(+)3.60	5.43
Bombay	105.25	120.61	(—)15.36	59.70
Poona	70.78	63.20	(+)7.58	8.56
Sholapur	46.04	52.14	(—)6.14	3.98
Allahabad	41.97	40.07	(+)1.90	4.90
Kanpur	31.25	37.26	(—)6.01	11.54
Varanasi	34.95	28.05	(+)6.90	5.84
Chandernagore	55.71	43.46	(+)12.25	0.75
Delhi	81.48	82.20	(—)0.72	32.88

Desirable level of expenditure

3.07 This table gives the comparative figures of income and expenditure per capita in different Municipal Corporations. The relative strength and weakness of the local body could, however, be assessed only when we study the gap between needs and resources. The Committee of Ministers on Augmentation

of Financial Resources of Urban Local Bodies (popularly known as Zakaria Committee) had indicated the desirable per capita expenditure for maintenance of Municipal services at minimum levels of physical standard. The Committee divided the municipal authorities into six classes on the basis of population and mentioned the desirable per capita expenditure on maintenance of services in each case. These estimates were made with reference to a base year more than one and a half decades back. Over the past ten to fifteen years, the price index has registered enormous increase and these estimates could safely be increased by 100 per cent, if not more. The following table reveals the gap between the desirable expenditure on maintenance of services and actual expenditure of different Corporations on the basis of categorisation indicated in the Zakaria Committee Report. Moreover, needs for civil services have increased considerably both in quantity and in scope.

TABLE IV
Gap between desirable and actual per capital expenditure

Category and name of Municipal Corporation	Per capita existing, 1971-72	Per capita desirable (Zakaria Committee) (1958)	Per capita desirable existing price level (1974)
1	2	3	4
<i>Spl. Class-</i> (population above 10 lakhs)	Rs.	Rs.	Rs.
Bombay	120.61	43.50	108.75*
Delhi	82.80	„	„
Hyderabad	25.77	„	„
Ahmedabad	71.30	„	„
Bangalore	36.79	„	„
Kanpur	37.26	„	„

*These figures have been calculated with reference to general price index of 86.7 in 1957-58 and 254.2 in 1973-74 (with 1961-62 as 100). The proportion of establishment charges as 40:60 to total expenditure. While the salaries have been taken to have registered 100% increase, in other the expenditure increase of 150% has been taken and desirable level calculated accordingly.

1	2	3	4
<i>Class 'A'</i>			
(Population 5-10 lakhs)			
Poona	63.20	38.93	96.33
Varanasi	28.05	"	"
Indore	35.86	"	"
<i>Class 'B'</i>			
(Population 1-5 lakhs)			
Allahabad	40.07	33.40	83.50
Patna	29.78	"	"
Surat	46.28	"	"
Sholapur	52.14	"	"
Hubli-Dharwar	39.40	"	"

3.08 It will be noted from the above Table that Bombay Municipal Corporation alone is able to provide for the desirable level of expenditure for satisfactory upkeep of municipal services. Six Municipal Corporations are far behind; even below 50 per cent level. It is not difficult to imagine the standard of municipal services that can be provided with so little per capita expenditure.

3.09 It may be emphasised that this estimation is only for the maintenance of services at a minimum level of standard and does not take into account the capital expenditure needed for development purposes. We must also take note of the fact that the population in these cities is rapidly rising, mostly by the addition of people in the low-income group with no capacity to pay municipal taxes and yet needing all the services and amenities. Slum dwellers, who form a substantial common denominator in practically all the towns bring this point into relief. Thus, while income continues to remain more or less static, needs go on increasing both quantitatively and qualitatively. The gap between the actual per capita capital expenditure and desirable per capita capital expenditure would go on widening in all these municipal authorities.

3.10 It is well known that the Municipal Corporations are some what better placed in the matter of finances. The position of municipalities is, however, worse. One can safely assume that no municipality is perhaps in a position to command expenditure upto a desirable level even for maintenance of civic services not to speak of development works. The financial weakness of the municipal authorities is thus established beyond doubt. This position has been repeatedly brought out by the expert bodies who have studied the subject in the past.

Causes and constraints

3.11 What are then the causes and constraints responsible for this malady? We have indicated earlier that the urban local bodies do not enjoy any constitutional status except mere mention as part of the State. They owe their existence to authority bestowed on the States by the Constitution. The Scheduled Taxes Rules framed under the Government of India Act, 1919, contained an exclusive list of taxes to be utilised by or for the local authorities. These rules were repealed with the abolition of the distinction between provincial and local taxation in the new federal scheme embodied in the Government of India Act, 1935, putting every local tax into the basket of the tax resources of the Provincial Governments. The present Constitution of India has inherited and sanctified the same arrangement. With more and more resources being devoted to planning and development, every level of the government is finding itself in a somewhat precarious financial position. When the State governments themselves are frantically searching for additional sources of revenue, it is but natural that they would pay scant attention to the needs of local authorities, particularly since there is no constitutionally delimited taxation field for these authorities. The State governments have in fact, been not only reluctant to part with such resources which are patently local, but have even been tempted to encroach upon municipal tax resources by levying identical and parallel taxes. The Taxation Enquiry Commission (1953-54) had suggested reservation of specified

tax resources in favour of local government but as usual the suggestion has remained on paper only.

Constitutional Recognition

3.12 The Committee have given deep thought to this aspect and examined various proposals to break the impasse. The first suggestion is to provide to local government the status of a level of government by specifying their functions and powers in the Constitution. This course of action has already been voiced during the deliberations in the Joint meetings of the Central Council of Local Self Government and the Executive Committee of the All India Council of Mayors organised by the Ministry of Works and Housing and put in one of the resolutions passed. The Committee appreciate that it may not be feasible at this juncture to implement the suggestion. The Committee, therefore, recommend that the Central Government may, at an appropriate time and in consultation with the State governments, sponsor suitable amendment to the Constitution to confer adequate constitutional status on local government. It need hardly be emphasised that already one fifth of the population of the country lives in urban areas and this proportion has been increasing rapidly. The denial of constitutional status to such a vocal and highly conscious segment of the population could only lead to perpetuation of the indifference of citizens and consequent weakness of local authorities.

3.13 The Directive Principles of State Policy enshrined in the Constitution enjoin upon the State to 'take steps to organise village panchayats and endow them with such powers and authority as may be necessary to enable them to function as units of self-government'. The Committee feel that this principle has wider connotations and should normally cover self-governing units in urban areas as well. However, in order to keep the interpretation beyond doubt the Committee recommend that steps should be taken to amplify the Directive Principles to incorporate constitution of municipal authorities with adequate political status, powers and resources also.

State Municipal Finance Commissions

3.14 The Rural Urban Relationship Committee which made a detailed study *inter-alia* of finances of urban local bodies had, keeping in view the provisions of article 280 of the Constitution, recommended that well before the appointment of the Finance Commission by the President, the Governor of each State should appoint a body to be known as the Municipal Finance Commission to examine the financial requirements of local bodies for meeting their financial obligations for various obligatory services and development schemes. This procedure, the Committee felt, would not only act as a financial insurance for local bodies and protect them against arbitrary incursions of the State governments but would also act as a stimulus for the local bodies to make the best use of the taxes allocated to them. The State governments, the Committee observed, may include the financial obligations arising from the recommendations of the Municipal Finance Commission in their proposals for the Central Finance Commission. In this way the finances of local bodies will become an integral part of the overall national finances.

3.15 This Committee fully agree with the views expressed by the Rural Urban Relationship Committee and support the recommendation enumerated above. The Committee, however, note that although this recommendation was made about 8 years ago, all the States have not yet implemented it. As a result of persistent demand made at the meetings of the Central Council of Local Self Government and the Joint Meetings, a number of State governments have since set up Commissions/Committees as envisaged. The question, however, remains as to how far and how soon would the State governments act upon the recommendations made by these Commissions/Committees. If the reluctance and delay in taking this decision is any guide, one could reasonably assume that the fate of the recommendations of these Commissions would in no way be better than that of their predecessor expert Committees. The Committee feel that unless there is some constitutional mandate

in this behalf also, the reluctance of the State governments would continue. It may not be out of place to point to the fact that as a result of the recommendations of the Central Finance Commission, the share and allocations of the States in the revenues of the Union Government have been increasing from time to time. It would not be too much therefore to stress that the State governments should be prepared to devote at least a proportionate share from the increased allocations to the urban areas. The local and State governments are partners in the endeavour of promoting welfare of the people and their financial relationship should also be based on this principle. The Committee accordingly recommend that the practice of setting up State Municipal Finance Commissions should also have constitutional backing. The Constitution may enjoin on the Governor to set up the Commission periodically ahead of the Central Finance Commission.

Widening Scope of Municipal Finance Commissions

3.16 The Committee was informed of a limitation relating to the sphere of study of the State Municipal Finance Commission. Generally, these Commissions address themselves to the problems of revenue budgets only and make recommendations about bridging the gap on revenue side alone. The development requirements of the local bodies which are assuming increasing importance in the context of rapid urbanisation, however, remain uncared for. These are considered by the State governments on *ad-hoc* basis which would not seem to be a satisfactory arrangement. The Committee would, therefore, suggest that the State Municipal Finance Commissions should take into account the local bodies' needs for both revenue and development expenditure.

Intrusion in Local Taxation Field

3.17 The practice of taking over local taxes on behalf of the local bodies or State government's intrusion in the field only undermines the will and initiative of the local authorities. It

does not necessarily lead to better collection or better financial management. There is, no doubt, that the efforts made by the local bodies to tap their resources fully and make the best use of financial powers have not been so successful or satisfactory but the remedy for the malady does not lie in depriving these bodies of the available powers but in the measures that would strengthen their organisation and structure.

Inadequate exploitation of Local Resources

3.18 The above discussion does not mean that the local bodies themselves are above blame. It is well known that these authorities have not been taking full advantage of the financial powers available with them for a variety of reasons. In the first place, out of a fear of unpopularity, the deliberative wing is always averse to raising the rates of the taxes. Moreover, there is undue political pressure on collection effort. Besides, the procedures are so defective that it is not possible to achieve maximum benefit from the levies. Then, the machinery entrusted with the assessment, levy and collection is untrained, inexperienced and unreliable. At the instance of the Ministry of Health and Family Planning, the National and Regional Centres for Training and Research in Municipal Administration had carried out a survey of under-assessment of valuation of properties for municipal taxes in five cities. The reports on these surveys were very revealing. It was pointed out that the Rent Control Act had played a very significant role in pegging down the income from property taxes due to frozen rents. While the land lords and tenants were taking full advantage of the Municipal services their actual contribution to municipal revenues was based on nominal rents frozen under the Rent Control Law. Similarly, under-assessment due to political pressures, corrupt practices, absence of system of periodical review of rateable values, etc. was also quite significant. The report on Calcutta indicated that the degree of under-assessment for different reasons varied from 40 per cent to 261 per cent in different localities. It was calculated that the

rateable value of 498 properties situated in different areas would go up from Rupees Twenty lakhs to Rupees Forty lakhs, if the restriction of rent control was not there. Similarly, the effect of unrecorded subletting ranged between 58 per cent to 235 per cent. In the case of Bombay Municipal Corporation, the same phenomenon was noticed in much higher degree. It was estimated that the total rateable value of all the properties if freed from mal-practices, legal restrictions, etc. will go up by as much as Rupees Sixtyone crores. This rise in the rateable value at the existing rates of property taxation could bring in an additional income of Rupees Eighteen crores annually. Similar situation in other cities can not perhaps be ruled out. One can imagine the extent of loss suffered by the municipal bodies due to under-assessment for one reason or the other.

3.19 There are instances where the local governments have failed to levy many taxes even though some of these have been made mandatory under the Municipal Acts. The very fact that many Municipal Acts provide for mandatory levying of some taxes with minimum rates is indicative of the fact that the local bodies have generally not been inclined to levy these taxes at appropriate rates. We feel that their case to get their resource-base enlarged gets weakened to the extent they fail to exploit their existing resources fully. The Committee feel that there is considerable scope of improving revenues from the existing resources but the local governments have not shown the necessary will to do so. There is a general feeling amongst them that raising the level of taxes, rates or charges for services like water etc. will make them politically unpopular. We feel that in the interest of long term benefits to the community as a whole they should get over this unreal complex of 'unpopularity' as more resources would lead to better services which would more than compensate them for temporary unpopularity.

Urban Development

3.20 In spite of the fact that the country has been engaged in planned economic development for about twenty-five years,

urban development and urban administration has largely remained uncared for. Since the main accent in the plans so far has been on agriculture and industrialisation, the State governments have invariably accorded very low priority to the problems of urban development and administration. In fact, much more funds have been funneled in introducing and strengthening the structure of rural local government than what has been devoted to urban areas. The contribution of the urban areas in the development of the economy has been quite significant but attention devoted to urban development has not matched it. In the earlier paragraphs, we have noted that the income of the local authorities, even Municipal Corporations would not be any exception is hardly adequate for normal maintenance of civic services and facilities. It is, therefore, quite difficult, if not impossible, for them to devote any portion of their revenue to development programmes. Further, the low sectoral allocations have failed to make any impact with the result that the conditions in our cities have been worsening and public dis-satisfaction with inadequacy of civic amenities and community facilities and urban administration has been mounting.

3.21 Local Government was kept out of the planning process for over a decade. For the first time in 1963, a Working Group was set up to frame proposals for local government schemes for the Fourth Five Year Plan. The Working Group recommended a very modest investment of about Rs. 136 crores during the fourth plan on schemes relating to training and research, urban community development, construction of bridges on railway crossings, mechanisation of transport of city refuse, improvement of sanitary and other conveniences, municipal trading, development of pilgrim and tourist centres, clearance and re-development of slum areas, etc. However, by the time the plan was finalised only one scheme with an outlay of Rs. Thirty lakhs found its place in the central sector. All the other schemes were left to be taken care of by the State governments in the respective sectors of development.

3.22 In the context of the situation discussed above, the main reasons for the deteriorating situation in cities could be identified as follows :—

- (i) Lack of an integrated approach to urban development and urban administration;
- (ii) Lack of Finances;
- (iii) Multiplicity of authorities in the fields of local government and urban planning and urban development;
- (iv) Absence of a unified centralised authority to formulate coordinate, finance and supervise implementation of various schemes and programmes; and
- (v) Inherent weaknesses in the administration of urban local authorities and lack of political will.

We have dealt with some of these items as are relevant to the terms of reference of our study elsewhere in the report.

3.23 The Committee discussed at length the adequacy and suitability of the existing structure of local government with the representatives of the State governments and municipal authorities during the regional meetings. The impression gathered was that there were certain weaknesses in the structure which were responsible for the mal-functioning of these authorities. The separation of deliberative and executive wings in the Municipal Corporations, for instance, had resulted in strained relations between these two important organs. The system of functional committees constituted on the basis of proportionate representation in the main council, further accentuates the situation. There is lack of harmony and cooperation among these organs. The position becomes more complicated if the different parties gain power at the local and the State levels. Even when the same party has been in power at both these levels, personal factors have quite often led to tensions. It was represented to the Committee that

quite often the deliberative wing which is the final authority for passing the estimates took unilateral decisions to inflate the figures of revenue estimates presented by the executive wing. Ultimately, when these expectations were not fulfilled, as was to be expected, the executive wing was blamed for failure to attain the targets. This makes the executive wing more conservative. On the other hand, the deliberative wing would complain of not only deliberate pegging down of estimates of income but also of indifference to the policy of the deliberate wing on the part of the officials. Some instances have been brought to our notice where the deliberative wing considered the Chief Executive as an agent of the State government purposely planted in the local authority resulting in alienation. There appears to be some element of mutual distrust in the relationship of the two wings. This is perhaps so because the deliberative wing as well as the Chief Executive are recognised as executive authorities in the Municipal Acts.

3.24 This atmosphere results in operational inefficiency which creates more tensions and weakens the system. The committee note that basically the structure of the municipal authorities has all along been the same through out the country. No effort has been made to remodel the structure even on an experimental basis. The Committee hold the view that there is scope for trying other models and testing their efficacy, for instance, strong Mayor System, Mayor-in-Council System, etc. The elected wing could, for some period, be vested with full authority and executive wing made a subordinate authority to it. If the deliberative wing is clothed with adequate powers and responsibility it will have to show the results to satisfy the popular opinion to which it is ultimately answerable. The State governments will be well-advised to try these models of local government in some selected cities and based on the experience, large scale structural changes in municipal government could be thought of. This process, the Committee feel, has by its very nature to be slow so that a proper model comes up through the evolutionary process.

CHAPTER IV

MUNICIPAL BUDGETARY PROCEDURE

Role of Budget

4.01 The annual financial statement commonly known as the Budget is the main instrument of fiscal and financial planning, management and control whether it relates to the Union Government, State government or a municipal authority. It serves as a powerful tool of coordination and means for achieving policy goals fixed by the peoples' representatives. At the local level, the administration uses it as a framework for communication and coordination as well as for exercising financial and administrative discipline. The Councillors look at it as an opportunity to advance interests of their constituencies and appraise the policy fulfilments. 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.

4.02 The budgetary process and the technique of budget-making in local government are not very dissimilar to those at the Union or State level. As in the case of the Union and State budgets, the municipal budgets framed in the conventional manner have been designed and developed from time to time mainly to ensure financial accountability and control of expenditure. These twin considerations permeate the entire budgetary process. The main objective is to ensure that funds are raised and moneys spent by the executive departments in accordance with rules and regulations and within the limits of sanctions and authorisations by the Legislature/Council. Budget preparation is usually the

occasion for determining the levels of taxation or rates and the ceilings on expenditure. With this object in view the structure is so framed and the procedures are so evolved that the system ensures that the spending is within the ceiling laid down and is in accordance with the manner intended. Accordingly the conventional budget lays stress on the financial aspects and does not relate the financial provisions with work done or proposed to be done.

4.03 The study of the budgetary forms of various local bodies discloses the fact of lack of uniformity as regards the format of the budget and the Heads of Accounts operated by the local bodies. These vary from State to State and within a State from one type of local body to another. On the other hand, in the case of Union and State governments the Heads of Accounts to which budgets are tied are common through-out the country. These budget and account heads are prescribed by a single authority viz. the Comptroller and Auditor General of India with the approval of the President of India. In some cases the format is laid down in the Act of the legislature governing the local bodies or in the Rules framed under the Act, while in other cases it is left to be determined by the local bodies themselves. Uniformity in classification and common Heads of Account which are claimed to be some of the virtues in the accounting and budgetary structures of government, are thus wanting in the case of local bodies.

4.04 The format of the budget should clearly reflect the various factors relating to the sources and receipts of money, their utilisation vis-a-vis the provision of amenities, their extension and also the development of the town. On the basis of this analogy, the format of a budget should present; (1) Revenue Account; (2) Capital Development Account; and (3) Advances and Suspense Account. The classification of the budgets by the Bombay Municipal Corporation may be viewed as standard since the classification is based on functional or activity basis.

System of preparation of Budget

4.05 The general pattern of the preparation of budget as gathered from the replies received from 17 Municipal Corporations and 27 municipalities is as follows :—

General Pattern

(A) Corporation :—

- 4.06 (i) Departmental Heads frame proposals for the respective departments/units and submit to the Commissioner.
- (ii) Proposals are compiled in prescribed form either in General Branch or Accounts Branch of the Municipal Commissioner's Office. Commissioner submits the consolidated Budget proposals to the Standing Committee for scrutiny/approval.
- (iii) Standing Committee, after detailed scrutiny of the proposals, finalises the estimates and submits the same to the General Body of the Corporation.
- (iv) The General Body of the Corporation is the final authority to pass the Budget. However, in most of the cases, the Budget Estimates, after approval by the General Body, are forwarded to the State government for information.

Exceptions

4.07 There are a few exceptions to the general pattern in framing the budget proposals described above. In case of the Patna Municipal Corporation (Bihar), after the passing of the budget by the General Body, the approval of the State government is necessary when the Corporation is indebted to the Government. Bangalore (Karnataka) and Simla (Himachal Pradesh) Municipal Corporations are required to submit the Budget proposals, approved by the General Body, to the State

government for sanction. Chandernagore (West Bengal) Municipal Corporation entirely differs from the general pattern. All the concerned departments submit reports and estimates in proper form to the Mayor for incorporation in the General Budget. The General Budget Estimates are then prepared. Draft budgets with detailed receipts and expenditure are published for opinion from rate payers. Thereafter these are considered and passed at the General Meeting.

Time limit for Submission and Passing of Budget Proposals

4.08 All local bodies in the country observe the standard financial year namely 1st April to 31st March of the following calendar year. The time limit for submission and passing of Budget proposals at various stages in respect of Corporations is given in the following Charts.

