

**THE KARNATAKA MUNICIPALITIES ACCOUNTING AND
BUDGETING RULES, 2006**

NOTIFICATION

Whereas the draft **“The Karnataka Municipalities Accounting and Budgeting Rules, 2006”** was published as required by sub-section (1) of Section 323 of the Karnataka Municipalities Act, 1964 (Karnataka Act 22 of 1964) in Notification number UDD 16 CAR 2006, Bangalore dated 12th June 2006 published as GSR 701 in Part IV-A, of the Karnataka Gazette, dated 12th June 2006 inviting objections and suggestions from the persons likely to be affected thereby within fifteen days from the date of publication in the Gazette.

And, whereas the said Gazette was made available to the public on 12th June 2006;

And, whereas, the objections and suggestions received in respect of the said draft notification have been considered;

Now, therefore, [in](#) exercise of the powers conferred by Sections 289 and 323 of the Karnataka Municipalities Act, 1964 (Karnataka Act 22 of 1964) the Government of Karnataka hereby makes the following rules namely,-

RULES

PART A – GENERAL

CHAPTER I

PRELIMINARY

1. Title, commencement and application. - (1) These rules shall be called **“The Karnataka Municipalities Accounting and Budgeting Rules, 2006”**.

(2) They shall come into force with effect from 1st day of April, 2006.

(3) They shall apply to the municipalities listed in Schedule I to these Rules and to such municipalities that the State Government subsequently notifies under sub-section (4) of Section 323 of the Karnataka Municipalities Act, 1964. Once these Rules become applicable, the Karnataka Municipalities Accounts Rules, 1965 shall not be applicable in respect of those municipalities.

2. Definitions: In these rules, unless the context otherwise requires.-

(1) “Act” means the Karnataka Municipalities Act, 1964 (Act No. 22 of 1964);

(2) “Accountant” means the Chief Accounts Officer, Accounts Superintendents and the Accountants of a Municipality.

In case of vacancy in these posts or in case of such Municipality where such posts do not exist it means an employee of the Municipality or a person borne on the payroll of the Municipality entrusted with the responsibility of accounting the incomes, expenditures, assets and liabilities of the Municipality, irrespective of the cadre to which the employee belongs;

(3) “Asset” means asset of the Municipality (movable or immovable), and includes an asset that is acquired in future, gifted by others or transferred by the Government and includes cash and bank balances, any advance, or investment and any receivables or outstanding dues to the municipality;

(4) “Auditor” means a person appointed for the purpose of carrying on audit of the accounts of the Municipality and

includes the Statutory Auditor and the financial statements auditor.

(5) “Balance Sheet” means the statement showing the assets and liabilities of the Municipality as at the end of a period or year prepared by extracting ledger balances. ;

(6) “Budget or Budget Estimate” means the annual statement of estimated receipts and estimated payments of the Municipality for a year, prepared by the Municipal Commissioner or Chief Officer as the case may be, and approved by the Council, before the commencement of the year;

(7) “Capital Expenditure” means expenditure incurred towards construction or acquisition of fixed assets and additions thereto, including those that are incurred for increasing the value or life of the existing asset;

(8) “Capital Payment” means payment made for capital expenditure i.e. any payment towards construction or acquisition of fixed assets and additions thereto including those incurred for increasing the value or life of the existing asset

(9) “Capital Receipt” means any grant or loan received specifically for construction or acquisition of fixed assets and additions thereto and also include proceeds from sale or disposal of fixed assets and investments.

(10) “Cashier” means the person who is responsible for receiving payments to the Municipality by way of cash, cheques or any other instruments, and for making cash payments on behalf of the Municipality.

(11) “Chief Officer” means an Officer appointed under Section 327 of the Act;

(12) “Controller” means the Controller, State Accounts Department, Government of Karnataka, and includes the Deputy Controller and Assistant Controller in charge of the Local Audit Circle;

(13) “Director of Municipal Administration” means the Director of Municipal Administration appointed under sub section (1-A) of Section 388 of the Act;

(14) “Extra-ordinary Payment” means a payment that does not result in - construction or acquisition of fixed assets or additions thereto - or that does not result in the enhancement of the useful life of the fixed assets e.g. repayment of loans, and also means a payment that is in the nature of advance, refund of deposits, or payment of recoveries.

