

A STUDY OF CENTRAL CONTROL OF MUNICIPAL FINANCE

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Thai municipalities, an important form of local government, came into existence after the Revolution of 1932. This form of local government was intended to serve local needs and to familiarize the people with a system of parliamentary government. After being established about 30 years, they are still confronted with many kinds of problems.

This study deals with the relationship of the central government to the municipal governments, especially central supervision and control of municipal finance and organization.

Chapter I deals with the purpose and scope of the study, the method of study, the historical background of municipal government, and the evolution of central supervision and control of municipal finance. Municipal government in Thailand from the beginning found itself partly under the rule of the Minister of Interior. Most striking, perhaps, is the fact that there are no real safeguards provided for local self-government. The more municipal law is revised the stronger becomes central control. No less important is the fact that strong supervision and control simultaneously creates a system of unity of control and a pattern of uniformity.

Chapter II describes the classification and organization of municipal government, including its power and functions, its relationship to the Ministry of Interior, central organization for municipal supervision and control in the Ministry of Interior, and the governor. The study indicates that Thai municipal government has a threefold classification: the city or the *Nakorn*, the town or the *Muang*, and the commune or the *Tambon* municipal corporation. These municipal types differ in power and functions with respect to public service. At the commune level, a minimum number of public services are rendered; more specified for the town, and an even larger number for the city. In addition, the line of authority for inter-governmental relationships are also formalized. It starts from the Minister of Interior and carries down through the governor to the mayor. Simultaneously the supervisory authority of the governor and the Minister of Interior are legalized. From its inception Thai municipal government has been an integral part of the hierarchy of the Minister of Interior.

Chapter III deals with the inadequacy of municipal government revenues to maintain the municipality independent of the central government. Even the source of revenue granted by

the Revenue Act of 1954 does not yield full financial support. Municipal governments are largely dependent upon grants-in-aid from the central government to carry out their duties. The present situation in municipal finance clearly shows how limited the autonomy of municipal government is. Because of its inadequate financial resources, the present system of Thai municipal government is affected so greatly that its value as an institution for supporting and encouraging local self-government is not appreciated by the central government.

Both municipal revenues and municipal expenditures are under the supervision and control of the central government. Chapter IV describes central control over municipal budgets and municipal expenditures.

Municipal budget classifications and procedures are specified by regulations issued by the Ministry of Interior. Municipal budget-making must adhere to Ministry regulations. All municipal budgets are enacted as by-laws and, hence, are subject to the absolute veto of the Minister of Interior. It should be noted that municipal budgets at present are line-item budgets, designed to emphasize the fiscal approach to budgeting. It is strongly recommended that the classification of expenditures should coincide with classifications used by the central government and that program or performance budgeting be adopted.

The control of accounting designs and procedures, as well as auditing, are discussed in Chapter V. Accounting designs and procedures are designed by the Minister of Interior. Post-audits must be made at the end of each fiscal year by the National Audit Council, and internal audits by the provincial committee appointed by the governor. Although municipal finance has almost been completely audited by public auditors in recent years, audit reports still reveal prevailing accounting errors, fraud, embezzlement and corruption. Most of the defects result from the lack of accounting knowledge, dishonest and careless officials, and the absence of a proper system of internal control.

Financial reporting, culminative steps in the process of controlling the financial affairs of government, is discussed in Chapter VI. Municipal governments are required by regulation of the Ministry of Interior to make financial reports monthly, semi-annually and annually. In addition to internal or administrative reports, the municipal government is also advised to make external or public reports in order to keep the public informed of what the municipal government has done.

Purchasing control and control over public contracts are discussed in Chapter VII. Purchasing and contract procedures are prescribed by the regulation of the Ministry of Interior. In the absence of a central purchasing agency, municipal purchasing is decentralized among various units of municipal government. For economy and efficiency in procurement administration, centralized purchasing should be adopted in municipal finance. O 1.

This study concludes that central supervision and control of municipal affairs is tightly centered in the Ministry of Interior. And, moreover, that such control results in a reduction of local autonomy. Finally, the present system of municipal finance is too complex in organization and inefficient in operation. The provisions of the new Municipal Revenue Act of 1954, even though more elaborate than those of the Municipal Revenue Act of 1936, still require some sort of administrative reorganization for efficient fiscal administration.

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