CHART I

From Heads of Department to General Administration

September	October	November	December	January
Baroda & Poona	Hyderabad, Indore, Sholapur, Delhi	Ahmedabad, Bangalore, Greater Bombay	Simla, Hubli-Dharwar, Allahabad	Chandernagore

4.09 This chart shows that October and November are the popular months for the Corporations during which the Heads of Departments submit the proposals. In the case of the Patna Municipal Corporation, no time limit has been prescribed, whereas in the case of the Kanpur Municipal Corporation the date is prescribed each year by the Mukhya Nagar Adhikari (Commissioner).

CHART II

From General Administration to Standing Committee

November	December	January
Hyderabad, Indore and Greater Bombay	Ahmedabad, Baroda, Simla, Hubli-Dharwar, Poona, Sholapur, Kanpur, Delhi	Patna, Bangalore, Allahabad, Chandernagore

4.10 Chart II shows that December is the most popular month for the Corporations when the Budget proposals are passed on to the Standing Committee from General Administration.

CHART III

From standing committee to general body

December	January	February	March
Hyderabad	Ahmedabad, Baroda, Simla, Indore, Greater Bombay, Poona, Kanpur, Delhi	Patna, Bangalore, Hubli-Dharwar, Allahabad, Chandernagore	Sholapur

4.11 From Chart III, it is observed that the Standing Committees of the most of the Corporations submit budget proposals to the General Body of the Corporation in January and February.

CHART IV

Submission to Distt. Officer/Government for information/sanction

January	February	March
Simla	Ahmedabad, Hyderabad, Baroda, Delhi	Bangalore, Patna, Hubli-Dharwar, Greater-Bombay, Chandernagore.

4.12 From Chart IV, it is seen that February and March are the months when the Budget is either sent for information to the State government or for sanction. In case of Municipal Corporations of Indore and Kanpur, no time limit has been prescribed.

B.—MUNICIPALITIES

General Pattern

4.13 (i) Departmental Heads frame the proposals for the respective Departments and submit to the Commissioner/Chairman/Executive Officer.

- (ii) Proposals are compiled in proper form by the Commissioner/Chairman/Executive Officer and sent to the Council either directly or through the Standing Committee, if any.
- (iii) After Council approves the Budget, it is sent to the State governments through the respective District Officers namely District Collectors/Divisional Commissioner and Director of Municipal Administration, for approval and sanction.

Exceptions

4.14 However, there are certain exceptions to the general pattern described above. In the case of a few municipalities, like Khammam (Andhra Pradesh), Porbandar and Rajkot (Gujarat), Belgaum (Karnataka), Khandwa (Madhya Pradesh), Aligarh (U.P.) and Asansol (West Bengal), the approval of the State government is not required. It is simply sent for information and record. But in the case of Ambala municipality (Haryana); the budget estimates are sent to the Commissioner through the Deputy Commissioner, who sanctions it.

4.15 In the case of Muzaffarpur municipality (Bihar), Budget is framed by the Executive Officer at the meeting and is published. After 14 days, it is passed by the Board at its meeting and then it is sent to District Officer and Government in L.S.G. Department.

Time limit for submission and passing of Budget Proposals

4.16 The table (Appendix VII) gives the time limit followed by the municipalities in various States for preparation and passing of budget proposals at various stages. Generally the proposals are initiated in the months of October and November. After finalisation by the Council these are sent to the State governments by the end of February or mid-March for approval and sanction. A large number of municipalities have not prescribed any firm dates for preparing budget proposals at various stages.

4.17 We feel that the system of approval of budget by the State government either directly or through its various functionaries, like the Director of Local Bodies, the Commissioner or the District Collector, is not conducive to efficient management of municipal affairs. Quite often the process of approval is time-consuming and till the formal approval is received, the municipal government is run on a most slender budget. No worthwhile activities are undertaken in the first three to four months till the budget approval is received. The delay also occurs unwittingly on the part of the State government, etc. because of the fact that the L.S.G. Department and Directorate of Local Bodies are not adequately equipped to make such scrutiny quickly and comprehensively. On the other hand, we appreciate the concern of the State government in ensuring proper financial health of the local government for which they are accountable to the legislature on the one hand and the people on the other. Further, substantial grants are given to the municipalities for a number of activities by the State government and they would naturally be interested in ensuring the proper utilisation of such grants. We feel, on the balance, that the advantage lies in the State government retaining indirect control on the budget of the local government in general. The State governments may, unless they already have, assume powers under the municipal acts to issue directives to the local governments in respect of budgetary matters. However, any such direction should be issued after giving a time bound opportunity to the local government to present their case. Approval of the State government in respect of budget need not be necessary.

Preparation of Budget

4.18 Usually the work of preparation of budget for the following financial year commences in the month of June/July/August of the current financial year, with the issue of a circular by the Chief Executive or the Municipal Commissioner.

4.19 The estimated income for the subsequent financial year is worked out by the Departmental Heads on the basis of the

figures of actuals pertaining to the period of say, previous three years and the estimate of the current financial year. The tendency of the department is usually to be very conservative while anticipating income. The second stage which is the scrutiny by the Chief Accountant or the Chief Financial Officer, mainly consists of vouching the correctness of the figures of actuals for the previous years and the budget estimates for the current financial year. The Chief Accountant and the Municipal Commissioner, also take into consideration the general economic trend and the trend of income from the specific source in particular.

4.20 The Standing Committee which considers the Budget estimates has, many a time, shown a tendency to increase the estimates of income submitted by the Municipal Commissioner or the Chief Executive. This unrealistic enhancement is generally motivated by two factors, namely,

- (a) to sanction more expenditure against the increased income estimates ; and
- (b) to avoid increasing rates of taxes or levying new taxes, which they apprehend, might annoy the electorate.

Against these increases, schemes/projects in which Councillors are interested are generally sanctioned. This results in a seemingly balanced budget at the beginning of the year, ending into a deficit at the close of the financial year. We are aware of reasons that compel the Councillors to resort to this unwholesome practice. Our local bodies' finances are known to be in a very poor conditions and certainly not commensurate with the range of responsibility imposed upon them. They often find it difficult to redeem their pledges to the electorate and living in close proximity to the people and their civic problems as they do the councillors are under tremendous public pressure to act. They are not in the happy position of the legislators either in the State government or in the Central Government

who are comparatively freer from immediate pressures of the proximity of the problems. It has been brought to our notice that artificial padding of the Central and State Budgets is also not an uncommon practice in India. The local governments are not, therefore, alone in resorting to this practice. However, in few cases, randomly investigated by us we found that generally the quantum of artificial increase is in the range of about 5 per cent only in municipal budgets. In some cases, this figure however, was substantially higher. One way to minimise the unrealistic enhancement of the estimates would, of course, be to increase the resource position of the local body. We do not claim this to be the total solution. Political maturity and experience may, in the long run, minimise this problem. However, in glaring cases, we would expect the appropriate government to make use of its power of review and issue directives to remedy the situation.

Preparation of Budget Estimates of Expenditure

4.21 Usually the Budget estimates are classified according to the requirements of the Act into Major Heads, Minor Heads, Primary Units, etc. The expenditure on account of establishment, contingencies, and debt charges where the system of functional budgeting or service-wise budgeting prevails are shown separately. The estimates of expenditure pertaining to establishment are based on the strength of the establishment and their emoluments, taking into consideration annual increments as well as leave reserve provisions, Provident Funds, Pension and Gratuity, etc., besides the provision for salary of any additional post, if sanctioned by the competent authority while sanctioning the Establishment Schedule. The estimates of expenditure on account of contingencies are based on the actuals of the previous three years and the current sanctioned budget grant and also taking into account factors such as increase in quantity and price. The departments usually frame estimates of expenditure very liberally anticipating that their demands are to be pruned down at subsequent stages of scrutiny viz. when the Commissioner prepares the budget and the Committee and the Cor-

poration sanction and adopt the budget. The Chief Accountant who vouches the demands put up by the departments with their figures of actuals, current budget grant, offers his remarks while submitting the budget proposals to the Municipal Commissioner, proposing pruning down of the expenditure wherever he notices that the trend of the actuals of the past or the trend of the expenditure in the future will not justify the proposed figures. It is interesting to note that the Municipal Administration frames the estimates of expenditure particularly on established services on a very liberal basis whereas the Standing Committee or the Council have a tendency to prune down the expenditure or rather frame it on a conservative basis as distinct from their tendency to provide for more expenditure for new demonstrable services and physical improvement in the wards.

4.22 In the revenue budget also works of capital nature are included and these are styled as Revenue New Works. These largely are the works of physical improvements in which the Councillors are interested. A comparative study of the procedure of budgeting discloses that a ceiling has been laid down on the cost of the work which could be included in the Revenue Budget but as mentioned, above, it is not generally observed.

Constituency Fund

4.23 The Committee came across a practice followed in the Municipal Corporations of Delhi and Bombay whereby special provision is made for works in different constituencies. The amount so provided is commonly known as the 'Constituency Fund' and is spent in the various constituencies at the instance and discretion of the concerned Councillor. This device has been adopted to enable the Councillors to get the urgent needs of the area attended to which can not be taken care of under different sectoral schemes. The fund can be used for only those works which are permissible under the municipal Acts and can not be devoted to purchase of equipment or on emoluments of staff alone. In Bombay, a sum of Rs. 75,000/- is set apart annually for each ward and in Delhi the amount so provided is Rs. 70,000/-.

4.24 It was indicated that whenever any Councillor desires some work to be carried out in his constituency, he issues a 'Budget Slip' to the concerned Department and gives the details of the work to be carried out. In Delhi, there is also a system of transfer of the Constituency Fund in favour of another Councillor, if the initial allottee does not find it possible to utilise it in his own area. There is, however, no provision for carrying forward the unspent balance to the next year. It was also mentioned that the Executive wing had suggested to the Councillors to make the proposals for utilising this provision in advance so that the same could be incorporated in the Budget proposals. This suggestion was, however, not favoured as the Councillors argued that it may lead to rigidity particularly when all needs could not be foreseen and envisaged in advance. Their argument is that the fund is needed for meeting unforeseen but urgent needs and advance anticipation is not possible.

4.25 The Committee appreciate the concern of the Councillors for having some provision in the budget for improvements in his constituency which may not be possible within the scope of the sectoral schemes and programmes. The Committee would, however, suggest that care should be taken to see that this system does not lead to undue inequality in the levels of improvements in different areas. Moreover, it may be ensured that the funds are not utilised on prestigious or show-piece schemes in preference to schemes of public utility and convenience.

Capital Works Budget and Capital Budget

4.26 Usually new works of a permanent nature of small amounts are charged to Revenue subject to a certain limit being laid down in this behalf for expenditure which varies from one local bodies to another. All items above this limit find place in the Capital Works Budget. The limits of expenditure between Revenue and Capital are to be determined by actual requirements, the capacity of the Departments to carry out works and the possibility of financing them from the two sources. A lower limit would tend to flood a large number of works into the capital works

budget resulting in increased debt charges and leading to extravagance owing to the facility with which demands of spending departments for expenditure could be met by means of borrowing. A reasonable limit has thus to be determined and adjusted from time to time.

4.27 Similar to Revenue Budget, Capital Works Budget shows the opening balance, the balance of the loan fund out of the loans raised for the previous years available for expenditure during the ensuring year, loans to be raised in the next financial year and the estimated expenditure according to Service Heads during the year. The Capital Works Budget covers receipts by way of loans and advances from Special Funds and sometimes contributions from Revenue Fund. In addition to these receipts there is also the receipt on account of subsidy receivable from government in respect of schemes like Low Income Group Housing, Slum Clearance, etc. Except the Bombay Municipal Corporation, other Corporations and municipalities do not present a deficit capital budget.

4.28 The loans required for carrying out Capital Works are either raised from Government, Union and State and/or from the open market, public subscriptions or through institutional finances.

Suspense Budget

4.29 The Suspense Budget contains intermediate Budget Heads or Block Accounts. It includes Heads like Central Stores, Commercial Departments or Service Departments like Printing Press, Municipal Crusher, Municipal Power Laundry, Municipal Vehicle depots, whose object is to render service to other executive departments. The Advance and Suspense Budget Heads provide for items where a direct allocation to final budget grants cannot be made as in the case of stores, jobs carried out by departments referred to above and where the cost is debited in the first instance to a suspense head which is relieved or cleared off when the allocation to a final grant is made.

Non-adjustment of heavy Suspense

4.30 A practice is noticeable that works departments do not adjust the suspense accounts for a long time. This leads to:—

- (a) Indirect excess over the budget provision.
- (b) Instability of the ways and means position.
- (c) Unrealistic estimates for the following year.

This practice needs to be reformed. We would recommend that the concerned department should fully reconcile and adjust the suspense account before the close of the financial year.

Decentralisation in Budget Preparation

4.31 The municipal authorities perform a number of functions which are decentralised and entrusted to lower levels such as Wards and Zones. In Bombay, it was mentioned, that as many as 7 or 8 functions out of 14 functions are decentralised and the Ward Officers are fully responsible for them. In Delhi, certain functions have been allocated to the Zonal Officers. It was indicated that the Ward/Zonal Officers are associated with the preparation of budgets for different local services for their areas. The Committee suggest that the system of preparation of budgets on Ward/Zonal basis should be encouraged and done on a more formal and scientific basis. At the lower level active participation of the Councillors could be enlisted in the preparation of proposals which would be of distinct help in framing realistic proposals.

Ward/Zonal Budgets

4.32 The Ward/Zonal budgets are however, prepared by the departmental ward officers separately and consolidated departmentwise only. The consolidation of proposals for all departments at the ward level is not done at present. The Committee feel that the system of consolidating the proposals for all departments at the Ward level was necessary as it would depict a true picture of the progress of work and development in the Ward.

4.33 The Budgetary procedure, as we have noted, takes considerable time. While the budget is finally approved in the second half of the last quarter of the financial year, the exercise for preparation starts as early as towards the end of the first quarter or early second quarter of the year. It thus takes 8 to 10 months to complete the whole process. The Committee are of the view that not only is there scope for reducing the total period to less than half but it is also essential to do so in the interest of efficiency. The proposals prepared almost a year ahead could not be expected to be realistic and reflect the existing situation. The Committee therefore recommend that the exercise for budget preparation and finalisation should be done in not more than 3-4 months commencing towards the end of the third quarter of the financial year.

Methods to keep constant watch on revenue earnings and expenditure

4.34 Almost all the Municipal Corporations have devised some methods of keeping a watch on the accrual of revenues and the progress of expenditure. In the Bombay Municipal Corporation, the Chief Executive keeps a watch through a system of monthly and quarterly returns. These returns are designed to record all budget grants and variations therein on account of plus and minus, transfers as well as additional grants and the final amended grants. Any adverse variation from the trend has to be explained. A senior officer of the Internal Audit is in charge of this arrangement. The system is such that any excess of expenditure over the grant could be immediately checked. This regular monitoring is being utilised for financial control for taking corrective steps in case of a fall in revenues or excess in expenditure and diverting savings timely for proper utilisation.

4.35 The Delhi Municipal Corporation also has a system of periodical returns. However, they have devised another system of preparation of daily consolidated returns of revenue from different sources. This return of revenue enables the Municipal Commissioner and the Chief Accountant to keep a watch on trend of income on a day to day basis. Similar statements are prepared

weekly, monthly, quarterly, half-yearly and yearly with corresponding figures of previous periods and explaining the increases or shortfalls if any. The Committee consider this to be a very salutary practice and recommend its adoption by other local bodies.

4.36 Wherever the system of monitoring through returns is in vogue, it should however be put on a regular basis. At least monthly and quarterly returns must be prescribed and the results made use of in ensuring proper financial administration. The returns should include a statement explaining adverse variations from the trend so that corrective measures could be adopted in time. These returns should be circulated to the Chairman of the Standing Committee and the Mayor as well.



CHAPTER V

CAPITAL BUDGET AND BUDGETING FOR DEVELOPMENT

5.01 Municipal bodies in India, both large and small have the responsibility to undertake certain types of development activities. These development activities comprise the construction and maintenance of roads and streets, water supply and drainage works, schools, public health measures, etc. The size of these development activities is dependent on the infrastructural needs of the various activities located in the municipal area as well as the standard of services which the municipal councillors intend to provide to the urban community. Such development activities are generally financed both out of the internal as well as the external resources of the municipal body.

5.02 As already stated the municipalities operate with limited fiscal resources, which are specifically allotted to them by the Acts passed by the State legislatures. There are limits on the tax rates that may be imposed, limits on the areas of taxation and limits on the degree of indebtedness that may be incurred. The size of the development programmes to be undertaken by the municipal body is, therefore, determined by the fiscal resources which it can mobilise both internally and externally for the purpose within these constraints. As capital improvement programmes usually involve much larger financial outlays than revenue or maintenance expenditures, the task of matching the resources and the outlays becomes really an onerous one. It has been found that a capital budget facilitates pragmatic financial planning of development works.

Capital Budget

5.03 Capital Budget is a statement of capital improvement programmes which a local body proposes to undertake in the ensuing year or years as well as the manner of financing them and for which it seeks the approval of its deliberative wing. The process of preparing a capital budget in common parlance is known as capital budgeting. Historically, when the outlays on capital improvements were small and on a few items like roads and drains etc. these were made a part of the revenue budget. No need was felt as such for separate capital budgeting at that time. However, as the size and the coverage of capital improvement programmes grew it became necessary to provide for them distinctly and separately. In some of the major Municipal Corporations, the capital improvement programme at present is as big as the total budget of some of the smaller States in India. It has required detailed performance and financial analyses of the projects before these can be presented to the deliberative body for approval. Even today in many large municipal bodies, capital improvement programmes are made part of the revenue budget with the result that often capital assets get spent for maintenance purposes. The need of capital budgeting to our mind stands established beyond doubt and it is high time that all the major municipal bodies in the country adopt it without further delay.

5.04 The considerations that go into a capital budget are distinct from those that go into revenue budget formulation. While the maintenance programmes can be provided for on an annual basis, capital budgeting because of the longer gestation periods of capital improvement programmes, have to be on a long term basis. The preparation of capital budget is a complex task involving technical, financial and management aspects and the performance has to be envisaged not only in fiscal terms but also in physical terms as goals or targets.

5.05 On account of the comparatively complex nature of the capital budgeting process, an oft-repeated complaint is that it is not easily understood by the elected representatives, nor by

the general public and that it quite often makes implementation difficult. The Councillors also shrink away from it for fear of enhancing taxes etc. to finance the capital improvement programmes. Something will have to be done to cover these deficiencies and allay these apprehensions in order to make capital budgeting popular with the municipal bodies.

Present practices in Capital Budgeting

5.06 Sixty three local bodies responded to the questionnaire sent by the Committee seeking information on the present status of capital budgeting. Amongst these, twelve local authorities indicated that they were responsible for executing the capital projects ; in the case of seventeen the execution was done by the State government while the remaining thirty four indicated that projects were executed either by them or by the State government depending either upon the size of the project or the terms of assistance. It is observed that, by and large water supply and drainage schemes are executed by the State government. In some cases the Improvement Trusts have been set up to execute large scale capital improvement programmes and there is no relationship between the capital improvement programmes of the municipal body and the Improvement Trusts/Development Authority. It is also seen that in many of the capital projects which are executed by the State government on behalf of the local authority, the latter has no control over its phasing. (Appendix VIII).

5.07 The importance of investment finance in the overall finances of urban local bodies can be gauged from the fact that during the year of enquiry (1971-72) the aggregate income of all Municipal Corporations was about Rs. 170 crores of which about 17% was for capital purposes. The figures in the case of municipalities (50,000 and over) are Rs. 61 crores and 13% respectively. Out of the total disbursement of Rs. 176 crores by the Municipal Corporations, 16% was on capital works, while for municipalities the corresponding figures were Rs. 55 crores and 12% respectively. On an average, a municipal

Corporation spent about rupees two crores and a municipality about rupees five lakhs on capital improvement works in the year under consideration.

5.08 In 1971 there were thirty four Municipal Corporations and 325 municipalities in the towns having a population of more than 50,000. On the basis of average capital income and expenditure per municipal corporation and municipality as worked out in Table—1, the overall receipts under capital account for all municipal corporations are estimated at rupees forty eight crores and for municipalities about rupees twenty crores. The disbursements under capital account are supposed to be about rupees forty seven crores for municipal corporations and rupees sixteen crores for municipalities. It may be said that in all these towns, the Municipal Corporations and municipalities spent about rupees sixty three crores on capital improvement schemes in one year i.e. 1971-72. In addition, there are other local authorities like Delhi Development Authority, Calcutta Metropolitan Development Authority, City Improvement Trusts, etc. which are exclusively dealing with capital improvement programmes in big urban areas. It is not unlikely that roughly about rupees one hundred crores are being annually spent on capital improvement schemes by such bodies which are the exclusive responsibility of the Municipal Corporations and Municipalities.