(15) “Extraordinary Receipt” means a receipt that is in the nature of recovery of a loan or an advance or deposit from others

(16) “Financial Statements” means the annual accounting reports prepared under the fund based double entry accrual accounting system, in accordance with these rules, and consist of the statements detailed in Chapter 21;

(17) “Financial Statements Auditor” means the auditor, appointed for carrying out an audit of the financial statements of a municipality.

(18) “Forms” means the forms appended to these rules in Schedule IV

(19) “Grants – Specific” means such grants that are given for a specific purpose or use in a particular manner or proportion as per the conditions of the grant, requiring submission of

Utilisation Certificate and are recoverable if not used according to the conditions attached.

(20) “Grants – General” means grants which have no conditions attached to their usage. They include grants which can be used for other purposes, if the conditions or purposes for which they are received are met or paid out of municipal funds.

(21) “Income” is the money or money equivalent earned or accrued during an accounting period, increasing the total of previously existing net assets, and arising from exercise of any right or the provision of any type of services or rentals. Income includes not only the amount received but also the amount receivable under accrual system of accounting.

(22) “Income and Expenditure Account ” means the financial statement showing all items of income and expenditure extracted from ledger balances, showing the excess of income over expenses (or vice-versa) for an accounting period.

(23) “Liability” means the items for which the Municipality is responsible to pay or repay and include loans, deposits and cesses collected on behalf of the Government and kept in the accounts pending payment and all dues payable by the Municipality;

(24) “Municipality” means an institution of self-government constituted under Article 243-Q of the Constitution of India;

(25) “Municipal Commissioner” means an Officer appointed under Section 331 of the Act;

(26) “Municipal Council” or “Council” means the elected council of the Municipality and for the purpose of these rules shall include the elected body of the Town Panchayat;

(27) “Payments” means amounts actually paid and accounted during the year;

(28) “Receipts” means amounts actually received and accounted during the year.

(29) “Revenue Expenditure (or Expense)” means expenses incurred or liabilities created in exchange of a service or benefit that has been availed or derived. It excludes expenditure that result in construction or acquisition of fixed assets or additions thereto or that result in extension of life of fixed assets. Revenue expenditure also includes decrease in economic benefit during the accounting period in the form of outflows or depletions of assets;

(30) “Revenue Payment” means a payment in discharge of revenue expenditure and is, therefore, a payment other than a capital payment or an extra-ordinary payment.

(31) “Revenue Receipt” means a receipt other than a capital receipt or extra-ordinary receipt.

(32) “Receipts and Payments Account” means the financial statement summarising the cash and bank balances, cash inflow (actual receipts) and cash outflow (actual payments) during an accounting period.

(33) “Statutory Auditor” means an Auditor appointed by the State Government under Section 290 of the Act.

(34) “Year” means the financial year i.e., the period of twelve months beginning with the first day of April and ending with the following 31st March.

CHAPTER 2

ACCOUNTING SYSTEM

3. Accounting System - (1) Every Municipality shall maintain its books of account using the double entry system of book-keeping and following the accrual system of accounting.

(2) All financial transactions shall be identified with funds in accordance with rule 4 below, and separate books of account maintained for each such fund.

(3) The Government may prescribe the accounting policies or accounting standards for Municipalities.

Provided that the Government may direct the Municipalities to adopt accounting standards prescribed by a professional body with such modifications as the Government may deem fit.

4. Funds to be maintained.- (1) The accounts of the Municipality shall be classified into the following funds for record-keeping and reporting purpose, namely:-:

- (a) **General Fund** – accounts covering all activities which do not fall under (b) or (c) below;
- (b) **Water Supply and Sewerage Fund** – accounts covering all activities which relate to supply of water and provision of sewerage systems;
- (c) **Enterprise Fund** – accounts covering all activities which are of a commercial nature and in which the Municipality intends to construct or acquire and or operate assets or transact them in a manner that can generate surplus over costs or recover costs e.g. municipal shopping complex or layout development.

