

The Times of India 07.01.2011

Civic accounting system a can of worms

Sharad Vyas, TNN, Jan 7, 2011, 12.18am IST

MUMBAI: The new municipal commissioner Subodh Kumar, on Thursday, promised on the floor of the House to correct the BMC's faulty bookkeeping system. But, many warn, the rot runs so deep that revealing the corporation's malpractices could open a whole new can of worms.

Kumar said the BMC would submit three pending accounts by the end of May and file comprehensive fiscal records later this year. But many in the BMC believe that matching these accounts would open a Pandora's Box, exposing financial mismanagement and unethical accounting practices of the last three years.

"In all probability, when these books are completed, coupled with this year's increasing expenditure and administrative cost, the BMC could well end up in a heavy deficit. The question is which political party would like to be in that position just before the crucial elections," said a senior civic official.

An internal audit note prepared a few weeks ago hinted at deliberate attempts by civic officials to keep its financial books unclosed besides violations of the [Mumbai Municipal Corporation Act](#).

So what has caused the rot?

The audit note says that the BMC's accounts department has been illegally avoiding the practice of making available a summary of receipts and expenditure for the year to the standing committee and the audit department. What is worse, the annual accounts have not been closed and no settlement has been made with banks. "This has not only left the liquidity position unknown, but left officials with no account of liabilities," said an official.

Over the last three years, the BMC has been guilty of blatantly violating its own MMC Act and what basic accounting practices and ethics.

Under section 135 (1) of the MMC Act, the BMC is supposed to prepare monthly summary of receipts and expenditure, which it has not since April 1, 2007. And under section 124 (1) of the Act, the chief accountant is expected to prepare and submit annual accounts to auditors and the standing committee; again, the norm has not been followed since April 1, 2007.

"The actuals of the last three years, eight months in the current year and four months in the next, (a total of 12 months shown as revised estimates) have not been done since the budget

in 2006-07," the note says.

To bail the BMC out of its present crisis, the note recommends appointing a qualified accountant either by way of an examination or by hiring a former employee of a professional body as per the National Municipal Account Manual ([NMAM](#)).