Capital Receipt Pattern

5.09 The capital receipts pattern of the urban local bodies under review indicates that loan finances are the major source accounting for over 75 percent in Municipalities & about 70 percent in Corporations. Interestingly non-recurring grants which are generally provided for meeting a certain proportion of capital outlays on specified schemes, indicate that Corporations are undertaking more of these schemes as a part of their total capital improvement programme. It is also significant to note that Municipal Corporations as well as Municipalities are able to raise over 10% of their capital finance from internal resources.

TABLE I
Statement Showing Revenue and Capital Income-Expenditure of Reporting Municipal Corporations and Municipalities (1971-72)
 (Amount in lakhs)

Type	Number	Revenue Account			Capital Account			Total					
		Income		Expenditure	Income		Expenditure	Income		Expenditure			
		All Units	Per unit	All units	Per unit	All units	Per unit	All units	Per unit	All units	Per unit		
1. Municipal Corporation (percentage to total)	17	14146 (82.8)	832	14716 (83.7)	866	2921 (17.2)	172	2872 (16.3)	169	17067 (100.0)	1003	17588 (100.0)	1035
2. Municipalities (percentage to total) ..	137	5340 (87.1)	39	4840 (88.1)	35	791 (12.9)	6	652 (11.9)	5	6131 (100.0)	45	5492 (100.0)	40
All local bodies	154	19486 (84.4)	127	19556 (84.7)	901	3712 (16.0)	24	3524 (15.3)	23	23198 (100.0)	151	23080 (100.0)	150
(Pera 45.07)													

(Pera 45.07)

TABLE 2

Capital Receipts pattern: Municipal Corporations and Municipalities in the Year 1971-72

Items	Municipal Corporations						Municipalities All local bodies		(Amount in lakhs)	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
1. Disposal of land under development schemes	168	5.8	25	3.2	193	5.7				
2. Income from other schemes	154	5.3	48	6.0	202	5.4				
3. Non recurring grants	433	14.8	68	8.6	501	13.5				
4. Subsidies under slum clearance scheme	23	0.7	2	0.3	25	0.2				
5. Any other subsidies	88	3.0	48	6.1	136	3.7				
6. Loans	2055	70.4	600	75.8	2655	71.5				
TOTAL	2921	100.0	791	100.0	3712	100.0				

(Para 5.09)

TABLE 3

Estimated Capital Receipts Of All Municipal Corporations and Municipalities In Towns/Cities Of Over 50,000 During The Year 1971-72

(Rs. in .)

Item	Municipal Corporations		Municipalities		Total	
	Amount	Percentage	Amount	Percentage	Amount	Percentage
1. Disposal of land under development scheme	278	5.8	64	3.2	342	5.0
2. Income from other schemes	254	5.3	120	6.0	374	5.5
3. Non recurring grants	710	14.8	172	8.6	882	13.0
4. Subsidies under slum clearance scheme	34	0.7	6	0.3	40	0.6
5. Any other schemes	144	3.0	122	6.1	266	3.9
Totals	3,380	70.4	1,516	75.8	4,896	72.0
	4,800	100.0	2,000	100.0	6,800	100.0

(Para 5.09)

5.10 On the basis of overall capital income estimates worked out in earlier paragraphs for all Municipal Corporations and by applying the proportions worked in Table No. 2 it is computed that Municipal Corporations and municipalities would have received amounts from different sources as given in Table 3. It is noticed that loans and grants are the major source of capital receipts in both the cases. They are hardly exploiting urban land as a source for capital financing and it constitutes at present only about 5% of their total capital receipts.

5.11 It appears from Table 4 (page 61) that nearly half of the total capital expenditure of the urban local bodies under review is on water supply, sewerage and drainage schemes. In municipalities it accounts for over 3/4th indicating that this is the only major sector in which municipalities are undertaking capital works. The Municipal Corporations, in addition to constructing capital works in the water supply sector also undertake housing schemes chiefly for the low income groups.

5.12 It would be pertinent to point out that practically in all States the works pertaining to water supply, sewerage and drainage though shown as being done by urban local bodies, are actually being executed by the Public Health Engineering Department of the State government. Calcutta partially, Delhi and Bombay are the only exception to this rule. The inference is that capital works hardly worth Rs. four crores are executed by the municipalities themselves. For Municipal Corporations the corresponding figure is not expected to be more than rupees twenty crores. In terms of percentages the figures would be 25% and 30%, respectively. As bodies incharge of capital improvement programmes, the Municipal Corporations in general and municipalities in particular have a rather insignificant role.

Contribution for development programme

5.13 Contribution for development programme can be classified in two categories viz. from the internal resources of the municipality and financial assistance from the State/Central Government. According to the information collected, no

TABLE 4
Capital Expenditure Pattern of Municipal Corporations and Municipalities in the Year 1971-72
 (Amount in lakhs)

Item	Municipal Corpora- tions		Municipalities		All local bodies	
	Amount	%	Amount	%	Amount	%
1. Water Supply	753	26.2	300	46.0	1,053	29.9
2. Sewerage-Drainage	463	16.0	197	30.3	660	18.7
3. Land Development and Acquisition	56	2.0	15	2.4	71	2.0
4. Housing	—	13.6	—	1.3	—	11.4
(a) Low Income	260	9.0	1	0.1	261	7.4
(b) Middle Income	11	0.4	—	—	11	0.3
(c) Slum clearance	120	4.2	2	0.3	122	3.5
(d) Others	—	—	6	0.9	6	0.2
5. Markets and shopping centre	109	3.8	16	2.5	125	3.5
6. Buildings	569	19.8	27	4.1	596	16.9
7. Others capital expenditure	531	18.5	88	13.4	619	17.6
TOTAL	2,872	100.0	652	100.0	3,524	100.0

municipality and Corporation is setting aside any portion of its revenues for capital works on a regular basis with the exception of the Bombay Municipal Corporation. Further, for recurring grants certain guidelines have been evolved in most states for meeting the revenue expenditures on specified items but for capital works there does not appear to be any set of predetermined procedure. Most of the municipalities have stated that though non-recurring grants (for capital works) are given sometimes by the State government, these are sanctioned mostly for a specified project only. This position is easily explained from the fact that urban development did not figure significantly in the national planning process in the first four five year plans.

5.14 It has been noticed that urban local bodies are receiving about 15% of their total capital receipts in the form of grants (Table 2). With this ad-hocism in the matter of capital assistance, the local bodies understandably have not been able to undertake any worthwhile capital improvement projects. After the task of urban development receives its due place in the national planning process and its due share in the national plan, the next priority task should be to prescribe detailed guidelines for making capital assistance available to the local bodies. In addition, definite indication of the availability of capital assistance would lead to drawing up of realistic development plans and capital improvement programmes by the local bodies. This should therefore be made a part of the exercise for the annual plans of the State. We recommend that the Central and State governments should attend to these aspects immediately.

5.15 A review of the method of budget presentation as currently practised by urban local bodies reveals wide variations. It has been observed that none of the local body under investigation is preparing a proper capital budget. The exceptions are local bodies in Maharashtra and Tamil Nadu. Out of 63 responding units, 49 are not even maintaining capital accounts separately. A list of such local authorities is given in Appendix IX.

5.16 Details about the format in which budget is presented by local authorities in various States are given in Appendix X. It is evident from the data given in this Appendix that the existing form of budget presentation does not throw any light on the process of proposed acquisition and disposal of fixed assets including method of financing and repayment. To our mind the major flaws and shortcomings in the existing system in so far as capital budgeting is concerned are :

- (a) As the accounts are prepared on only annual receipt and payment basis it is not possible to measure, in financial terms, the progress of work on any capital work since direct relationship is not indicated between the receipt of money for a particular project and payments made towards its execution. This gives enough scope to local authorities to utilise loan etc. receipts for meeting recurring expenditure.
- (b) The provisions made in the budget are based more or less on the actuals of the past year on many minor capital works rather than on the basis of needs or actual requirement; in turn there is no long term plan in which needs of various areas and services have been assessed and suitable projects identified and phasing indicated for purposes of execution.
- (c) The budgetary classification is not on the basis of functions, programmes and projects.
- (d) Further, it has also been noticed from existing budget formats that area-wise data are not presented. Since local authority, by its nature of functions, is directly accountable to the local people; it is necessary that data should be presented in such a way that maximum information with minimum effort is available to its residents. It is a fact that the level of services provided by municipal authorities varies substantially from locality to locality hence it is

necessary that from a study of the budget people would be able to know as to how much is being spent on what service in each locality, preferably in a zone. This will also help the deliberative wing in issuing directives to the executive for enhancing the level of a particular service in an area where it is found to be of a low standard.

- (e) Also, certain items of capital expenditure are merged with revenue expenditure heads; certain other items are shown under capital major heads within the revenue account; some others are initially debited to capital major heads out-side the revenue account and then transferred back to revenue account.

5.17 Under the present system of budget formulation it is observed that there are no set practices or procedures for involving the deliberative wing either in laying down guiding policies or evaluating the performance of the executive. Information collected through the questionnaire indicate that in over 50 per cent of the municipalities the standing committees do not provide either guide-lines in the selection of schemes prior to budget preparation or evaluate the performance on the sanctioned ones.

Requirements of Capital Budgeting

5.18 From the fore-going analysis of the existing situation, it is clear that process and presentation format of capital budget have to change. Any reform which has to be brought into this field should meet the following requirements:—

- (i) Capital budget must be clearly distinguished from revenue or maintenance budget but its linkages with the latter must be clearly shown. We have dealt with this aspect in Chapter VIII.
- (ii) Capital budget must be easily understood and appreciated by the elected representatives and the general public and for this purpose the statements must

indicate clearly the existing status, the improvements proposed, the costs of such improvements and how these costs will be met by the local body out of different resources such as grants, loans, internal receipts, new levies etc.

- (iii) As capital improvement programmes have necessarily to spread over a number of years, the budget must show the year-wise programme indicating the physical targets proposed to be achieved each year. It must also show the year-wise financial outlays and the benefits, both interim and final, to be realized in concrete terms.
- (iv) As capital improvement programmes are to create assets, the accretion to the assets of the local body should be clearly brought out and the manner in which the assets will be maintained should be precisely indicated.
- (v) Whenever these are to be financed from local resources, it must be clearly shown where the resources are to come from. The funds thus generated should be tied up with the programme and this fact made clearly visible in the budget statement.

5.19 The classification of items in the annual budget should be such as would clearly bring out the efforts of local bodies in each sector. Further, since the finances of local bodies and their activities are closely linked with that of the State government and to some extent with the Union government as well, it is essential that there would be some uniformity in the budgetary classification practice followed by them. It is recommended that classification as suggested by the Team on "Reforms in the Structure of Budget and Accounts" appointed by the Government of India should form the frame work under which the detailed items of the activities of local authorities should be classified. As indicated by us in the Chapter on Accounts, an All-India uniformity in the last detail may not be possible at this

stage. Each State government may, therefore, undertake this work for its local bodies and prescribe a uniform classification.

Preparation of the Capital Budget

5.20 A unit called Development Planning Cell on the lines of the development and planning department of the State government may be set up in each of the Municipal Corporations and large municipalities which will be responsible for the preparation of the capital budget programme, co-ordination and monitoring of the development activities of the municipal body.

5.21 Ideally, a full-fledged capital budget procedure starts with a long-range development plan which seeks to look ahead from ten to twenty five years and charts the growth of the community in broad terms

5.22 The next step, and this is where the budgeting phase starts, is to have an organisational structure for preparing a capital improvement programme. The planning process starts with the listing of all needed or desired public improvements. They should be proposed by zonal/department of the local authority. These projects are to be transmitted to the planning division. It is desirable that a committee of Councillors may be entrusted with the task of chalking this programme out with the assistance of the planning division. The committee must screen the proposals, investigate cost effectiveness and inter-relations, establish a priority list and suggest methods of financing.

5.23 Thirdly, a financial analysis of the recurring revenue and expenditure requirements of the local body present and anticipated—for the next five years, must be prepared. A complete financial analysis will extend to an examination of the debt position, possibilities for future additions to the tax base, sources of new revenues and the like.

5.24 Fourthly, the financial analysis must be co-ordinated with the priority list of projects. Such co-ordination is going to

be a complex matter, since it may involve not only the local body, but the State and Union governments, finance lending institutions etc. On the basis of these considerations, the priority list has to be revised preparatory to incorporation of the capital improvement programme in the annual budget.

5.25 Finally, the first year's total of capital improvement projects become the capital budget for the annual municipal budget. The relation of capital project to the municipal revenue budget will be examined at this point, to assure that funds are available for maintenance and operation of improvement facilities once these are constructed. In succeeding years the programme is extended by one year, and the list of priorities from the previous year becomes the starting point. Thus, this process results in always having a rolling plan for a specified number of years, and ensures, above all, that funds would always be available for maintenance.

5.26 The part of the capital improvement programme which makes up the annual capital budget should be set forth separately in the budget document with abstract tables showing the distribution of projects by function. These tables should show original estimated costs and revised costs as also the source of finance.

5.27 In the case of Corporations and municipalities which, at present, do not have long term capital improvement programmes, the existing annual programmes, of capital improvement and other major works could be made part of the Capital Budget System. In course of time these annual capital budgets could be dovetailed into a regular long term development programme. We recommend accordingly.

5.28 Forms for the preparation of capital budget are given in Appendices. These have been designed so as to bring in the concept of long term development, a rolling plan and a current year capital improvement programme. This will give a clear picture of the schemes, how they are proposed to be finalised, the

manner in which the capital is to be paid for it taken on loan and the extent of internal resources required to be mobilised and the manner of doing so.

*I. Current Status of Capital Improvement Programme.—*Detailed physical units : This table (Appendix XI) is to comprise of only physical data for each scheme.

II. Current Status of Capital Improvement Programme.—(Detailed and Financial): Table (Appendix XII) corresponding to table (Appendix XI). Information in this table will contain only financial data.

*III. Current Status of Capital Improvement Programme —*Physical and Financial Abstracts (Appendix XIII). This table is supported to provide an abstract of data given in the preceeding two tables. It is presumed that Councillors etc. will be concerned with analysis of this table only since it does not contain details about each scheme.

*IV. Financing of Capital Improvement Programme.—*Detailed outlays: (Appendix XIV) This table is to throw light on the manner in which each scheme is to be financed.

*V. Financing of Capital Improvement Programme.—*Abstract by major heads: (Appendix XV). This table is only abstract of the data given in (Appendix XIV). As mentioned earlier to be presented to Councillors etc. giving broad details only.

*VI. Five Year Development Programme.—*Detailed Table (Appendix XVI). This table relates to the five year programme if it has been worked out. This table is expected to give the overall details of physical programme under each major head and its financial terms under each scheme for a period of 5 years.

*VII. Five Year Development Programme.—*Abstract Table (Appendix XVII). This is an abstract of the proceeding table.

*VIII. Financial Working of Capital Improvement Programme.—*Detailed (Appendix XVIII). In this table the receipts

and expenditure on capital budgets are balanced by indicating various receipts and expenditures.

IX. Financial Working of Capital Improvement Programme:
Abstract: (Appendix XIX). This is an abstract of Appendix XVIII for quick reference.

Financing capital Works/Development Programme :

5.29. We have already dealt with the general question of inadequacy of resources for development activities of the local bodies. However, some special problems were brought to our notice with regard to raising of funds for major capital works.

Constraints on Municipal Borrowings.

5.30 It was represented to the Committee that besides according very low priority to Municipal borrowing in the national borrowing programmes, the Central Government and the Reserve Bank of India were exercising very restrictive control over their proposals. Even when it was established that the local authority was in a sound position to meet the loan obligations and the commercial banks were willing to assist the local authority, the proposal would be set aside on the plea that it could not be accorded priority high enough to participate in national public borrowing programme under which the ceiling to the total borrowings that the economy can sustain is determined by various factors. Sometimes, these authorities are allowed so meagre an allocation as to make it very difficult for them to launch a worthwhile programme. Moreover, the local authorities are generally not allowed loans for their remunerative enterprises. Thus, on the one hand, the State governments are unable to ensure sufficient devolution of resources to these authorities, on the other hand, their efforts to generate their own resources with the help of negotiated loans and market borrowings are thwarted.

5.31 While there is no doubt that the programmes of the Central and State governments should normally have precedence

over the programmes of the local authorities, it needs no emphasis that the schemes of the municipal bodies also aim at maximising the welfare of the people and should therefore, not be treated as competing demands but as complementary efforts and integrated with the programmes envisaged at the higher level. The Rural Urban Relationship Committee had studied this aspect in depth and recommended the setting up of a Municipal Finance Corporation with an authorised capital of Rs. 10 crores to advance loans to urban local bodies for remunerative enterprises. This recommendation, though very important for the development programmes of the local authorities, has also remained on paper so far. The Committee strongly support this recommendation and urge the Central government to implement it without delay, in any case during the currency of the Fifth Five Year Plan.

5.32 Since, however, the needs of the local authorities are vast, the State governments could also make supporting and supplemental efforts. It is noted that the Government of Kerala has since set up the Kerala State Urban Development Finance Corporation Ltd., with the undermentioned function:—

- (i) Provision for financing of development schemes of urban local bodies;
- (ii) technical and administrative assistance and guidance;
- (iii) establishing and subsidising training and research; and
- (iv) acting as agents of Central or State authorities, etc.

5.33 The Committee consider this a very welcome step and would like to urge the other State governments to emulate the example of the Kerala government. The State governments would, no doubt, appreciate that to the extent the local authorities are enabled to stand on their own, to that extent their own responsibility to aid these authorities will be reduced.

5.34 The Committee have noted that the Union government has recently set up an All India institution called the Housing and Urban Development Corporation for financing housing and

urban development projects received from the State governments and Housing Boards. The Committee feel that it is a somewhat circumscribed institution as the local authorities cannot avail of the assistance because first its scope is some-what restricted as remunerative schemes are not covered and more emphasis is laid on housing schemes and secondly, the present terms for advancing loans are such as the local authorities cannot fulfil, for instance, the mortgaging of municipal property which is not permissible under the municipal laws. The Committee therefore, recommend that the scope of the assistance from the HUDCO should be widened and the terms and conditions revised suitably to admit various schemes of municipal authorities.



CHAPTER VI

PERFORMANCE BUDGETING

6.01 Our terms of reference include an examination of the feasibility of introducing performance budgeting in the municipal bodies. Sufficient literature has accumulated on the subject of performance budgeting and we do not wish to burden this Report with either the historical development leading to the adoption of performance budgeting in various countries, both developed and developing, or an academic discussion on the different nomenclatures used depending on the relative emphasis given to the various components of the system. For our purpose, we have considered that a good performance budgeting system should have the following ingredients:—

- (1) A clear definition of the goals and objectives.
- (2) A long term perspective for budgeting.
- (3) Identification and quantification of the physical outputs of the expenditure programmes and their measurement.
- (4) A system of accounting which provides information on the cost of the various programmes related to the outputs.
- (5) A system of continuous review of the implementation of the programmes and their evaluation.

Specifications of goals and objectives

6.02 Our review has shown that quite a mass of material is being supplied to the deliberative wings of the municipal bodies in the shape of budget documents. But, very often they fail to

specify the goals and objectives set for the various programmes. In our view a mere aggregation of the various items of expenditure and the corresponding resources does not make for a good budget in the modern context. This is especially so when there are severe constraints of resources and their availability falls far short of the requirements of different programmes all of which are desirable though in different degrees. It is, therefore, necessary that the goals and objectives of the various programmes are clearly spelt out so that the deliberative wing can make an appropriate choice of expenditure programme and allocate resources in accordance with the relative priorities it attaches to the various programmes. We consider that such a deliberate exercise of the choice and a conscious allocation of the resources is fundamental to the concept of Local Government.

Long-term perspective

6.03. Any emphasis on goals and objectives would require a certain clarity of purpose not only in the short term, that is, the year for which the budget is presented but over a fairly long period of time. Indeed, it may be difficult to attempt a clear definition of the goals and objectives in the absence of a long term perspective.

6.04. The Central and State Governments have the advantage of framing their budgets with reference to a five years perspective provided by the Five Year Plan. These plans form part of the overall national planning process relating to the general economic development of the country. As stated earlier, perspective planning for integrated urban growth and development is conspicuous by its absence in most of our cities. Even reliable data in respect of existing deficiencies in various community facilities and civic amenities are not available. No exercises, barring a few, have been undertaken to forecast the various needs of the growing urban community in terms of prescribed standards and to work out guidelines as to how these were to be provided for. We are of the view that a perspective plan

would be necessary for an integrated growth of the city and this, in turn, would help in properly budgeting for such growth.