(2) Separate books of account shall be maintained for each Fund in the following manner:-

- (a) All vouchers shall be prepared separately for each fund.
- (b) Separate bank accounts shall be maintained for each Fund and remittances and payments pertaining to that Fund shall be made into or from those bank accounts only.

Provided that, if maintenance of separate bank accounts for each Fund as specified in sub rule (b) above is found to cause undue hardship, bank account of one Fund may be used for transactions of another Fund, with the approval of the Director of Municipal Administration. In such case the Municipality shall follow the inter-fund transfer procedures as may be prescribed by the Government.

- (c) In case any receipt or payment is transacted in another fund's bank account, it shall be treated as an 'inter-fund transfer' and accounted accordingly.

(3) Financial Statements shall give information on the performance, and financial position of each Fund, and also of the Municipality as a whole.

(4) The Funds mentioned in sub-rule (1) above shall together constitute the Municipal Fund.

5. Chart of Accounts. – (1) Accounting entries shall be identified with a standard Chart of Accounts consisting of:

- (a) Fund Code, as per schedule II, for all transactions;
- (b) Function Code, as per Schedule III, for all transactions involving budget codes
- (c) Account Code, as per sub-rule (2) below;

(2) The account code shall consist of major code, minor code, sub-minor code and detail code. The major code, minor code, and sub-minor code shall be as given in the following Schedules

- (a) Schedule IVA, in respect of income account heads;
- (b) Schedule IVB, in respect of expense account heads;
- (c) Schedule IVC, in respect of liability account heads;
- (d) Schedule IVD, in respect of asset account heads.

and detail code shall as prescribed in sub rule (3) below.

(3) The detail code shall be assigned by the Municipality for detailed classification of transactions according to its needs. However the Government may prescribe mandatory detail codes wherever necessary.

(4) The detail code shall be of two digits, and the digits '00' shall be used where the classification provided in the Chart of Accounts at the sub-minor code level is found to be sufficient for the Municipality's requirements.

Provided, however, that in the case of bank accounts, three-digit detail codes shall be used to indicate the bank account.

(5) All transactions shall be accounted in the books of account, using six or seven digit account codes as the case may be.

(6) A general ledger account code may be designated as a 'Control account' in which case a separate sub-ledger shall be maintained for each such account, consisting of individual accounts including personal accounts. General ledger and sub ledger shall be in Form No KMF 5.

6. Source of Financing: Municipalities may also maintain 'Source of Financing' codes to track transactions pertaining to different types of source of financing such as the municipality's own source, grants, loans etc. The source of financing codes shall be as per Schedule V.

7. Rounding Off. - All amounts shall be rounded off to the nearest rupee;

8. Responsibilities of Municipalities. - (1) Every Municipality shall follow the Chart of Accounts, accounting and budgeting procedures and maintain or cause to maintain such books of account as prescribed in these rules to adequately record all incomes, expenditures, assets and liabilities in respect of each Fund.

(2) Each Municipality shall also maintain or cause to maintain the forms and registers prescribed in Schedule VI to these rules, to record all financial transactions.

9. Maintenance of books of account and records— (1) The books of account, forms and registers shall be maintained in

Kannada. However, the headings or titles may be both in Kannada and English and the figures may be in Hindu Arabic numerals.

(2) The pages of books of account, registers, and all receipts, shall be serially numbered. All records shall be affixed with the municipal seal. The number of pages of each book or register shall be certified in writing before its use, after actual verification on the first page, by the head of the office or other person duly authorised by him.

CHAPTER 3

BOOKS OF ACCOUNT

10. Books of Account- (1) Every Municipality shall maintain its books of account in respect of each Fund, separately for each financial year.

(2) The Municipality shall maintain the following books of account;

- (i) Cash Book;
- (ii) Bank Book;
- (iii) Journal Book; and
- (iv) General Ledger and Sub-ledger.

11. Cash Book — (1) The Cash Book is a book of original entry for all cash receipts (including cash withdrawals from treasury or bank) and cash disbursements or remittances of the Municipality. It also records cheques received in the municipality and remitted to treasury or bank account. It shall be maintained by the Accountant in KMF NO.1.