Needs to be assessed

6.05 However, whatever be the relative emphasis laid on the different expenditure programmes from year to year, these must accord with a more basic reality that the municipal body is enjoined to render a certain level of social services to the growing urban population. It is, therefore, necessary that the "needs" of the population are defined and assessed with reference to some future year to facilitate advance planning and execution of projects and programmes to satisfy those needs. If, by a specified year, the population is expected to reach a certain level based on past trends and other factors and a forecast can be made of the composition of that population and the economic activity in which it will engage itself, the requirements of water supply, drainage, transport, roads, education, etc., can be assessed with reference to those projections and expenditure programmes outlined in order to reach or maintain the desired levels of services. Such projections can be presented in the form of "position papers" relating to certain bench-mark years like the census years, namely, 1981, 1991 etc. We, therefore, recommend that at least in respect of all major municipalities, projections should be made of the likely population in the next census year, that is, 1981, the volume and range of civic amenities and community facilities required, likely growth of the economic activity having bearing on the demands of urbanisation etc. From such projections the position papers should derive the needs of the population, the industries, etc. and indicate the current level of achievement and the programmes on the anvil, the basic deficiencies and projections for the future. The idea of the volume of investment to sustain desired growth in the area concerned by the municipal body could then be crystallised. As a working model we would commend Calcutta's Basic Development Plan for this exercise. However, for medium and small cities, the development plans of Agra and Jaipur would be more appropriate models.

6.06 The preparation of such position papers on Basic Development Plans will enable the planners at the Central and State levels to take into account the needs of the urban areas in determining the allocation of resources for development in the Five Year Plans. We feel that such an exercise will provide not only the necessary long term perspective for budgeting in the municipal bodies but will also lend to the process of allocation of resources and the execution of programmes a sense of direction and a sense of purpose more in tune with the aspirations of the people.

Involvement of local people

6.07 We have been given to understand that in some of the municipal bodies the deliberative wings take decisions in regard to selection of programmes or allocation of resources with very short term objectives much to the detriment of the long term problems facing them. It is our sincere hope that the preparation of position papers as suggested by us and the preparation of the budgets in the context of the long term perspective delineated therein would help shift the focus from short term to long term objectives. In this context, we cannot over-emphasise the need to involve the local people, particularly organised bodies like local Chambers of Commerce and Industry, the educational institutions, the political parties, Citizens Associations and the trade unions in drawing up the position papers and in formulating programmes designed to meet the needs as assessed in the position papers. The students and teachers of the local colleges can benefit a great deal from and can make a useful contribution to the investigative and analytical work involved in such an exercise. We have no reason to think that such an open participation of the people will be detrimental to the standards of administration in the municipal bodies. On the contrary, we are convinced that such an exercise would strengthen municipal administration.

Output Measurement

6.08 The identification and quantification of the "output" or end results of various expenditure programmes and their measurement is a difficult task. Data on some outputs like the length of roads constructed or maintained, the quantity of water and power supplied and the number of children educated in different age groups, are easy enough to collect. But, the outputs of programmes in fields such as prevention of disease, sanitation and social welfare are difficult to measure or even define in such a way that they can be directly related to the expenditure programmes. Often, the final output or end objective such as fall in the incidence of a specified disease is influenced by a number of programmes and a sophisticated analysis is required to assess the contribution made by the individual programmes. In such cases, a beginning has to be made with the measuring of the immediate end result or intermediate outputs of the programmes, for example, the number of persons vaccinated, the extent of area sprayed and the number of educational films exhibited.

Cost Information

6.09 The outputs of the programmes having been identified and measured their true cost must be ascertained from the accounts. It is, therefore, necessary to take a close look at the existing accounting classification and the administrative structure for incurring expenditure and modify them suitably so that the accounting system itself throws up data which can be correlated with the physical or economic outputs of the programmes. However, there are bound to be serious problems in the allocation of costs, especially the expenditure on common services like the public works, the transport pool, etc. The ideal solution, of course, is that each item of expenditure is allocated, as it is incurred, to different programme heads possibly with the help of a computer. A more pragmatic approach is to permit the

booking of expenditure with reference to the administrative structure, as suitably modified, and to make an estimate of the costs attributable to different programmes in the Budget documents. We understand that the Central and State governments have adopted such a pragmatic approach in the matter of accounting classification and booking of expenditure and we recommend this to the municipal bodies. This should not inhibit the installation of a more sophisticated accounting system wherever feasible.

Accounting Classification

6.10 A well-designed accounting classification which links the "inputs" like salaries, cost of equipment, office expenses, etc. to outputs such as those we have described is a basic requirement of performance budgeting. The Central and State governments have recently adopted a new classification with this end in view. The structure adopted is that all Government expenditures are broken up into broad functions called major heads like Education, Health, etc. The major heads are further broken up into minor heads indicating programmes undertaken by the different governments within or outside the Five Year Plans. These two tiers of classification are prescribed by the Comptroller and Auditor General of India uniformly for all the State governments and the Central government. The minor heads are further broken up into sub-heads denoting specific schemes of different governments and departments, which have the full liberty to determine this level of classification. The last tier or the detailed head is the input classification which indicates the *nature* of expenditure (as distinguished from the *purpose* of the expenditure) such as salaries, office expenses, grants-in-and, etc.

6.11 We think it is feasible to adopt a similar classification for the Municipal Bodies, especially the larger ones. We feel that the State governments can prescribe the broad functional classification by Major and Minor Heads to be adopted by all

the Municipal bodies in the State keeping in view, *inter alia*, the need for obtaining comparative costs of municipal services (para 6.13 below). Each municipal body can then evolve a two-tier classification to suit its requirements bearing in mind the need to obtain comparative data on the performance of different units, especially maintenance services. The last tier classification, which indicates the inputs or the nature of expenditure, should again be standardised by the State governments for all the municipal bodies so as to facilitate collection of data on a uniform basis on the cost of various services.

Monitoring Evaluation

6.12 Performance Budgeting in a sense is a total management system and should be used as a vehicle for monitoring the programmes in their financial and physical aspects and the evaluation of the programmes in terms of both the output and the unit costs. It seems to us at once necessary and feasible to prepare periodical progress reports on the execution of various programmes. Specifically, we think it should be possible for the departmental heads to submit monthly progress reports in both financial and physical terms to the Commissioner and the departmental or zonal standing committees wherever they exist. At the end of each quarter, it should be possible for the Commissioner to submit a comprehensive progress report to the deliberative wing, which may be discussed by the latter in the same way as the regular Budget.

Study of Comparative costs of municipal services

6.13 While on the subject, we would suggest that State governments make a study of the unit cost for different types of services in the municipal bodies so as to persuade the municipalities, which may be indulging in extravagance, to adopt more realistic norms for the sanction of staff, etc. It is necessary to locate a suitable cell for this purpose in the office of the State Director of Municipalities.

Intensive efforts in selected municipalities

6.14 We are confident that all the municipal bodies, especially those with a population of one lakh and above, can immediately start working on the performance budgeting system described above. However, we feel that if intensive efforts are made by the State governments to introduce the system successfully in one or two carefully selected municipalities, the example of such success is bound to encourage the other municipalities to adopt the system quickly. We, therefore, recommend that, to begin with, one or two municipalities in each State may be selected for this purpose and the expertise available at the Central and State levels may be drawn upon to instal the performance budgeting system in the selected municipalities within a reasonable period of time.

Conclusion

6.15 In concluding this chapter on performance budgeting, we wish to say that we have been deeply conscious of the deficiencies in the administration of municipal bodies in our country in the matter of the working relationship between the deliberative and executive wings, in the personnel management practices and in the various administrative procedures, which have been cited as coming in the way of speedy dispatch of business. It is not our case at all that performance budgeting is a panacea for all these evils or even that it can be introduced without concomitant changes in these aspects of municipal administration. However, improvements in different aspects of any administrative system are often interactive and mutually reinforcing and we may not be naive in expressing the hope that efforts to instal performance budgeting in municipal bodies may themselves lead to or encourage other improvements in the administrative set up, procedures and attitudes not excluding the delicate relationship between the executive and deliberative wings.

CHAPTER VII

FINANCIAL CONTROL

7.01 The Committee have studied the question of financial control in respect of local government from three angles; first the control exercised by the State governments over the local authorities; secondly, the control at the intermediate level exercised by the State functionaries; and thirdly, the system of financial controls within a Local authority. In addition, of course, we have examined basic provisions pertaining to statutory control under the relevant municipal law.

Financial Control by State government

7.02 The Municipal laws provide wide powers of administrative and financial control to the State governments. The powers of financial control cover almost every aspect of financial management. Some of the measures employed for the purpose include the power of the State government to; (i) scrutinise and accord final approval to the municipal budgets; (ii) give clearance to certain types of municipal works, (iii) sanction expenditure exceeding a specified limit (even though provision may exist in the budget for incurring such expenditure); (iv) get certain works carried out in the event of default on the part of local authority and to recover cost; (v) lay down certain conditions for advancing loans and grants-in-aid ; (vi) require the municipal authorities to submit periodical returns, progress reports, financial statements, etc; (vii) approve pay scales and strength of staff; and (viii) give directions having financial implications. The practices followed in this regard in the States, however, vary not only from State to State but within one State as well depending upon the status and classification of the local authority.

7.03 In the local government system in our country, the Municipal Corporations enjoy a higher status and degree of independence in managing their affairs. The financial control of the State governments on the affairs of the Municipal Corporations is, therefore, less rigid both in content as well as extent. Moreover, control from the intermediate level below the State government is almost non-existent. In the case of municipalities, however, the State governments and their functionaries at the district/division levels, exercise more extensive financial control. In the following paragraphs, the system prevalent in respect of both the Municipal Corporations and the municipalities has been discussed in brief. The aspects of approval of budgets and borrowing powers have, however, not been dealt with here as these have been discussed at length in Chapter IV.

Approval of Estimates

7.04 *Municipal Corporations*: There is wide variation in the practices followed in respect of Municipal Corporations in different States. Whereas in respect of Madras, Calcutta and the Municipal Corporations in Uttar Pradesh, the estimates exceeding rupees five lakhs are required to be referred to the State government for approval, this limit for Bangalore is two lakhs; for the Municipal Corporations in Kerala, it is one lakh and for Hyderabad Municipal Corporation, rupees fifty thousand only. The schemes of the Simla Municipal Corporation are required to be submitted for approval to the State Public Works Department if the cost involved is between rupees twenty thousand and rupees fifty thousand and to the Local Self Government Department of the State government in excess of this limit. The Delhi Municipal Corporation has to obtain clearance from the Delhi Administration and the Central Government if the schemes are to be financed fully from a grant-in-aid. Similarly, the Patna Municipal Corporation has to seek prior approval for schemes for which the State government has given a loan or grant-in-aid. The Bombay Municipal Corporation has to submit its budget

relating to primary education to the Government of Maharashtra for sanction as the State government meets a major portion of the expenditure on it.

Clearance of Schemes

7.05 Municipalities:—In the case of municipalities also the practices differ from State to State and some times within the State. In Andhra Pradesh, municipal works costing more than rupees twentyfive thousand in a municipality where a Municipal Engineer Grade I is employed and rupees fifteen thousand in a Municipality employing a Municipal Engineer Grade II require the clearance of the State Public Health Engineering Department. In Bihar, schemes involving expenditure above rupees ten thousand have to be approved by the State Local Self Government Deptt. For municipalities in Gujarat, the approval of the State government is needed for schemes costing rupee one lakh or over. Haryana has devised another system. The schemes costing rupees twenty thousand and above have to be submitted to the State government for technical sanction. Further, administrative clearance is necessary for incurring expenditure in excess of rupees fifty thousand on a particular scheme. The expenditure sanction for an amount between rupees thirty thousand to rupees fifty thousand can be accorded by the Divisional Commissioner. In Karnataka, all contracts for schemes estimated to cost more than rupees twenty thousand have to be submitted to the State government for clearance. In Kerala, all works and supplies involving expenditure exceeding rupees fifty thousand require the Government's sanction. The municipalities in Maharashtra have been graded in A.B.&C classes. The financial limit for obtaining technical sanction from the State government is rupees ten thousand in the case of A&B class municipalities and rupees five thousand for 'C' class municipalities. The clearance of the Inspector of Local Works appointed by the Government of Orissa is necessary for original works estimated to cost rupees twenty thousand and above. In Punjab, the limits for technical

and administrative clearance is rupees fifty thousand and rupees one lakh respectively, which is to be obtained from the concerned department of the government. The limit of estimates beyond which State level approval is needed is rupees eight thousand in Tamil Nadu and rupees five thousand in Rajasthan. The District Magistrates in Uttar Pradesh have to approve all estimates, expenditure on which is to be met out of the Roads Grants. The municipalities in West Bengal have to submit for approval their schemes costing between rupees twentyfive thousand and rupees sixty thousand to the Divisional Commissioner and to the State government if the estimated cost is above rupees sixty thousand.

7.06 The above description indicates that while in the case of the municipalities, the financial control of the State government is quite extensive and rigid, some of the Municipal Corporations too have to go up to the State governments for sanction of estimates etc., quite often. In certain States, the municipalities enjoy higher powers than those available to Municipal Corporations in some other States. In the Chapter on Municipal Budgetary Procedures, we have already recommended that the State control on municipal budgets should be indirect. In our opinion, the State governments should retain to themselves the powers of indicating guide-lines, setting out standards and providing byelaws, regulations and budgetary patterns. The local bodies should be free to act within the frame-work provided and should be required to submit copies of the budgets and returns regularly. The State governments should intervene only if the acts of the local authorities are found to be inconsistent with the law and the standards laid down or if there is a serious abridgement of financial propriety. The State governments may, however, continue to insist on their prior approval of the budget in the case of indebted municipal authorities which should be so declared for specified periods. By indebted authorities we mean the authorities which are unable to meet their obligations of timely repayment of the principal and the interest. We are, however, conscious of the fact that the proposals regarding changes in the rates

of taxes, for levying new taxes and the schemes financed from State government grants and loans will continue to be referred to the State government for approval. In such cases the Committee would stress the need for expeditious decision of the government on a time bound basis.

7.07 The local authorities are now being provided by State governments with senior and experienced officers for various departments and it should not be difficult for them to use the utmost care and prudence in the preparation and execution of schemes. In fact, the Commissioners in certain Municipal Corporations are of the rank of Secretary to the Government and Divisional Commissioner. The submission of the schemes prepared under his guidance and with his approval to the State government where these may be examined by officers of lower rank to him would appear to be not only inconsistent with the principles of public administration but also unnecessary. It would be in the interest of efficiency and better management if the system of seeking the approval of the State government is restricted to the irreducible minimum number of cases. The Committee are of the opinion that the Corporations should be able to sanction all estimates of works which have been provided for in the approved budgets, if those are financed from out of its own resources. The practice of seeking the approval of the State government in such cases should be dispensed with. In respect of the estimates to be financed out of loans and grants-in-aid, however, only such estimates may be submitted to the State government which involve expenditure of a substantial amount and we feel that the limit should be rupees five lakhs and above. In fact, at the prevailing level of prices and with the existing inflationary trends, even this ceiling would need to be revised from time to time. Similarly, the municipalities also need a degree of freedom and flexibility in such matters. The Committee are, no doubt, aware that we have in our country municipal authorities of varying sizes and it would not be possible to treat all of them uniformly. We have already observed that our recommendations will be relevant in case of large municipalities only. The Committee would,

therefore, recommend that in matters of sanction of estimates etc. such municipalities should also be given the liberty of sanctioning the estimates at the local level as far as possible. The State government might however, scrutinize such schemes as require higher technical competence which may not be available at the local level. The Committee noted that all major works in the municipalities are executed through the State Public Health Engineering Departments. The Committee would, however, recommend that in these matters of major works too the State governments should progressively give more powers to major municipalities to enable them to develop expertise, maturity of judgment and a higher sense of responsibility. After all, they are accountable to the local community and should be made to feel its impact. By taking too much upon itself to avoid all risk, the State government not only helps provide a spurious alibi to local authorities but almost certainly prevents or delays their full flowering into purposeful and responsible democratic institutions.

7.08 It was brought to the notice of the Committee that the restrictions and conditions attached to the loans and grants were such that it was difficult for the local bodies to take full advantage of these in time. The Committee, therefore, recommend that the conditions for advancing loans and providing grants-in-aid be rationalised and the procedure for their sanction simplified. It is further recommended that the procedures for sanctioning the levy of taxes and/or revising the rates of taxes should also be simplified.

Control at Intermediate level

7.09 The system of control at the intermediate level has been indicated in the preceding paragraphs. The recommendations and suggestions made in respect of the State control are also applicable to the system of control by State functionaries at the intermediate level. The Committee would like these to be kept in view while rationalising the control system at this level.

7.10 Submission of Progress Report : Apart from the submission of the Annual Administration Report, there does not seem to be any other Statutory provision requiring submission of any specific periodical return or report. The State governments are, however, empowered to ask for reports, documents and returns from time to time as they deem necessary. This power, the Committee feel, is necessary and has to remain with the State governments in the interest of efficiency. Actually, the Committee would wish that the State government would keep itself well informed about the functioning of the local authorities within its jurisdiction.

7.11 Awarding of contracts and acquisition and disposal of property: It is noted that in these matters, the Municipal Corporations enjoy full powers subject to budgetary limitations.

Controls within the local body.

7.12 Municipal Authorities : The Municipal Corporations Acts enumerate the following as authorities responsible for the affairs of the Corporations:—

- (1) the Council;
- (2) the Standing Committee and other functional Committees; and
- (3) the Municipal Commissioner.

In addition, there may be one or more Committees supervising the functions of the utility undertakings like transport, electricity, etc. In the municipalities, however, the Council, the Chairman/President, the Executive Committee and the Executive Officer (in some States designated as Secretary or Commissioner) have been designated as the Municipal Authorities. The financial powers are divided among these authorities but the extent of powers delegated varies among the Municipal Corporations and municipalities in different States. The financial powers

could broadly be divided in five categories viz. (i) approval of estimates; (ii) sanction of contracts; (iii) acquisition of properties; (iv) disposal of properties; and (v) other financial powers.

Powers of the Commissioner

7.13 The position of the Commissioner in a Municipal Corporation is of crucial importance. He heads the executive wing and is in his own right, one of the Municipal Authorities recognised in law. The financial powers entrusted to the Municipal Commissioners in different Municipal Corporations are enumerated in the table at page 87.

Approval of Estimates

7.14 The table at page 87 is revealing. The powers of the Commissioner to approve estimates in certain Corporations are distinctly limited. These limitations lead to delay in execution of the works and also create other problems. The Committee are of the view that the Commissioner, being generally a very senior officer, should be given adequate powers to enable him to discharge his functions efficiently and with requisite promptness. The control by the elected wing could be exercised through submission of returns of the estimates and contracts, etc. approved from time to time. The Standing Committee and the Council could comment where gross irregularity is apparent. The Committee accordingly recommend that the powers of the Commissioners to sanction estimates be fixed at rupees one lakh. In cities with a population of over two million, this limit may be rupees two lakhs. There may, however, be a system of reporting all estimates above rupees fifty thousand approved by the Commissioner to the Standing Committee.

Delegation of authority to lower level officers

7.15 As already pointed out, the Municipal Commissioners are assisted by senior and experienced officers in the general administration and other departments. The Committee feel that the Commissioner should be empowered to delegate some of his powers, upto certain limits, to the departmental heads and their

TABLE
POWERS OF THE MUNICIPAL COMMISSIONER

Corporations.	Approval of estimates upto Rs.	Award of contracts upto Rs.	Acquisition of property	Disposal of property
Madras	25,000/-	25,000/- (System of Reporting to Circle and Centre Committee for lower value contracts.)	Lease upto 12 months	Movable Rs. 2500/-. Immovable up to 12 months.
Bombay	.	.	15,000/- (General Managers in under-takings) system of reporting. between Rs. 1000/- to Rs. 10,000/-	Upto Rs. 5000/-
Calcutta	5000/-	.	.	.
Uttar Pradesh	10,000/-	.	Lease for 12 months on terms approved by Executive Committee.	Movable upto Rs. 500/- Immovable lease upto 1 year.
Madhya Pradesh	5000/-	.	.	.
Kerala	5000/-	.	.	.
Hyderabad	5000/-	Invite tenders exceeding Rs. 3000/- Report contracts exceeding Rs. 500/-	Upto Rs. 5000/-	-do-
Bangalore	10,000/-	.	Lease for 12 months	-do-
Patna	5,000/-	.	As per terms fixed by the Standing Committee.	-do-

senior aides. This could, however, be left to the discretion of the Commissioner to be exercised by him keeping in view the local conditions and the level and competence of officers available under him. In this way the burden of the Commissioner will be lessened and speedier decision-making and implementation take place not only to public advantage but will also be useful in the matter of utilisation of funds provided in the budget. He should, however, keep a check through regular reports and inspection of concerned files from time to time.

Award of Contracts

7.16 Allied to the question of approval of estimates is the question of awarding contracts and placing orders for supplies. The powers available to the various executive functionaries will have to be fixed at a higher level. The Committee would like to point out that in the State Government Departments there is a system of devolution of financial powers among various subordinate levels. A similar system could be adopted in the Municipal Corporations as well, in view of the fact that a high degree of decentralisation would lead to efficiency.

Other Financial Powers

7.17 Apart from these financial powers, the local authorities enjoy powers for creation of posts, appointment of staff, regulation of pay and allowances and contingent expenditure. The Committee have noted a few trends in these spheres in recent years. First, more and more posts in large Municipal authorities are being centralised and brought on regular cadres. Secondly, the service conditions of the Municipal personnel are progressively being brought on a par with those applicable to the employees of the State government of the corresponding level. Thirdly, the rules and regulations are being standardised for making them more functional and operationally easier. Fourthly, the importance and role of training and orientation of municipal employees at various levels is being recognised increasingly. These measures will lead to strengthening the administration at the local level. The Committee would not therefore like to go into

those aspects in details but would make a general recommendation that in these matters the Commissioner and the departmental heads should be given powers within the departments they control corresponding to those available to their counterparts in the State Departments, as well as for expenditure from contingencies. This should apply to the Municipal Corporations as well as large municipalities.

Powers of Standing Committee

7.18 The next level to be considered in financial administration of a Municipal Corporation is the Standing Committee which is termed as Finance Committee in some Corporations and the Central Committee in Madras. The role of the Standing Committee in a municipal body is as important as that of the Board of Directors in a large manufacturing concern. The Standing Committee is virtually an Executive Committee and on it rests the responsibility of guiding the working of the Municipal body. The table at page 90 indicates the financial powers available to this authority in various Municipal Corporations.

7.19 The Committee have given considerable thought to the extent of financial powers as are available to the Standing Committee and those should legitimately be given to it. The Committee feel that the present powers available are in no way commensurate with the importance of the Standing Committee. By virtue of being a compact authority representing various sections of the council, this body needs to be vested with higher responsibilities and powers. The very purpose for which an Executive Committee is set up is that it should be able to discharge more and more functions of the Council with efficiency and speed. The Committee, therefore, recommend that the powers of sanctioning the estimates by the Standing Committee should be fixed between rupees one lakh and rupees five lakhs. This recommendation applies to the Committees incharge of municipal undertakings, like transport, electricity supply, water supply, etc.

TABLE
POWERS OF STANDING / OTHER COMMITTEES

Corporation/State	Approval of Estimates	Award of contract	Acquisition of property	Disposal of property
1	2	3	4	5
Madras	Between Rs. 25,000/- to Rs. 50,000/- (Circle Committee)	Exceeding Rs. 25,000/- (Contracts Committee)	Lease term between 1 to 3 years	Movable property valued upto Rs. 10,000/- and lease of immovable property up to 3 years.
Bombay	—	Exceeding Rs. 15,000/- (Standing Education/Transport/Electric Supply Committees)	Value upto Rs. 10,000/- (Improvements Committee)	Movable property of value over Rs. 2,000/- Immovable property valuing over Rs. 5,000/- and annual rent not exceeding Rs. 3,000/-.
Delhi	—	Exceeding Rs. 10,000/-	Between Rs. 5,000/- to 15,000/-	Movable property up to Rs. 5,000/- and immovable property upto Rs. 5,000/- and annual rental Rs. 3,000/-
Calcutta	Between Rs. 5,000/- to Rs. 50,000/-	Rs. 10,000/- to Rs. 50,000/- (Finance Committee)	—	—

Uttar Pradesh	.	.	.	Between Rs. 10,000/- to Rs. 50,000/-	Same as Estimates	Prescribes rates and terms for more than 12 months.	Prescribes rates and terms for more than 12 months.
Madhya Pradesh	.	.	.	up to Rs. 25,000/-	Same as estimates	Prescribes rates and terms for more than 12 months.	Prescribes rates and terms for more than 12 months.
Kerala	.	.	.	Between Rs. 5000/- to Rs. 10,000/-	-do-	Value between 1000/- to Rs. 3000/-	—
Bangalore	.	.	.	Between Rs. 10,000/- to Rs. 50,000/-	-do-	Prescribes terms and conditions.	Movable not ex- ceeding Rs. 5000/-
Patna	.	.	.	Between Rs. 5000/- to Rs. 50,000/-	-do-	-do-	Immovable pro- perty upto Rs. 3000/-

Contracts Committee

7.20 The Committee noted that the Madras Municipal Corporation has a small Committee called the Contracts Committee comprising the Mayor, the Chairman of the functional Committee concerned and the Municipal Commissioner which approves the tenders and awards contracts. The Committee commend this practice to other Corporations for adoption. This will, however, be applicable only to those cases which are not covered by the powers of the Municipal Commissioner. In this way the work would be disposed of quickly and the chances of making a bad selection, etc. would be minimised. The Standing Committee need not be burdened with the responsibility of scrutinising tenders, awarding contracts, etc., which should be done by the executive wing.

Powers of the Council

7.21 We come next to the powers of the Council of the Municipal Corporations. The Council is the supreme authority of the Corporation and should not be burdened with the work of lesser importance. It should concern itself with matters of policy and provide general guidance to the various authorities subordinate to it. From the table given at page 93 it will, however, be noted that the Councils in certain Corporations are required to consider the estimates of comparatively smaller amounts.

7.22 The Committee consider that the powers entrusted to the Council need to be fixed beyond certain higher limits. In an earlier paragraph the Committee have recommended a limit of rupees five lakhs for estimates to be approved at the Committee level. Accordingly, only those estimates as are above this limit should be put before the Council for approval.

Acquisition and Disposal of property

7.23 The tables given in the preceding paragraphs also indicate the powers of different authorities in the matters of acquisition and disposal of property. It will be noted that in most Municipal Corporations proposals involving an expenditure

TABLE
POWER OF CORPORATION COUNCILS

Sl. No.	Corporation/State	Approval of Estimates	Award of contract	Acquisition of property	Disposal of property
1	2	3	4	5	6
1.	Madras	Between Rs. 1 lakh to Rs. 5 lakhs	—	Value exceeding Rs. 1000/- and lease term exceeding 3 years.	All properties.
2.	Calcutta	Between Rs. 50,000/- to Rs. 5 lakhs	Exceeding Rs. 50,000/-	All properties	All properties.
3.	Uttar Pradesh	-do-	do-	Value exceeding Rs. 5000/- and lease term over 3 years.	"
4.	Madhya Pradesh	Above Rs. 25000/-	—	Value exceeding Rs. 1000/-	"
5.	Kerala	Between Rs. 10,000/- and Rs. 1 lakh	As per Estimate.	Value exceeding Rs. 3000/-	Value exceeding Rs. 3000/-
6.	Hyderabad	Upto Rs. 50,000/-	—	Value exceeding Rs. 5,000/-	Any property.
7.	Bangalore	Between Rs. 50,000/- and Rs. 2 lakhs.	Exceeding Rs. 5000/-	Value exceeding Rs. 1000/- and lease term exceeding 3 years	"
8.	Patna	Exceeding Rs. 50,000/-	"	Value exceeding Rs. 1000/-	"

of rupees one thousand to rupees five thousand are put up to the whole Council for sanction. The Committee consider that these limits are too low as no property worth its name could be purchased for such small amounts these days. The Committee, therefore, recommend that the Municipal Commissioner should be empowered to acquire property upto the value of rupees one lakh in each case subject to provision in the Budget. The Standing Committee may be allowed to go upto the limit of rupees five lakhs. The proposals involving investment beyond this limit need only be submitted to the Council. In the case of major municipalities, these limits may be observed generally. In the case of smaller municipalities, however, these limits may be fixed at 50 per cent of the limits suggested above.

Financial Control in Municipalities

7.24 In the municipalities, there are generally four authorities vested with financial powers. These are : the Council, the Chairman/President, the Standing/Executive Committee and the Executive Officer. The position in different States is discussed below :—

- (i) *Andhra Pradesh*.—The Council consider the contracts involving expenditure of more than rupees ten thousand. The other schemes are approved by the Executive Committee.
- (ii) *Assam*.—Public Works Committee consider proposals below rupees five hundred. Beyond this limit the proposal has to be put to the Council.
- (iii) *Bihar*.—The sanction of the Council is needed for contracts involving expenditure above rupees five hundred. Schemes of the value of more than rupees ten thousand have to be submitted to the State government for approval.
- (iv) *Gujarat*.—The Standing Committee's powers are limited to approval of contracts upto rupees ten thousand. The Chief Officer can sanction contracts up to rupees one thousand but contracts of the value between rupees five hundred to one thousand have to be reported to the Standing Committee.

- (v) *Himachal Pradesh*.—The Council reserves the powers to sanction all contracts. In Class I Municipalities, however, there is provision for delegation of powers to Executive Committee upto the limit of Rs. 500/-.
- (vi) *Karnataka*.—In a city municipality, the limit of approval of the Standing Committee is Rs. 2000/-. In the case of a Town municipality, it is Rs. 1000/-.
- (vii) *Kerala*.—Contracts and supplies of the value up to Rs. 10,000/- are approved by the Executive Committee ; between Rs. 10,000/- to 50,000/- by the Council and beyond this by the State government.
- (viii) *Madhya Pradesh*.—The Council in a city municipality can sanction contracts up to Rs. 10,000/-. In other municipalities this limit is Rs. 5000/-.
- (ix) *Maharashtra*.—The financial powers among different authorities are based on the classification of the municipalities. In 'A' grade municipalities, the limit for the Executive Officer is Rs. 1500/-, for Executive Committee Rs. 50,000/- and the Council beyond this. In 'B' grade municipalities, these limits are Rs. 1000/-, 25,000/- and above, respectively. In the case of 'C' grade, the limits fixed are Rs. 500/-, Rs. 10,000/- and beyond, respectively. There is a system of obtaining technical sanction from the State Departments and the limits fixed are—Rs. 10,000/- for 'A' and 'B' grade, and Rs. 5000/- for 'C' grade.
- (x) *Uttar Pradesh*.—In a city municipality, the Standing Committee has powers to sanction contracts upto Rs. 2000/- only. This limit for a town municipality is Rs. 500/- only.
- (xi) *West Bengal*.—The Chairman can sanction contracts upto the value of Rs. 500/-, beyond which limit the proposals are to be approved by the Council.

- (xii) *Punjab*.—Contracts upto Rs. 5000/- can be approved by the Executive Committee in special cases. The rest of the proposals are referred to the Council.
- (xiii) *Tamil Nadu*.—The Executive Committee can sanction contracts in certain circumstances only up to the value of Rs. 1000/-.
- (xiv) *Orissa*.—All contracts have to be approved by the Council.

7.25 It may however not be appropriate to make uniform recommendations for all types of the Municipalities. The Committee recommend that the various authorities in the municipalities may be vested with financial powers as indicated below :—

(a) *Approval of Estimates*.—In municipalities with population above 1 lakh, the Chief Executive Officers should be empowered to sanction estimates upto the value of Rs. 50,000/- if the scheme is covered by the budget. All sanctions should however be reported to the Executive Committee within a fortnight. The limit upto which the Executive Committee may sanction estimates may be Rs. 2 lakhs.

In the case of municipalities with population between 50,000 and 1,00,000, the powers of the Executive Officer and the Executive Committee be fixed at Rs. 25,000/- and Rs. 1 lakh, respectively.

The limits of sanctioning estimates for in respect of other local authorities may be fixed by the State governments taking into account the income of the local body and the status of the officers employed.

(b) *Awarding Contracts*.—In the matter of awarding contracts, the officers in different local authorities may be given powers equivalent to powers enjoyed by officers of the corresponding status in the State government Departments. The Municipal Council should have full powers to award contracts for the estimates approved by the State government.

CHAPTER VIII

MUNICIPAL ACCOUNTS AND AUDIT

A. Municipal Accounts.

8.01 Municipal accounts are generally maintained on receipts and payment basis like the system operating in the government departments. Municipal accounting has an inseparable relationship with municipal budgeting. In fact, heads of the account are maintained on the basis of the budget heads. Various municipal enactments elaborately discuss the procedure of framing budgets and these legal requirements have a direct bearing on the maintenance of the account. The present system of municipal accounting as well as budgeting serves the following needs :—

- (a) It facilitates financial and legal accountability both from the executive and the deliberative authority and within the executive from the lower to the higher level.
- (b) It serves, inadequately though, as a tool of the executive in maintaining and operating financial control.
- (c) It is maintained on a basis which facilitates a proper audit.

8.02 Major reforms in municipal accounting are needed mainly in three directions :—

- (i) Adoption of commercial accounting in municipal enterprises.
- (ii) Relating municipal accounting to the needs of management ; and
- (iii) evolving a proper format for accounting which, of course, would be linked to the format of budgeting.

On items (i) and (ii) above, we would like to quote usefully from an article* in the journal "Nagarlok".

"Following the practice in government accounting, the system evolved for maintaining municipal accounts in India pays scant attention to the peculiar needs of those municipal activities which are either fee-financed, or financed through the levy of specific taxes. Many of these services are in the nature of 'private goods', where their consumption is tied with the payment of service charges. It is necessary, in this situation, to have detailed accounting of not only their operating cost, but also marginal cost. Unfortunately, the various municipal accounts codes or manuals do not go into the details of this type of calculation at all. Only in the case of electricity undertakings, the municipalities have to maintain some kind of commercial accounting prescribed under the Indian Electricity Act, 1910. There is, however, provision in the legislations governing the corporations of Delhi, Bombay and a few others (under the Bombay Provincial Municipal Corporations Act, 1949) for preparing separate budgets in respect of the municipal utilities like water supply and sewerage, transport and electricity. The Gujarat municipalities also have to prepare separate budgets for their transport undertakings.

It is much easier to relate municipal accounting to the needs of municipal management for the simple reason that accounting is an internal responsibility of the municipal organisation. In the case of the State and Central governments, the executive is somewhat isolated from the accounting processes, as the entire public accounting is done by the Comptroller and Auditor General. However, the tradition of regarding accounting as a mere recording device exists at all the levels of

*"Reforms in Municipal Administration by Abhijit Datta published in Nagarlok's special issue of October—December, 1973 (I.I.P.A.) Page 33.

government. Municipal accounting, in this respect, has a good deal in common with commercial concerns and there is no reason why advantage should not be taken of this situation. Management information system can be built around the various existing accounting abstracts and statements and passed on to relevant departments and the chief executive for necessary action. Also, the accounts department may be encouraged to undertake useful financial and economic appraisals of various expenditure proposals of the council. Renaming its chief officer as the Chief Finance Officer and creating a somewhat broader finance department, of which accounts would be an important segment, might be helpful in bringing about necessary reorientation".

We would commend the adoption of the suggestions made in the foregoing paragraphs.

8.03 We consider that there is considerable validity in the criticism levelled against the account formats and budget formats which were devised decades ago. In both cases the forms are neither simple nor easily comprehensible. They contain some times inadequate information and at other times too much information most of which is hardly made use of either functionally or as a tool of management. These lack both in content as well as presentation the qualities of documents which would serve a good monitoring purpose. We, therefore, feel that reforms in this area are long overdue. However, in view of the variation in the activities undertaken by the municipal governments it may be difficult to prescribe model formats for both budget and accounts for the country as a whole. The local needs will have to be kept in view. We would, therefore, recommend that the State governments may proceed to reform the formats of budget and accounts to serve the following purposes :

- (a) The budget and account documents may become simple and easily comprehensible.

- (b) These may serve as effective tools of management. Specific suggestions on this subject have been discussed in the hCapters on apital Budgeting and Performance Budgeting.

8.04 The State governments could very well make use of the faculties of the Centres for Research and Training in Municipal Administration for devising proper formats for budgets and accounts.

8.05 Another desirable area of reform would be the separation of Capital account from Revenue account.

8.06 At present no distinction between capital and revenue accounts is maintained in municipal accounts, except in the States of Maharashtra and Tamil Nadu. The separation of capital from revenue accounting is essential as it will enable computation of true cost of rendering a service, help in price fixing and guide in choosing the method of financing expenditure.

8.07 To make a distinction between capital and revenue items of income and expenditure is not easy. Even Courts have failed to give a satisfactory test by which capital receipts and expenditure may be distinguished from revenue receipts and expenditure. Decided cases on the issue are only illustrative. A water-tight compartmentalisation of these two kinds of expenditure would, therefore, not be possible. It is to be remembered that the capital expenditure incurred in a particular year would give rise to revenue expenditure in the following years. Further, it is also conceivable that certain capital expenditures are alternative to revenue expenditure and vice-versa. For example, to increase the capacity of a school, one could consider the construction, establishment of new buildings involving capital expenditure as an alternative to increasing the capacity by running additional shifts, employing more teachers and teaching material involving revenue expenditure. We are making this point only to caution that the method of financing should not create any bias in favour of either the capital type of expenditure or the revenue type and thus it is necessary to ensure the cost effectiveness of the total expenditure incurred by the municipal bodies.

8.08 In the light of discussions above, the following generalisations may be useful in distinguishing the Capital income and expenditure from Revenue income and expenditure :—

- (1) A receipt from fixed assets is a capital receipt; while a receipt from circulating capital is revenue.
- (2) A receipt in substitution of source of income is capital; while it is revenue if received in substitution of future payments.
- (3) If property is held as investment then receipts from its sale are capital receipts but when it is kept for the purpose of selling it, then the sale proceeds are revenue receipts.

Similarly in the case of expenditure :—

- (1) Expenditure for acquiring benefit of an enduring nature is of capital nature.
- (2) Expenditure for redeeming a capital liability is of capital nature.
- (3) Expenditure on acquiring capital asset is of capital nature; while it is revenue when done on circulating capital.
- (4) Expenditure on extension or replacements of a business is of capital nature.

It is, therefore, suggested that the distinction of capital and revenue accounting should be introduced in the case of municipal remunerative enterprises forthwith, with the ultimate object of extending it, as far as possible, to other spheres of municipal services, wherever not obtaining.*

B. Audit

8.09 The role of audit is too well known to be restated. However, in the complex structure of the local government it has become a subject of considerable debate. There are, in particular, three distinct participants in this debate—the

*Views taken from an article "Reforms in Municipal Accounting and Audit Procedures" By Shri P.L. Bhargawa published in Nagarlok—April-June, 1972 (Page 34).

deliberative wing of the local government, its executive wing and the accountants and auditors. All the three are agreed that audit should be reasonably independent, it should perform its functions without fear or favour and its advice should be heeded, and yet the part played by audit is a subject of controversy or at least of varying opinion.

8.10 The auditors have represented that the deliberative and executive wings do not take the audit reports seriously, that generally there is conspicuous absence of effort or will to act upon the audit reports of which proof is in the fact that a very large number of audit objections remain unattended to. They feel that the present system of consideration of the audit report by the Standing Committee/Council has some inherent defects. In fact, the audit objections are usually directed against the decision of the Councillors themselves acting through Committees. How can, ask the Auditors, the very Councillors whose actions are the subject matter of audit criticism be expected to take action in pursuance of those audit objections? The result is that an unconscionably long time is taken for the reports to be put up for consideration and still longer to act upon the audit recommendations. Through the passage of time the value of audit recommendations is considerably diluted. The auditors feel that this situation can be remedied (a) if audit is made independent preferably of the council ; failing that at least of the executive wing, and (b) by setting out some statutory limit within which the audit objections must be disposed of.

8.11 The executive and the deliberative wings, on the other hand, have a different view on this issue. They feel that the primary task of local government is to provide services to the people and not to satisfy audit. Audit is important and necessary but has to assume a side role. They are highly critical of the negative attitude of the audit stating that the present system has resulted in curbing initiative and creating friction between the deliberative and the 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. The context and pressure of circumstances under which any financial irregularity has been committed should not be lost sight of by audit while raising objections.