(2) The cash book shall be closed daily, the totals at the end of the day arrived at and the closing balance worked out.

(3) The cashier shall maintain a Register of Cash drawn and disbursed in KMF NO 2, for all cash drawn and disbursed. Based on this register, the Accountant shall prepare a payment voucher, and enter it on the credit side of Cash Book.

(4) The Municipal Commissioner or Chief Officer as the case may be, shall examine the entries and the closing balance in the cash book and affix his signature in token of such examination. The cash balance on hand with the cashier shall be verified with the cash book balance at least once a week, and a certificate to that effect recorded in the cash book, by him.

12. Bank Book — (1) The bank book is a book of original entry for recording transactions pertaining to bank and treasury accounts of the Municipality. It shall be maintained by the Accountant in KMF NO.3 with a series of folio reserved for each bank account and designated as 'Bank Book of _____Bank, Account No. _____'. The Bank Book shall record all amounts deposited into or withdrawn or paid from each such treasury or bank account.

(2) In the bank book, the daily totals shall be arrived at and the closing balance for the day worked out to ascertain the balance in bank or treasury account.

(3) The actual balance in the bank or treasury shall be compared and reconciled with the bank book balance at the end of every month, and a bank reconciliation statement shall be prepared.

13. Journal Book- (1) All entries which do not involve cash or bank are recorded in the journal book, identifying appropriate account heads to be debited and credited.

(2) The journal book shall be maintained by the Accountant in KMF NO 4.

14. General Ledger – (1) The General ledger (Ledger) is a book of account in which each account head is separately maintained with debit and credit aspects to determine the closing balance in respect of that account head. The cash book and bank book are in effect, the ledgers of the bank and cash account heads and hence these accounts are not included in the ledger.

(2) The ledger shall be maintained by the Accountant in KMF NO.5, with separate folios for each head of account which has an opening balance or transaction entry.

(3) At the end of every day the transactions recorded in the cash book, bank book and journal book shall be posted to the appropriate account heads in the ledger.

15. Sub-ledger: (1) Sub-ledger is a group of subsidiary accounts, the sum of the balances of which is equal to the balance of control account created in the general ledger. Sub-ledger may be maintained for any account in the General Ledger identified as a control account, for detailed information, for example, contractors, suppliers etc. The Sub-ledger shall be maintained in the same form as the General Ledger.

(2) **Classified Register of Receipts and Payments:** The Accountant shall maintain Classified Register of Receipts and Payments in KMF NO 6, to classify receipts and payments under relevant budget heads for the purpose of budgetary control. He shall also prepare a Monthly Classified Abstract of Receipts and

Payments in KMF NO 7, in which he shall summarise the receipts and payments during the month under the relevant budget heads.

16. Vouchers - (1) A voucher is a standardised form for recording the debit and credit aspects of every financial transaction in the books of account.

(2) A receipt voucher in KMF NO.8 shall be prepared in respect of all transactions involving receipt of cash or cheque or direct credit in bank or treasury;

(3) A payment voucher in KMF NO.9 shall be prepared in respect of all transactions involving payment by cash or cheque or direct debit by bank or treasury;

(4) A contra voucher in KMF NO.10 shall be prepared in respect of all transactions between cash and bank accounts only;

(5) A journal voucher in KMF NO.11 shall be prepared in respect of transactions which do not involve cash or bank accounts;

(6) All vouchers shall be prepared by or under the supervision of the Accountant and shall be enclosed with all supporting documents which form the basis of authorization for the transaction.

17. Voucher Numbering. - (1) Vouchers shall be numbered for each voucher category separately and shall be distinctly coded for separate funds. The voucher numbering shall begin afresh in every financial year.

(2) In order to maintain the number series of vouchers, a running serial number list shall be maintained for each voucher type, for each fund, for each year, in a 'Voucher Number

Register in KMF NO.12. The vouchers shall be numbered as per the voucher number register prescribed category wise like a receipt voucher, payment voucher, contra voucher and journal voucher.

18. Corrections in accounts — (1) Any correction in an entry passed in the books of account shall be authorised by the head of the office or by an officer duly authorised by him and effected only through another rectification entry.