8.12. We have carefully considered the arguments advanced for making audit independent of the council. We have taken note of the fact that audit in respect of smaller municipalities is conducted by the Examiner of Local Funds Account—an authority both remote from and independent of the Council. However, the fact remains that there is no evidence to show that audit is more effective and is more seriously taken note of in these municipalities. Further, no municipal auditor has alleged of any undue pressure which may prevent him from performing his duties freely. What they have said is that their recommendations are not implemented in time and seriously. We also feel that audit by a remote authority will no doubt be more independent but at the same time it will be less appreciative of the difficulties faced by local bodies and the tenor of audit objections will, therefore, tend to be more negative than in the present system where the Auditor is part of the local set up. We, therefore, recommend that the existing system in most municipal corporations of audit being independent of the executive but responsible to the council should continue. The Chief Municipal Auditor, should, however, be appointed by the State government. The reform should, therefore, be from within. We also recommend that there should be a statutory Standing Committee of the council on the lines of the Public Accounts Committee of the Legislature/Parliament which may be entrusted with the duty of considering Municipal Chief Auditor's suggestions and objections and which should be in a position effectively to direct the executive and the deliberative wings to comply with its instructions. The Councillors who are members of this Committee should be debarred from the membership of any other functional committees.

8.13 There should also be a statutory provision requiring consideration and disposal of the audit reports within a specified period.

8.14 It was reported to the Committee that delay in disposal of audit reports quite often resulted from delays at various points in the process of finalisation of accounts, conducting of audit, submission of audit reports by audit and the printing of audit reports. The accounts of a particular financial year are not finalised immediately with the result that audit cannot be conducted soon after the financial year is over. There were instances where the audit parties were deputed years after the accounts had been finalised presumably due to their preoccupation, etc. There are also instances where the audit reports were received long after audit had actually been conducted and then it took considerable time to print them. The cumulative effect of these delays in the process results in the great time lag between the close of the financial year and action on the audit report. In order that audit may be meaningful, it is necessary that the audit report concerning a particular financial year should be available with the local body within about a year. For this to happen finalisation of accounts, conducting of audit and submission of audit report will have to be done on a time bound basis. We recommend accordingly.

8.15 We feel that the audit should not only be progressive and enlightened in outlook but should be appreciative of the difficulties of the executive. 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.

8.16 It was brought to the notice of the Committee that thousands of audit objections are pending in a number of local bodies for a number of years, some being as many as over two decades old. We feel that the continuance of the audit objections in thousands over years or decades is not a sign of good performance on the part of the executive/deliberative wing, but at the same time, we fail to appreciate the value of keeping these objections alive for so long. Evidently, the remedial or corrective value of these objections has ceased to exist. We feel that once the drawbacks and loopholes have been highlighted by the audit and necessary reform brought about in the procedure or the suggestions deemed un-

acceptable by the Council, there is no point in keeping the audit objections alive on record or repeating them in future reports. All long standing audit objections may be scrutinised in the light of the aforesaid observation and dropped, as far as possible.

8.17 We further feel that the controversy regarding the role of audit is largely due to lack of appreciation on the part of auditors and councillors/executives of the importance of each other's activities. We feel that there is need to create a proper atmosphere wherein the executives, the councillors and the auditors have mutual trust in the good intentions of each other. For this, the lead will have to be given by the Councillors.

System of Audit

8.18 Audit in most Municipal Corporations is the post audit. In some cases, external audit, namely, audit by the Accountant General is also conducted for certain specific scheme assisted by the State government. In municipalities generally the post audit is conducted by the Examiner of the Local Fund Account. In some municipalities, the system of concurrent audit is in vogue. In a few municipalities in Rajasthan the system of pre-audit is also there. We feel that concurrent and pre-audit may curb initiative and lead to delay in the process of implementation. We do not regard these suitable for efficient functioning of local authorities. Having recommended the system of post-audit, we would like to emphasise the importance of internal audit which enables the local authority to exercise a check on the propriety and level of expenditure and ensures observation of financial rules and regulations. However in many local bodies, the system of internal audit is not yet very effective for the reasons that their accounts departments are not adequately equipped for this purpose. We would like to recommend that this department should be suitably strengthened and the personnel properly trained so that the internal audit could play its role usefully.

8.19 The Appendix XX gives the comparative statement showing details about the audit system in force in various Corporations and municipalities.

CHAPTER IX

PERSONNEL AND TRAINING

9.01 An efficient and properly motivated personnel is at the core of every organisation; public or private. Municipal government is no exception ; in fact, if anything, its close proximity to the community makes it all the more necessary for the staff to be of a high level of competence. It is therefore, necessary that steps should be taken to evolve a sound system of personnel management for all categories of employees in the municipal government including the staff dealing with budgetary and allied matters.

Adequacy of Personnel

9.02 The Accounts and Audit Department occupies a place of importance in any organisation; public or private. In a local body, these departments 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. Every activity under-taken has to be paid for and the efficiency and promptness with which this could be done would add to its reputation and public image resulting, ultimately in greater public cooperation. The personnel requirements would, however, depend on the size of the local authority and the extent of the financial operations involved. Since no two local authorities are similar in these aspects, it would be difficult to lay down any rigid pattern. The Committee would, however, like to indicate certain principles for the guidance of the authorities concerned without going into the question of strength and level of staff to be employed in these departments which may be left to be decided by the local authorities on the basis of requirements.

9.03 It is well known that the local authorities in India, barring a few exceptions, are not able to attract competent personnel and retain them. The reasons for this weakness are not far to seek.

The basic ingredients of a contented service *i.e.* adequate remuneration, security of tenure, proper working conditions, job satisfaction, opportunity for advancement, appropriate status and after-service benefits are generally not well developed in municipal services. Although some State governments have been taking steps to reorganise municipal personnel systems, many State governments have yet to initiate suitable measures in this regard. The Committee would like to suggest that the State governments may keep the following principles in view, which should apply to the personnel employed in accounts and audit departments also :—

- (a) The posts in the Municipal Corporations and large municipalities should be comparable to the posts at the corresponding levels of the State government in so far as the basic attributes enumerated above are concerned.
- (b) The selection to the posts should be on the basis of merit. A suggestion often made and worth consideration is the creation of a Municipal Service Commission.
- (c) Statewise cadres be established for various posts so that persons joining the service will have reasonable opportunity to advance in their career.
- (d) Adequate incentives and facilities be provided to the employees who undergo training.
- (e) A regular system of assessment of work and performance should be introduced through supervisory channels.

Specialisation

9.04 The intensification and enlargement of activities in the local authorities have created need for specialisation in every field and accounts and audit are no exceptions. The use of machines or even computers could be resorted to increasingly particularly in large municipal Corporations for streamlining the accounting systems and bringing them on scientific lines.

This will lead to reduction in labour and costs, saving of time, ensuring of accuracy and minimising chances of fraud. The Committee recommend that the Municipal Corporations and large municipalities should adopt modern methods and techniques of keeping accounts by employing machines. The machines would be particularly useful in maintenance of accounts and timely issue of bills relating to property taxes, electric and water charges and other municipal services requiring periodical and repetitive billing and collection. However, we would like to add a word of caution about employment of machines. Experience with these machines in other organisations has shown that unless the general level of personnel is of a reasonably high order of efficiency and these are operated and maintained by qualified personnel, the intended benefits do not accrue and the machines tend to be a liability. Further, in the present state of our economy when unemployment problem is pretty serious, replacement of men by machines may not be advantageous. The machines should therefore be introduced for the purpose where efficiency can not be attained by employing more hands. Before machines are introduced employment of qualified operational and maintenance staff should be a pre-requisite.

Training and Orientation.

9.05 Training is a process of developing skills, reforming habits, advancing knowledge and re-orienting attitudes for the purpose of increasing efficiency and effectiveness in performance. In the services in which employees have direct dealing with the public, these requirements assume added importance. Accounts, audit, collection of taxes, assessment of properties, etc. are specialised fields and the personnel employed on these jobs need to be provided with opportunities to develop skills and knowledge through training and orientation. The Committee were informed that the National and Regional Centres for Training and Research in Municipal Administration have, from time to time, been organising training courses in these fields. The system has however not been put on a regular footing. The Committee

recommend that the National and Regional Centres should organise training and orientation course on a regular basis for personnel at different levels in these departments. The Institute of Secretariat Training and Management functioning under the Department of Personnel of the Government of India has been running regular courses for ministerial personnel of the Central Secretariat and its attached offices. The Municipal Training Centres could take advantage of the expertise and materials developed by the I.S.T.M.

9.06 We also recognise that the installation of performance budgeting on the lines suggested in Chapter VI and introduction of other reforms recommended would require not only intensive training of the accounts and executive personnel working in the municipal bodies but also the orientation of the top officials and the elected representatives. Performance budgeting techniques should therefore, form an integral part of the training courses for all categories of staff. In addition, the State governments should arrange periodical seminars on performance budgeting in which top officials and elected representatives can freely discuss the advantages and implications of the introduction of performance budgeting.

9.07 In order that the training and orientation programmes as suggested by us get the necessary initial push, we suggest that the Central Ministry of Works and Housing should undertake through the Indian Institute of Public Administration (National Centre for Training and Research in Municipal Administration) about six training courses for the middle level staff connected with budgeting and accounting in selected municipalities and six seminars for the top officials and elected representatives. Suitable complements of officials at the State level may be associated with these training/orientation programmes so that they can gain sufficient experience to pursue the programme at the State level. Later, these activities may be conducted by the Regional Centres of Training and Research in Municipal Administration on a regular basis.

Disciplinary matters.

9.08 The Committee have considered the question of administrative control and accountability of accounts and audit personnel. The Committee noted that the Chief Accountant and the Chief Auditor in Municipal Corporations are very senior officers and are some times appointed from the All India cadre. These departmental heads should, therefore, be responsible for disciplinary control over the staff employed in their departments subject to the over-all administrative control of the Municipal Commissioner. These officers could also be given the powers of writing the assessment reports of their subordinates which could be reviewed by the Commissioner. They could also be empowered to award minor punishments upto certain levels subject to the appellate jurisdiction of the Municipal Commissioner. The powers of awarding major punishments should vest in the Municipal Commissioner and the appellate jurisdiction in such cases given to the Mayor, except in the case of Municipal Chief Auditor and his staff who are not under the control of the Municipal Commissioner. In their case, the Chairman of the Standing Committee or the Mayor depending upon the provisions in the Municipal Act should be the reviewing authority. The existing practice of putting such matters before the Standing Committee may be given up. Since the Commissioner is the head of the Executive Wing he should have full control over the Municipal personnel.

G. Mukharji
Chairman

B. N. Pande
C. C. Doctor

C. S. Chandrasekhara

R. G. Godbole

R. Kulandaivel

A. K. Mathur

S. Samaddar

K. S. Sastry

M. S. Sivaraman

Satish Kumar
Member-Secretary

New Delhi

June 17, 1974.

NOTE OF THE TOWN & COUNTRY PLANNING
ORGANISATION CONSIDERED AT THE SEVENTH
CONFERENCE OF MUNICIPAL CORPORATIONS—
MADRAS—APRIL 1970

*NEED FOR BUDGETARY REFORM IN MUNICIPAL
ADMINISTRATION*

A good deal of attention has been given in the past to the subject of municipal revenue resources. A number of important Committees and Commissions appointed to recommend measures to improve the financial resources of municipal governments made a number of recommendations on municipal taxation and revenue structure but none of these Committees and Commissions did, however, examine the municipal budgetary systems and practices even though budgeting constitutes an integral part of financial administration and fiscal reform. Municipal budgeting continues to be traditional or conventional.

As in the case of other public authorities, traditional budgets are organised and presented along departmental lines and in purely financial terms. They are made for one financial year only and are not conceived within the framework of a longer time-perspective. They do not give a complete picture of the financial implications of any programme or activity as a whole. Besides, the present budgetary practices operate more in the nature of negative checks rather than positive incentives to achievement and efficiency.

Over the last few years many important advances have been made in the sphere of budgetary methods and techniques. These advances have led to making the budget an important

means through which better and economical management of the public authority programmes and activities can be ensured. Two such budgetary techniques need particular mention. These are the concepts of programming and performances. A programme and performance budget changes the complexion of the budget from a mere set of revenue and expense items to a systematic instrument for relating revenues and expenditure to policies, programmes and actual performance. The budgetary classification here is based not on executive departments but on functions, programmes, projects and activities. It involves stipulation of physical targets units costs, work load, and a continuous review of the programmes and performances in relation to costs and revenue. There is no doubt that most of the municipal functions are eminently suited to the application of programme and performance budgeting techniques. Municipal budgetary reform along these and some other lines should not only lead to economy in expenditure but also go a long way in introducing other desirable reforms in municipal accounts and departmental functions.

In view of the above it is suggested that the Conference may consider setting up an *Expert Committee* to examine the subject of municipal budgeting in detail and make comprehensive recommendations as to how municipal budgeting systems and practices could be improved in the light of the budgetary reforms like the ones mentioned above.

APPENDIX—II

(Para—1.01)

RESOLUTION PASSED AT THE SEVENTH CONFERENCE OF MUNICIPAL CORPORATIONS

RESOLUTION 13

The Conference decided that the Ministry of Health, Family Planning and Works, Housing and Urban Development may appoint an expert committee in consultation with the Town & Country Planning Organisation to examine this subject in detail and make recommendations thereon.



APPENDIX III
(Para—1.02)

N. F. 5-33/70-UCD

Government of India

Ministry of Health & Family Planning
(Deptt. of Health)

New Delhi, the 24th August, 1972

To

The Accountant General,
Central Revenues,
New Delhi.

Subject :—Committee on Budgetary Reform in Municipal
Administration.

Sir,

I am directed to say that the Seventh Conference of Municipal Corporations held at Madras on 21st and 22nd April, 1970 had recommended constitution of an Expert Committee to study the question of Budgetary Reform in Municipal Administration in all its aspects. The recommendation has been accepted and it has been decided to constitute an Expert Committee as under:—

Prof. G. Mukharji, Director, Indian Institute
of Public Administration, Indraprastha Estate,
New Delhi.

Chairman

2. Shri B. N. Pande, Ex-Mayor, Allahabad
3. Shri B. Majumdar, Commissioner, Municipal Corporation, Calcutta. (1).

4. Shri G. N. Dike, Commissioner, Municipal Corporation, Ahmedabad (2) „
5. Shri K. S. Sastry, Deputy Secretary (Budget), Ministry of Finance, (Deptt. of Economic Affairs), New Delhi. „
6. Shri A. M. Nabi, Director of Municipalities, Government of Tamil Nadu, Madras (3). „
7. Shri M. R. Sivaraman, Deputy Secretary, Department of Finance, Government of Madhya Pradesh, Bhopal. „
8. Shri A. S. Verma, Chief Auditor, Municipal Corporation, Agra (U.P.) (4). „
9. Shri A. K. Mathur, Chief Accountant, Municipal Corporation, Delhi. „
10. Shri R. G. Godbole, Chief Auditor, Municipal Corporation, Bombay. „
11. Shri S. S. Wishwanathan, Programme Consultant, (Performance Budgeting) Indian Institute of Public Administration, Indraprastha Estate, New Delhi (5). „
12. Shri C. S. Chandrasekhara, Additional Chief Planner, Town and Country Planning Organisation, New Delhi. „
13. Shri Satish Kumar, Deputy Secretary, Ministry of Health and Family Planning (Department of Health), New Delhi. Member-Secretary

2. The Committee may co-opt a few experts in the fields of management and accounts to assist it in its deliberations and study of some specific problems.

3. The terms of reference of the Committee will be as follows:—

- (i) to undertake a comprehensive examination of the existing budgetary systems, methods, practices and procedures, including financial control, in the Municipal Corporations and large Municipalities;

- (ii) to suggest improved budgetary systems, methods and procedures so as to make budgeting an effective tool of financial and general management especially in the context of the need for planned development of urban areas and implementation of development plans, programmes and projects;
- (iii) to consider and make recommendations as to how budgetary reforms can contribute towards more effective financial management and resource mobilisation;
- (iv) to examine the desirability of introducing programme and performance budgeting in Municipal Government and the feasible ways in which these budgetary reforms could be achieved within a reasonable period of time; and
- (v) to consider other relevant matters.

4. The term of the Committee will be six months, in the first instance, from the date of its first meeting. The Committee shall ordinarily meet at Delhi.

5. The non-official members will be entitled to D.A. and T.A. in accordance with the orders contained in the Ministry of Finance Office Memorandum No. F. 6(26)-EIV/59, dated the 5th September, 1960. The officials will however draw T.A. and D.A. from the source from which their pay is drawn.

6. The expenditure on the Committee will be met by the Ministry of Health and Family Planning (Department of Health). Separate orders will issue regarding the details of the head of account to which this expenditure is to be debited.

Yours faithfully,

Sd/-

(S. K. SUDHAKAR)

Under Secretary to the Govt. of India.

No. F. 5-33/70-UCD

Copy forwarded for information to:—

1. Chairman and Members of the Committee.
2. The Secretary to the Govt., Local Self Govt./Urban Development Department (All States & Union Territories).
3. All Ministries and Departments of Govt. of India.
4. Planning Commission, New Delhi.
5. Dte. General of Health Services (5 copies).
6. Department of Family Planning (Shri R. P. Marwah) (5 copies).
7. The Mayor (All Municipal Corporations).
8. The Administrator/Commissioner (All Municipal Corporations).
9. The Ministry of Works and Housing (Shri L. M. Sukhwani) (6 copies).
10. The Mayor of Baroda and Chairman, All India Council of Mayors, Municipal Corporation of Baroda, Baroda.
11. The Chief Planner, Town and Country Planning Organisation, Vikas Bhavan, New Delhi-1.
12. The Director, Centre of Training and Research in Municipal Administration:—
 - (a) C/o The Indian Institute of Public Administration
Indraprastha Marg, New Delhi-1.
 - (b) C/o All India Institute of Local Self Government,
11-Horniman Circle, Fort, Bombay-1.
 - (c) C/o Department of Public Administration, Lucknow
University, Lucknow.
 - (d) C/o Department of Public Administration, Osmania
University, Hyderabad.
 - (e) C/o Indian Institute of Social Welfare and Business
Management, College Square West, Calcutta-7.

13. The Director, Central Public Health Engineering Research Institute, Nehru Marg, Nagpur.
14. The Director, Indian Institute of Public Administration, Indraprastha Estate, New Delhi-1.
15. Adviser (PHE).
16. All Sections in the Department of Health.
17. PS to H.M./P.S. to M.S. (HFP)/DM(HFP)/Secretary/JS(L) JS(U).

Sd/-

(L. G. KESWANI)
for Under Secretary.

-
- (1) Shri S. Samaddar became Commissioner of the Calcutta Corporation in December, 1973.
 - (2) Shri C. C. Doctor was appointed Commissioner of Ahmedabad Corporation in March, 1974.
 - (3) Shri R. Kulandaivel took over as Director of Municipal Administration in April, 1973.
 - (4) Shri A. S. Verma retired from service with effect from 23-5-74 and did not attend the last meeting.
 - (5) Shri S. S. Wishwanathan was transferred to the Office of Accountant General, Madhya Pradesh soon after the constitution of the Committee and did not continue on it.

APPENDIX IV

(Para 1.10)

List of Municipal Authorities who submitted information on the Proformae

I. Municipal Corporations

I. Andhra Pradesh

1. Hyderabad.

II. Bihar

1. Patna.

III. Gujarat

1. Ahmedabad.
2. Baroda.
3. Surat.

IV. Himachal Pradesh

1. Simla.

V. Karnataka

1. Bangalore.
2. Hubli Dharwar.

VI. Madhya Pradesh

1. Indore.

VII. Maharashtra

1. Greater Bombay.
2. Nagpur.



3. Poona.
4. Sholapur.

VIII. *Uttar Pradesh*

1. Agra.
2. Allahabad.
3. Kanpur.
4. Varanasi.

IX. *West Bengal*

1. Chandernagore.

X. *Union Territory*

1. Delhi.

II. *Municipalities*

I. *Andhra Pradesh*

1. Adoni
2. Anantpur.
3. Elluru.
4. Gudivada.
5. Khammam.
6. Kurnool.
7. Machilipatnam.
8. Mahbubnagar.
9. Nandyal.
10. Nellore.
11. Ongole.
12. Proddatur.
13. Rajamundry.
14. Tenali.
15. Vizianagaram.

II. *Assam*

1. Dibrugarh.
2. Gauhati.
3. Nowjang.
4. Silchar.
5. Tinsukia.

III. *Bihar*

1. Bettiah.
2. Muzaffarpur.

IV. *Gujarat*

1. Bhavnagar.
2. Bhuj.
3. Godhra.
4. Jamnagar.
5. Porbandar.
6. Rajkot.

V. *Haryana*

1. Ambala.
2. Bhiwani.
3. Faridabad.
4. Hissar.

VI. *Karnataka*

1. Belgaum.
2. Bidar.
3. Davangere.
4. Hassan.
5. Shimoga.
6. Tumkur.

VII. Kerala

1. Alleppy.
2. Cannore.

VIII. Madhya Pradesh,

1. Chhindwara.
2. Khandwa.
3. Mandsaur.
4. Mhow.
5. Rajand Gaon.
6. Shivpuri.
- Township committee.*
7. H.E.L.

IX. Maharashtra

1. Bhiwandi.
2. Chandrapur.
3. Dhulia.
4. Dombivli.
5. Ichalkaranji.
6. Jalna.
7. Kalyan.
8. Kamptee.
9. Kirkee.
10. Malegaon.
11. Miraj.
12. Nandurbar.
13. Nasik Road Deolali.
14. Parbhani.
15. Pandharpur.
16. Pimpri Chinchwad.

17. Sangli.
18. Satara.
19. Thana.
20. Ulhasnagar.
21. Wardha.

X. *Orissa*

1. Berhampur.
2. Cuttack.
3. Rourkela.
4. Rourkela (Steel Township).
5. Sambalpur.

XI. *Punjab*

1. Amritsar.
2. Bhatinda.
3. Firozepore.
4. Hoshiarpur.
5. Moga.
6. Pathankot.
7. Phagwara.

XII. *Tamil Nadu*

1. Aruppukottai.
2. Avadi.
3. Bodinayakanur.
4. Cuddalore.
5. Dharapuram.
6. Dharmapuri.
7. Dindigul.
8. Erode.
9. Gudiyattam.
10. Kadayanallur.

11. Karaikudi.
12. Karur.
13. Kodayakanal.
14. Kovilpatti.
15. Mannargudi.
16. Mayuram.
17. Melapalaiyam.
18. Mettapalayam.
19. Namakkal.
20. Nagapattinam.
21. Paleyamkottai.
22. Palni.
23. Pollachi.
24. Pudukkottai.
25. Srirangam.
26. Srivilliputtur.
27. Tamsaram.
28. Tenkasi.
29. Tindivanam.
30. Tiruneveli.
31. Tiruppur.
32. Tuticorin.
33. Vaniyambadi.
34. Vriddhachalam.

XIII. *Uttar Pradesh*

1. Aligarh.
2. Amroha.
3. Bareilly.
4. Budaun.
5. Bulandshahr.

6. Chandausi.
7. Dehradun.
8. Fatehgarh.
9. Ghaziabad.
10. Hapur.
11. Hathras.
12. Khurja.
13. Meerut.
14. Muzaffar Nagar.
15. Rampur.
16. Saharanpur.

XIV. *West Bengal*

1. Asansol.
2. Baidyabati.
3. Baranagar.
4. Budge-Budge.
5. Dum Dum (North).
6. Garden Reach.
7. Halisahar.
8. Kamarhati.
9. Kharagpur.
10. Santipur.
11. Uttarpara Kotrang.

XV *Tripura*

Agartala.

XVI. *Union Territories*

1. New Delhi Municipal Committee.
2. Delhi Cantonment.

APPENDIX V
(Para 1.11)

LIST OF PARTICIPANTS OF THE REGIONAL
DISCUSSIONS HELD BY THE
COMMITTEE

BOMBAY—23-4-1974

(A) *STATE GOVERNMENTS OFFICERS*

1. Shri R. B. Shukla, Secy. Panchayat & Health Department. Gujarat
2. Shri B. R. Desai, Director of Municipalities, „
3. Shri P. S. Mehta, Joint Director of Local Bodies. Madhya Pradesh
4. Shri D. T. Chatterjee, Financial Adviser, Bhopal Municipal Corporation. „
5. Shri J. B. D'Souza, Secretary U.D.PH&H Deptt. Maharashtra
6. Shri P. N. Palnitker, Deputy Secretary, U.D.P.H. & H. Deptt. „
7. Shri H. A. Khan, Deputy Secretary, U.D.P.H. & H. Deptt. „

(B) *MUNICIPAL CORPORATIONS OFFICERS—22-4-74*

1. Shri D. T. Chatterjee, Financial Adviser. Bhopal
2. Shri V. C. Parikh, Chief Accountant. Bombay
3. Shri B. R. Tamta, Municipal Commissioner. Delhi
4. Shri B. S. Dhawle, Municipal Commissioner. Poona
5. Shri S. K. Alekar, Chief Accountant. „
6. Shri D. D. Orpe, Chief Auditor. „
7. Shri D. B. Sasane, Municipal Commissioner Sholapur

8. Shri B. M. Kulkarni, Chief Accountant. Sholapur
9. Shri S. C. Halder, Municipal Commissioner Surat
10. Shri D. G. Masalawala, Chief Auditor.

HUBLI-DHARWAR—13-8-1973

(A) STATE GOVERNMENTS OFFICERS.

1. Shri T. S. Ramakrishna, Deputy Secretary. Kerala
2. Shri Vithal Rao, Deputy Secretary. Karnataka
3. Shri Narasimha Rao, Deputy Secretary. Andhra Pradesh
4. Shri C. G. Rangebashyam, Secretary, Rural .
Development and Municipal Administration. Tamil Nadu
5. Shri V. P. Sheth, Deputy Secretary. Madhya Pradesh

(B) MUNICIPAL CORPORATION OFFICERS

1. Shri C. Gopala Reddy, Commissioner. Hubli-Dharwar
2. Shri S. A. Kadi, Deputy Commissioner.
3. Shri B. S. Dhavle, Commissioner. Poona
4. Shri R. Prasada Rao, Addl. Commissioner . Hyderabad
5. Shri D. B. Sasane, Commissioner. Sholapur
6. Shri S. R. Phanse, Administrator. Ujjain
7. Shri J. V. S. Rao, Commissioner. Madras

**SUMMARY OF CONCLUSION OF THE SEMINAR
ON MUNICIPAL BUDGETARY REFORM***

Budget should be a simple and easily comprehensible document. The present Budgets were usually burdened with a number of supplementary documents which could not be generally gone through by the councillors. They had neither the time nor the patience to do so. Therefore there was an urgent need to simplify both the procedures and the format of the municipal Budget. The budgets presented to councillors should highlight only the major points on which their decision was required.

Budgeting had to be a comprehensive process covering the aspects of planning, performance and accountability. All the above aspects as far as possible, be presented in the form of a single document. The present piecemeal approach to these aspects would not be of much help in promoting efficiency in administration.

As the municipal functions affect the citizen directly, the municipal budget should be given as wide a publicity as possible to ensure public discussion and to secure more intelligent and cooperative participation in the budgetary process.

Performance Budgeting could be employed with profit not only in the case of capital works but also in the management of maintenance services.

*Organised at the instance of the Committee by the National Centre for Training and Research in Municipal Administration, Indian Institute of Public Administration, New Delhi on March, 5-6, 1974.

It was necessary to introduce long-range planning in respect of all municipal programmes and activities.

There was need for creation of separate cells in the municipal bodies with exclusive responsibility for budgetary matters.

The Budgets at present seem to be prepared in hurry and this be better replaced by the practices which give sufficient time for detailed discussion to determine policies and priorities and for planning.

The deliberative wing should be encouraged, if necessary by amending the existing statutes, to actively participate in the budget formulation at all the stages. This would enable to secure their cooperation not only for mobilisation of additional resources but also for ensuring their efficient allocation and utilisation. This will require advancing the time-schedule for budgetary exercises.

It was generally felt that the resources presently available to the municipal authorities were not elastic enough to keep pace with the increase in their expenditure commitments. The State government had a responsibility to progressively strengthen the hands of municipalities in this regard.

The seminar could not come to any firm conclusions with regard to the specific improvements to be effected in the budget format. However, it was generally suggested that suitable modifications be brought about in that regard keeping in view the above recommendations on different aspects of municipal budgeting. Some drafts formats could be prepared and tested for eventual adoption.

The seminar was of the view that no significant benefit would accrue by changing the present budget year (from April-March to say July-June).

The State control on the Municipalities in the budgetary matters should be kept at as minimum level as possible. The guidelines in the matter be incorporated in the statutes and rules

in sufficient detail and the municipalities be left free to formulate and finalise their budgets within the framework of the provisions laid down there-under. The indirect controls like laying down certain conditions at the time of giving loans and grants with a view to gain some leverage for providing guidance were preferable to the direct and negative ways of control.

Audit was an essential function in any Administrative Organisation. It should help in not only efficient performance but in eliminating wasteful and dilatory practices. To realise the full benefits from that function it has necessarily to be a system of post-audit.

The Auditor should be an authority independent of the executive and should be directly responsible to the Council.

To make the audit-function efficient, the audit investigations should be completed expeditiously and reports submitted to the Council. For this an early submission of accounts for auditing was necessary.

The concurrent and pre-audit may curb initiative and lead to delay and may, therefore, not be suitable for efficient functioning of local authorities. However, the Accounts Departments may have to be strengthened for effective internal audit.

A separate committee of the Municipal Council, constituted on the pattern of the Public Accounts Committee of the Parliament be given the overall charge of the audit function.

The audit should give greater emphasis on evaluation of efficiency in performance rather just conforming to the regulatory aspects as was the case at present.

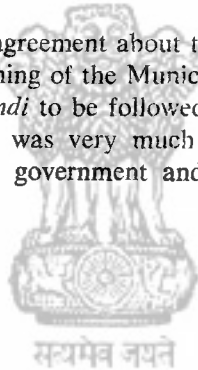
It was mentioned that some times the present audit system had resulted in checking initiative and creating friction between deliberative and executive wings on the one hand and within the executive wing on the other. The audit was to be not only progressive and enlightened in outlook but appreciative of the difficulties in implementation of the schemes.

The continuance of audit objections in thousands over years or perhaps decades was not a happy sign of administrative performance. Once the draw-backs and loopholes had been high-lighted and necessary reform brought about in the procedure there was no point in keeping the audit objections alive on record and or repeating them in future reports.

There should be fixed time limits for consideration and disposal of audit findings.

There was need to create a proper atmosphere wherein the Administrators and the Auditors had mutual trust in the good intention of each other.

There was a general agreement about the need to have special arrangements for the training of the Municipal accounts and audit staff. The *modus operandi* to be followed in the organisation of the training programmes was very much the responsibility and the concern of the State government and the Municipalities in their jurisdiction.



APPENDIX VII (Para 4.16)

Time limit followed by the Municipalities for preparation of Budget Proposals

Sl. No.	STATE/CITY	Time limit for submission of Budget Proposals					Is the Budget required to be submitted for approval of State Govt.
1	2	3	4	5	6	7	
		By Head of Deptt. to Genl. Admn. Committee if any or Council	Genl. Admn. By Standing Committee to the Council	Approval by local Authority or to the Distt. Officer or to the State Govt.			
I Andhra Pradesh							
1.	Adoni	15th Oct.	30 th Nov.	—	15th Dec. to Collector, 31st Dec. to Director of Municipal Admn., 10th Jan. to Govt.	Yes.	
2.	Eluru	.	—	—	-do-	Yes.	
3.	Khammam	.	10th Jan.	—	—	The budget is sent to the State Govt. for record.	
4.	Kurnool	.	15th Oct.	30th Nov. Before 15th Dec.	15th Dec. to Distt. Collector, 31st Dec. to Director of Municipalities.	Yes.	
5.	Mahabubnagar	.	—	—	-do-	Yes.	

1	2	3	4	5	6	7
III Assam						
1.	Gauhati	.	.	Last week of Dec.	By Jan.	First week of Feb.
		.	.	.	.	14th Jan.
		.	.	.	.	Yes, Commissioner of Division.
2.	Shillong	.	.	.	Two months before the close of the financial year.	Yes, Director of the Municipal Admn.
III Bihar						
1.	Muzaffarpur	.	.	.	.	At least 2 months before the financial year.
		.	.	.	.	Yes.
IV Gujarat						
1.	Porbandar	.	.	.	On or about 1st Feb.	On or about 15th Feb.
		.	.	.	On or about 15th Feb.	Latest by 20th Feb.
2.	Rajkot	.	.	.	Not prescribed	No.
V Haryana						
1.	Ambala City	.	.	.	No date fixed	Till 21st December
		.	.	.	.	Till 15th Jan.
		.	.	.	.	No. A copy is sent by the Commissioner to the State Govt. for information.
2.	Bhiwani	.	.	.	Date not fixed	20th Dec.
		.	.	.	.	Date not fixed
		.	.	.	.	15th Jan.
		.	.	.	.	Yes, District Officer in case of II & III class Committees and Commissioner in case of 1st class committees.
VI Karnataka						
1.	Belgaum	.	.	.	.	No.

VII. Kerala					
1. Alleppey	.	.	Jan.	Before 15th Jan.	Before 1st week of March
	.	.	.	Before 31st March	Yes. Director of Municipalities.
VIII. Madhya Pradesh					
1. Khandwa	.	.	31st Oct.	31st Dec.	15th March
	.	.	.		No
IX. Maharashtra					
1. Chandrapur	.	.	31st Dec.	31st Jan.	28th Feb.
	.	.	.		Yes. Director of Municipalities.
2. Wardha	.	.	During the month of Nov.	31st Dec.	Before 1st Jan.
	.	.	.		Before 28th Feb.
X. Orissa					
Cuttack	.	.	.		Original budget by 10th March. Revised Budget by 10th Dec.
	.	.	.		Original budget 2 months before closing of the financial year. Revised budget by 1st Oct.
	.	.	.		Yes. Through Director of Municipalities.
XI. Punjab					
1. Amritsar	.	.	.		Yes. Through the Director, Local Govt.
	.	.	.		
2. Hoshiar Pur	.	.	.		

1	2	3	4	5	6	7
XII. Tamil Nadu						
1.	Avadi . . .	. . .	30th Nov.	—	—	Yes.
2.	Melapalaiyam . . .	. . .	—	—	—	Yes.
3.	Srirangam . . .	. . .	—	—	—	Yes.
XIII. Tripura						
1.	Agartala . . .	. . .	—	—	—	Yes.
XIV. Uttar Pradesh						
1.	Aligarh . . .	. . .	—	—	—	No.
2.	Buland Shahr . . .	. . .	—	—	—	Yes.
XV. West Bengal						
1.	Asansol . . .	. . .	7th Jan.	15th Jan.	28th Feb.	Not later than 15th March

APPENDIX VIII

(Para 5.06)

List of Towns and Cities carrying out Capital Works

All capital works being executed by local authority	Very small capital works being executed by local authority	Capital works not being executed by local authority
1	2	3
1. Andhra Pradesh		
Hyderabad	Machilipatnam	Mahbubnagar
Gudivada	Nellore	Adoni
Tenali	Anantpur	Khammam
Kurnool		
Eluru		
Proddatur		
Vizianagaram		
2. Assam		
Tinsukia	Silchar	Gauhati
	Dibrugarh	
3. Bihar		
—	—	Patna
—	—	Muzaffarpur
4. Gujarat		
Ahmedabad	Porbandar	Rajkot
Barwala		
5. Haryana		
—	Ambala	Ambala Cantt.
—	Faridabad Complex Administration	—
	Bhiwani	
	Hissar	
6. Himachal Pradesh		
—	Simla	—
7. Karnataka		
Hubli-Dharwar	—	Davangere
		Shimoga
		Hassan
		Bidar
		Tumkur

1	2	3
8. <i>Kerala</i> Alleppey Cannanore		
9. <i>Madhya Pradesh</i>	Mandsaur Mhow	Rajnandgaon Chhindwara
10. <i>Maharashtra</i> Poona Sholapur Malegaon Thana Dhulia Sangli Jalna Ichalkaranji Bhiwandi-Nizampur	Kalyan	Ulhasnagar Pimpri-Chinchwad
11. <i>Orissa</i> Behrampur Sambalpur	— —	Rourkela Steel Town- ship Rourkela Civil Town
12. <i>Punjab</i> Pathankot Amritsar	Bhatinda	Phagwara Ferozepur Moga
13. <i>Tamil Nadu</i> Tirunelveli	Tuticorin Dindigul Kanchipuram Tambaram	
14. <i>Uttar Pradesh</i> Faizabad Roorkee Jhansi	— — —	— — —
15. <i>West Bengal</i> Garden Reach (Calcutta)	—	Santipur Halisahar Kharagpur Dum Dum

Subsidised capital works are not being executed in any local authority.

APPENDIX IX
(Para 5.15)

**LIST OF MUNICIPAL AUTHORITIES INDICATING
BUDGETING PRACTICES**

Not preparing capital Budgets	No guidance provided by the council in formation of Budget	Council does not review achievements of targets fixed in Budget
1. Andhra Pradesh		
Mahbubnagar	Hyderabad (M.C.)	Gudiwada
Khammam	Gudiwada	Mahbubnagar
Kurnool	Nellore	Machilipatnam
Eluru	Tenali	Rajahmundry
	Kurnool	Nellore
	Proddatur	Khammam
	Vizianagaram	Tenali
		Proddatur
2. Assam		
Gauhati	Gauhati	Gauhati
Tinsukia	Tinsukia	Tinsukia
Silchar		Dibrugarh
Nowgong		
Dibrugarh		
3. Bihar		
Patna (M.C.)	Patna (M.C.)	Patna (M.C.)
Muzaffarpur		
4. Haryana		
Ambala City	Ambala City	Ambala City
Faridabad	Faridabad	Ambala Cantt.
Bhiwani	Bhiwani	
Hissar	Hissar	
5. Himachal Pradesh		
Simla (M.C.)	—	—
6. Gujarat		
Ahmedabad (M.C.)	Baroda (M.C.)	Ahmedabad (M.C.)
Rajkot	Porbandar	
8. Kerala		
Cannanore	—	Cannanore

1	2	3
9. Karnataka		
Davangere Hassan Bidar Tumkur	Hassan Hubli-Dharwar (MC)	Davangere Shimaga Hassan Bidar Hubli-Dharwar (MC)
10. Madhya Pradesh		
Rajnandgaon Mhow Cantt. Chhindwara	Mandsaur	Rajnandgaon
11. Maharashtra		
Sholapur (M.C.) Ulhasnagar Kalyan	Poona (M.C.) Sangli Kalyan Jalna Ichalkaranji	Poona (M.C.) Malegaon Ulhasnagar Dhulia Kalyan Ichalkaranji Bhiwandi-Nizampur
12. Orissa		
Rourkela (Steel Town) Rourkela (Civil Town) Behrampur Sambalpur	Rourkela (Steel Town) Rourkela (Civil Town) Behrampur —	Rourkela (Steel Town) —
13. Punjab		
Phagwara Amritsar Ferozepore Moga	Phagwara Bhatinda Amritsar Ferozepore	Phagwara Ferozepore Moga
14. Tamil Nadu		
Tuticorin Dindigul Tirunelveli	Dindigul Tirunelveli Tambaram	Tuticorin Dindigul Tirunelveli Kanchipuram Tambaram
15. Uttar Pradesh		
Faizabad Roorkee Jhansi (Railway Colony)	Roorkee	
16. West Bengal		
Santipur Halisahar Garden Reach North Dum-Dum Kharagpur	Garden Reach	Halisahar Garden Reach North Dum-Dum Kharagpur

DETAILS ABOUT THE FORMAT IN WHICH BUDGET IS
PRESENTED BY LOCAL AUTHORITIES IN VARIOUS
STATES

Maharashtra:

1. In this State budget of municipalities is divided into three parts:

- (a) General Revenue Account.
- (b) Capital account and
- (c) Extra-ordinary and debt.

2. The Nagpur Municipal Corporation keeps its account in the points as approved by the Standing Committee (*vide* Section 108 of the Act). In Poona, Kolhapur and Sholapur also the accounts are kept in the points prescribed by the Standing Committee (*Vide* sec. 93 of the Act).

3. Budgetary system of Bombay Municipal Corporation is classified on activity basis as shown below:

- (i) Budget 'B' relates to the yearly financial plan of improvement trust properties taken over by A.M.C. in 1933;
- (ii) Budget 'C' relates to the yearly financial plan of the electricity supply and transport undertaking which was municipalised in 1937;
- (iii) Budget 'E' relates to the yearly financial plan of the primary education which was separated from main budget in 1950;

- (iv) Budget 'G' relates to the yearly financial plan of Water supply and Sewerage disposal which has been separated from the main budget from 1-4-1974 and,
- (v) All other services are grouped under the financial plan of budget 'A' which is further divided into 3 divisions on area basis. I relates to city proper, Dn. II to sub-urban area merged into B.C.M. in 1950 and Dn. III to extend suburban areas merged in the Bombay Municipal Corporation in 1957. While the Budget Estimates are framed on Income-Expenditure basis, the accounts are prepared on receipt-payment basis. Supplementation of grants during the year is permissible by transfer of grants from another budget head where savings are anticipated with appropriate sanction. If no such savings are available supplementation, if permissible, by obtaining an additional grant with the sanction of the Standing Committee and the Corporation provided there is sufficient surplus cash balance. The unexpected balances of the budget grant can be received for expenditure during two subsequent years with the sanction of the Standing Committee provided reservation for such amount is made while working out the closing balances of previous years.

The major service heads are on the basis of the service rendered by the Corporation *i.e.* separate service heads exist for Public Health Medical Relief, Education, Cleaning Conservancy, Roads and Street lighting, Fire Brigades, Licences, Markets and Slaughter Houses etc. Within these services further classification is made on the basis of type of expenditure *viz.* Establishment, Contingencies Repairs and Maintenance, Stores, Plants and Machinery, Provident Fund and Pension, Debt charges etc.

4. In Andhra Pradesh and Tamil Nadu it is incumbent for each of the municipality to separate capital account from revenue. The revenue and capital account are further sub-classified into

six sub-ordinary accounts viz. (i) general, (ii) lighting, (iii) elementary education, (iv) water supply and drainage (v) town planning fund and (vi) remunerative enterprises. As far as possible each of these sub-accounts are expected to be a best self-balancing if not surplus producing in regard to the receipt and payments.

Kanpur Nagar Mahapalika in U.P.—The U.P. Government has prescribed the form in which the budget reports are to be prepared by all Municipal Corporation in the State. The budget consist of four parts and a suminary. The parts are: (i) Revenue account, (ii) Capital Acconut, (iii) Suspence account, and (iv) Development fund and other Special fund account. The revenues etc. deals with ordinary income of the Corporation i.e. receipts from taxes, properties excluding those relating to Development fund etc., receipts from services provided by the Corporation and grants other than those for capital purposes and expenditure on maintenance of various services rendered by the Corporation and also on extension of these services. The capital etc. includes the receipts and expenditure in connection with works to be carried out of government or public loans and specific grants from government including Corporations thereto. The items included in the income and expenditure of the suspense etc. actually do not form part of real income or expenditures of the Corporation. These items are : (i) cost of work done for private individual, local bodies and the government; (ii) deposits which are either refunded or adjusted; (iii) advances recoverable or adjustable in the end; (iv) sinking fund investment; (v) stores for general purposes. The Development Fund and other special funds a/cs deal with receipts and expenditure in connection with improvement schemes.

Appendix XI

[Para 5.28 (i)]

CURRENT STATUS OF CAPITAL IMPROVEMENT PROGRAMMES (DETAILED) PHYSICAL UNITS

Sl. No.	Major Head/ Minor Head	Salient features of the schemes purpose, targets year of com- mencement, expec- ted year of com- pletion.	Achievements, Present and Future				Remarks	
			Two years previous to the current year	One year previous to the current year	Current year	First year following the current year			Second year following the current year
1	2	3	4	5	6	7	8	9

Notes:

- (a) In the case of new schemes, columns 4&5 will not be filled.
- (b) In the case of a short term scheme, only 5 & 6 or 6 & 7 get filled up.
- (c) Columns 4 & 5 refer to continuing schemes only. These schemes which have been compiled previously need not be shown.

Appendix XII

[Para 5.28(ii)]

CURRENT STATUS OF CAPITAL IMPROVEMENT PROGRAMMES (DETAILED FINANCIAL)

Sl. No.	Major Head/ Minor Head	Salient features of the scheme.	Achievements—Financial in Rs.					Remarks
			Total cost, year of com- mencement, year of completion	Two years previous to current year.	One year previous to the current year	Current year	First year following the current year		Two years following the current year
1	2	3	4	5	6	7	8	9

Notes: (a) In the case of new schemes, columns 4 & 5 will not be filled.

(b) In the case of short term schemes, only 5 & 6 or 6 & 7 may get filled up.

(c) Columns 4 & 5 refer to continuing schemes only. The schemes compiled previously need not be shown.

Appendix XIII

[Para 5.28(iii)]

**CURRENT STATUS OF CAPITAL IMPROVEMENT PROGRAMMES
(PHYSICAL AND FINANCIAL, ABSTRACTS)**

Sl. No.	Major Head/ Minor Head	Brief Description of the scheme	Achievements						Remarks				
			Two years previous to current year	One year previous to current year	Current year	First year following the current year	II year following the current year						
1	2	3	4	5	6	7	8	9	10	11	12	13	14
			Physi- cal	Finan- cial	Physi- cal	Finan- cial	Physi- cal	Finan- cial	Physi- cal	Finan- cial	Physi- cal	Finan- cial	

Note: Only total targets are to be indicated and brought from the Appendices XI & XII

Appendix XIV

[Para 5.28 (iv)]

FINANCING OF CAPITAL IMPROVEMENT PROGRAMMES (DETAILED OUTLAYS)

S. No.	Major Head/Minor Head	Description of scheme	Total scheme: Financing			Financial outlay in the year previous to the current year.										
			Total outlay	Central	State	Internal source	Re-venue surplus	Loans	Grants	Loans	Grants	Internal revenue surplus	Loans	Grants	Internal revenue surplus	Loans
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17

Contd.

Financial outlay in the current year.							Financial outlay in the year following the current year.						
Total out- lay	Central		State		Internal Resources		Total out- lay	Central		State		Internal Resources	
	Loans	Grants	Loans	Grants	Reve- nue surplus	Loan		Loans	Grants	Loans	Grants	Reve- nue surplus	
18	19	20	21	22	23	24	25	26	27	28	29	30	31

Appendix XV

[Para 5.28(v)]

FINANCING OF CAPITAL IMPROVEMENT PROGRAMMES

Sl. No.	Major Head/Minor Head	Description of scheme	Total scheme: Financing			Financial outlay in the year previous to the current year										
			Total outlay	Central	State	Internal Resource	Total outlay	Central	State	Internal Resource	Total outlay	Central	State	Internal Resource		
			Loans Grants Loans grants	Reve- nue surplus	Loans Grants Loans grants	Reve- nue surplus	Loans Grants Loans grants	Reve- nue surplus	Loans Grants Loans grants	Reve- nue surplus	Loans Grants Loans grants	Reve- nue surplus	Loans Grants Loans grants	Reve- nue surplus	Loans Grants Loans grants	Reve- nue surplus
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17

Appendix XVI

[Para 5.28(vi)]

FIVE YEAR DEVELOPMENT PROGRAMMES (DETAILED)

Sl. No.	Major Head/ Minor Head	Description of Scheme	Total Achievements and Outlay	Achievements and outlay in the I year of Plan		Achievements and outlay in the II year of plan		Achievements and outlay in the III year of plan		Achievements and outlay in IV year of plan		Achievements and outlay in V year of plan		
				Physi- cal	Fin- ancial	Physi- cal	Fin- ancial	Physi- cal	Fin- ancial	Physi- cal	Fin- ancial			
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15

Note: Indicate which year of the plan is the current year in the table and encircle it with bold lines.

APPENDIX XVII

[Para 5.28 (vii)]

FIVE YEAR DEVELOPMENT PROGRAMMES (ABSTRACT)

Sl. No.	Major Head/ Minor Head	Description of scheme	Total Achi- vements and Outlay in the 1 year of plan	Achievements and Outlay in the I year of plan	Achievements and Outlay in the II year of plan	Achievements and Outlay in the III year of plan	Achievements and Outlay in the IV year of plan	Achievements and Outlay in the V year of plan	Phy. sical	Fin- ancial	Phy.	Fin.	Phy.	Fin.	Phy.	Fin.
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15		

NOTE : Indicate which year of the plan is the current year in the table and encircle it with bold lines.

APPENDIX XVIII
[Para 5.28 (viii)]

FINANCIAL WORKING OF CAPITAL IMPROVEMENT PROGRAMMES (DETAILED)

Sl. No.	Major Head/Minor Head Scheme	Year previous to current year		Expenditure					Receipts			
				*On capital maintenance	Repayment	Total	Grants (External)	Loans (External)	Capital† receipts	Internal resources	Total	
1		2	3	4	5	6	7	8	9	10	11	

†Capital receipts include all moneys realised on sale, hire purchase payment, premier etc. from the projects.

*Capital maintenance includes costs incurred on projects which have been partially and fully completed but which have not yet been handed over for normal maintenance.

APPENDIX XIX

[Para 5.28 (IX)]

FINANCIAL WORKING OF CAPITAL IMPROVEMENT PROGRAMMES (ABSTRACT)

Sl. No.	Major Head/ Minor Head Scheme.	Year previous to current year									
		Expenditure					Receipts				
		On new works	On capital *main-tenance	Debt Repay-ment	Total	Grants (External)	Loans (External)	Capital [†] receipts	Internal Resources	Total	
1	2	3	4	5	6	7	8	9	10	11	

[†]Capital receipts include all moneys realised on sale, hire purchase payment, premier etc. from the projects.

*Capital maintenance includes costs incurred on projects which have been partially and fully completed but which have not yet been handed over for normal maintenance.

APPENDIX XX

(Para 8.19)

COMPARATIVE STATEMENT GIVING THE DETAILS ABOUT THE AUDIT SYSTEM IN FORCE
IN VARIOUS MUNICIPAL CORPORATIONS

S. No.	State/City	Nature of Audit.	System of Audit						When was last audit carried out
			Internal Audit		External Audit				
			Authority responsible for and brief procedure	Does adequate organisation exist for such audit	Are the accounts subject to External audit	Agency responsible for or brief procedure	Frequency of such audit		
1	2	3	4	5	6	7	8	9	
1.	Hyderabad	Pre-audit	The Examiner of Accounts M. C. H. conducts the audit of Accounts of the	Yes	Yes	Under Section 196 of the HMC Act 1955 the Government may at any	—	17-1-68	

APPENDIX XX—Contd.

1	2	3	4	5	6	7	8	9
			M. C. H. as laid down under section 135, 171, 193, 194, 195 of H.M.C Act 1955 (Hyderabad) Act. II of 1956). The Examiner of Accounts M.C.H. is empowered to pre-audit the bills as well as to examine and audit the accounts of all the institutions and branch offices of M.C.H. He is responsible to the Standing Committee of the Corporation and brings to its notice material irregularities or irregularities in the collection of revenue and the expenditure made.			time appoint an Auditor for the purpose of making a special audit of the Accounts of MCH.		
2.	Paina	—	Concurrent audit is conducted by the	—	Yes	A. G., Bihar	—	upto 1970-71

A.G., Bihar under Bihar Local Fund Audit Act.		Pre-audit is 100% whereas Post-audit is a sample audit. The Post audit of vendors is 100%		Yes	No.	—	—	—
3. Ahmedabad	Pre-audit and post audit.	—	Yes	No.	—	—	—	—
4. Baroda	Pre-audit	—	Yes	No.	—	—	—	—
5. Surat	—	—	Yes	No.	—	—	—	—
6. Simla	Pre-audit	Nil	Yes, There is accounts Branch who checks before pre-audit	Yes (Pre-audit)	Local Audit Department	—	—	—
7. Bangalore	Post-audit	Post audit by the Controller of State Accounts Department.	No.	Yes.	Controller, State Accounts Department	—	Annually	—
8. Hubli-Dharwar	Post-audit.	—	Yes	Generally not but under special circumstances	Generally external audit is not there but under special circumstances, Govt. may also take up the special audit through the controller of Local fund accounts.	—	Annually	—

Appendix—XX Contd.

1	2	3	4	5	6	7	8	9
9.	Indore	—	The audit of the Corporation is done by the audit party of the local fund audit department of the M.P. Government.	Yes	Yes	Local Fund Audit Deptt.	—	—
10.	Greater Bombay.	Pre-audit.	The internal audit which is the pre-audit is carried out by the Chief Accountant whereas the statutory audit which is the post-audit is carried out by the Municipal Chief auditor.	Yes.	Yes.	Accounts are subject to external audit i.e. Post audit or statutory audit carried out by the Municipal Chief auditor. Besides, the A.G. Bombay has to carryout annual examination of the nulating funds.	—	—
						Municipal Chief auditor is independent of Municipal Commissioner. He is supposed to bring to the notice of Standing Committee the irregularities.		

11. Poona	—	Separate Statutory post of Chief Auditor directly responsible to Standing Committee.	Yes.	No. except sinking fund accounts by Govt.	—	Annually 3rd Nov. 1972.
12. Sholapur	—	The bills upto Rs. 3,000/- are pre-audit by the internal auditor and above Rs. 3,000/- are pre-audited by both internal auditor and Municipal Chief auditor before payment.	Yes.	No	—	—
13. Agra	—		—	—	—	—
14. Allahabad	—	The concurrent audit is carried out through the agency—Mukhya Nagar Lekha Parikshak and his staff.	Yes	No	—	—

Appendix—XX—Contd.

1	2	3	4	5	6	7	8	9
15.	Kanpur	—	Day-to-day income and expenditure is audited by the Mahapalika's own staff under Mukhya Nagar Lekha Parikshak appointed by the Government.	Yes	No	—	—	—
16.	Varanasi	—	The audit is regularly by the Auditors of A.G., West Bengal.	Yes	Yes	—	Yearly	—
17.	Chander Nagore	—						
18.	Delhi	—	Municipal Chief Auditor conducts the statutory audit of the Corporation expenditure.	Yes	Yes	Municipal Chief Auditor conducts the audit.	Continuous audit is being carried out.	

**COMPARATIVE STATEMENT GIVING THE DETAILS ABOUT THE
AUDIT SYSTEM IN FORCE IN VARIOUS MUNICIPALITIES**

S.No	STATE/ CITY	Nature of audit	System of Audit							
			Internal Audit			External Audit				
1	2	3	Authority responsible for and brief procedure	Does adequate organisation exist for	Are the accounts subject to such audit ?	Agency responsible for and brief procedure	Frequency of such audit	Once in a year.	When the last audit carried out	
			4	5	6	7	8	9		
I. ANDHRA PRADESH										
1.	Adoni	Post Audit	—	—	Yes.	Examiner of Local Fund and Panchayats Raj Accounts, Andhra Pradesh.	—do—	Once in a year.	August—September, 1972.	
2.	Khammam	—do—	Nil	—	Yes.	Examiner of Local Fund Accounts, Andhra Pradesh.	—do—	—do—	October 1972.	
3.	Machilipatnam	—do—	Nil	—	Yes.	Local Fund Audit Deptt.	—do—	—do—	October, 1972.	
4.	Tenali	—do—	Nil	—	Yes.	Local Fund Audit Deptt.	—do—	—do—	September, 1972.	
5.	Vizianagram	—do—	Nil	—	Yes.	Local Fund Audit Deptt.	—do—	—do—	—do—	

1	2	3	4	5	6	7	8	9
II. ASSAM								
6.	Gauhati	Post Audit	Internal Audit system is also in force.	Not adequate	Yes.	Examiner of Local, Accounts, Assam.	Once in a year.	April, 1973.
7.	Silchar	Post Audit	Nil	—	Yes.	Examiner of Local Accounts, Assam.	—do—	1972-73 for 1971-72
III. BIHAR								
8.	Muzaffarpur	Post Audit	Nil	—	Yes.	Local Audit Deptt.	Yearly	December, 1972.
IV. GUJARAT								
9.	Porbandur	Pre-Audit	Every bill as well as collection registers are audited by the Internal Audit.	Yes.	Yes.	Assistant Examiner, Local Fund Accounts.	Yearly	March-April, 1973.
10.	Rajkot	Pre-Audit	—	—	Yes.	Local Fund Audit of State Govt.	Yearly	1972-73.
V. HARYANA								
11.	Ambala	Pre-Audit	Nil	—	Yes.	Examiner, Local Fund Accounts, Haryana	Day to day	Concurrent audit.
12.	Faridabad	Pre-Audit	Nil	—	Yes.	Resident Audit officer carries out the audit under resident Audit Scheme under supervision of Examiner Local Fund Accounts, Haryana.	—do—	—do—

VI. KARNATAKA

13. Belgaum	Both concurrent and Post Audit	—	—	Yes.	Local Audit Circle	Yearly	—
14. Bidar	—	Internal Audit exists, Authority not indicated.	Yes.	Yes.	Controller, State Accounts Deptt., Bangalore.	Yearly	May, 1973
15. Shimoga	Pre-Audit	Nil	—	Yes.	Local Audit Circle	—	1970-71

VII. KERALA

16. Alleppey	Concurrent and Post Audit	Internal audit exists. There is concurrent audit wing in the Municipal office.	Yes.	Yes.	Local Fund Audit Department.	—	—
17. Cannanore	Post-Audit	Nil	—	Yes.	Examiner, Local Fund Accounts.	Concurrent audit.	1971-72.

VIII. MADHYA PRADESH

18. Chindwara	Pre-Audit as well as post Audit	Internal audit exists Authority not indicated.	Yes.	Yes.	Examiner, Local Fund Accounts.	Yearly	1971-72.
19. Khandwa	Post-Audit	Nil	—	Yes	Examiner, Local Fund Accounts. Audit Party audits on a percentage basis.	Yearly	June, 1973.

1	2	3	4	5	6	7	8	9
IX. MAHARASHTRA								
20. Bhiwandi- Nizampur	Pre-Audit as well as Post Audit	As per Municipal Accounts Code Rule, No. 193-95, the Internal Auditor has to audit all accounts of the year.	At pre- sent there is only one post of Internal Auditor which is inadequate.	Yes.	Chief Auditor, Local Fund Accounts Maharashtra. He carries last audit for a few selected months.	Yearly.	Nov., 1969.	
21. Kalyan	Pre-Audit as well as Post Audit	Internal auditor.	Only the Internal auditor. Not ade- quate.	Yes.	Chief Auditor, Local Fund Accounts, Maharashtra.	Yearly.	July, 1973.	
22. Kinkee (Cantt. Board)	Post Audit	Internal audit also carried out by a Committee appointed by the Board.	—	Yes.	Controller of Defence Accounts, Southern Command, Poona. Audit is carried out on every transaction.	Half Yearly.	June 1972.	
23. Thana	Pre-Audit as well as Post Audit	Internal Audit exists.	Organisation not ade- quate.	Yes.	Chief Auditor, Local Fund Accounts carries out yearly test audit.	Yearly.	1971-72	

X. ORISSA

24. Cuttack
Pre-Audit (concurrent) Internal audit exists. Organisation not adequate. Local Fund Audit. Yearly. 1972

25. Sambalpur

Post Audit Nil Yes. Local Fund Audit. Yearly. 1972

XI. PUNJAB

26. Amritsar

Pre-Audit Internal audit system (full fledged Accounts Branch) exists. Yes. Pre-audit by Examiner, Local Fund Accounts. —

27. Hoshiarpur

— Nil Yes. Resident Audit Scheme is in force. The Audit party detailed by Examiner local Fund Accounts exercises day to day audit of municipal accounts. Day to day —

XII. TAMIL NADU

28. Avadi

Post Audit — Yes. Local Fund Deptt. The audit for every half year is taken up by the Audit Deptt. after monthly accounts are sent to them by the Municipality. Half-yearly. March, 1973.

1	2	3	4	5	6	7	8	9
		Post Audit	There is check by the Accounts Section.	Not adequate.	Yes.	Cent per cent audit done by Local Fund Audit Department.	Half yearly.	—
29. Dindigul								
30. Srirangam		Post Audit	Nil	—	Yes.	Local Fund Audit Department.	Half yearly.	August, 1973.
XIII. UTTAR PRADESH								
31. Aligarh		Pre audit as well as Post audit.	Accounts officers do the work of internal audit.	—	Yes.	Examiner, Local Fund Accounts, U.P.	Yearly.	1972-73
32. Bareilly		Post Audit	Nil	—	Yes.	Examiner, Local Fund Accounts, U.P.	Yearly.	1972-73
33. Bulandshahr		Post Audit	Nil	—	Yes.	Examiner, Local Fund Accounts, U.P.	—	—
XIV. WEST BENGAL								
34. Asansol		Post Audit	Nil	—	Yes.	Examiner, Local Accounts, appointed by Central Govt.	Yearly.	Feb., 1973.

35. Kharagpur	Post Audit	Nil	—	Yes.	A.G., West Bengal	Yearly.	Nov., 1972.
36. Uttarpara-Kotrang	Post Audit	Nil	—	Yes.	Examiner of Local Accounts of A.G., West Bengal.	Yearly.	1973.
XV. TRIPURA							
37. Agartala	Post Audit	Nil	—	Yes.	A.G., Assam and Nagaland etc.	Yearly.	—
XVI. DELHI							
38. N.D.M.C.	Concurrent as well as post audit.	Internal Audit cell carries out audit.	Yes.	Yes.	Examiner, Local Fund Accounts Admn. Delhi. The team of external Audit under Examiner, Local Fund Account carries out concurrent audit during the whole year.	Day to Day	Concurrently done.