(2) Any correction or alteration in the forms or registers shall be made in red ink (a single line being drawn through the original entry to be corrected) and attested by the dated initials of the head of office or the authorised officer. All corrections and alterations in bills and vouchers shall be similarly attested by the Officer drawing the bill or person preferring the claim, while those in the pay orders shall be similarly attested by the Officer signing them. No erasures shall be made and no document with an erasure shall be accepted.

(3) No correction or alteration in figures in the receipts shall be made. Whenever errors occur in writing up of receipts, copies of all such receipts shall be cancelled and preserved.

PART B – ACCOUNTING RECORDS AND PROCEDURES

CHAPTER 4

GENERAL PROCEDURE FOR ACCOUNTING OF INCOME

19. Accounting of Income on accrual basis. – (1) All items of revenue which fulfil the following criteria, shall be taken as income on accrual basis:

- (a) The income is earned or the right to receive it is established;

(b) The amount due is determined or determinable; and

(c) No significant uncertainty exists about its realisation.

(2) In all such cases, a summary statement of demand raised or income accrued shall be submitted by the concerned department in KMF NO.13 to the Accountant at the following frequency:

(a) In respect of property tax, advertisement tax, leases and licences – annually, at the beginning of the year, for the whole year's income;

(b) In respect of water charges and rent, semi-annually, at the beginning of April and October, for half year's income;

(c) In respect of other incomes – as and when they become due for collection.

(3) The Accountant shall, based on this statement, pass a journal voucher and accrue the income by debit to its "Receivable Account".

(4) All collections in respect of accrued income shall be credited to the same 'Receivables Account'.

20. Income accounted on cash basis. – Incomes which do not fulfil the criteria of accrual as mentioned in rule 19 above, shall be accounted as and when they are actually collected or received by the Municipality.

CHAPTER 5

GENERAL PROCEDURE FOR ACCOUNTING OF RECEIPTS

21. All moneys to be brought to account.—(1) All money transactions to which any member, officer or employee of a

Municipality in his official capacity is a party shall without any reservation be brought to account. All moneys received shall be remitted in a Government treasury or a nationalised bank account or, with prior permission of the Council, in a scheduled bank's account to the credit of the Municipality.

(2) Municipal Commissioner or Chief Officer or any person authorised by the Council in this behalf, shall draw any money required for disbursement from the treasury or banks by cheques. No moneys received on behalf of the Municipality shall be utilised for its expenditure without first being brought into account and remitted into the treasury or banks.

22. Responsibilities for handling of cash and maintenance of accounts to be kept distinct — As far as possible, cashier and accountant shall be different persons, so that the same person does not receive collections and make cash payments on behalf of the Municipality, as well as account such transactions.

23. Issue of receipts for moneys received — (1) All moneys received in the Municipal Office or received by any of the field staff authorised in this behalf shall without exception be acknowledged by a receipt in triplicate in KMF NO.14 or in any other form specifically provided for in these rules.

(2) The receipts shall be pre-numbered and written up by using double sided carbon paper.

(3) The original receipt shall be given to the payer and duplicate handed over to the concerned department for updation of records or processing. The triplicate shall be maintained in the receipt book and used to write collection register by the person who collects the money.

(4) No duplicate or copy of a receipt shall be issued on the ground that the original has been lost. If any necessity arises for such a document, a certificate may be given that on a specified day a certain sum on certain account was received from a certain person.

24. Receipt of municipal dues by cheques — (1) Crossed cheques on local banks or demand drafts may be accepted in payments of municipal dues or in settlement of other transactions with the Municipality. On receipt of cross cheque or demand draft, a receipt in KMF NO.14 shall be issued, specifically indicating there in, that the amount is "subject to realisation".

(2) The Municipality shall maintain a Register of Cheques Received in KMF NO.15 in respect of all cheques or demand drafts and bank instruments received.

25. Collection by Bill Collectors. — (1) Every Bill Collector or municipal employee entrusted with the collection of municipal revenue shall be supplied with a Collection Register in KMF NO.16 and Receipt Books. The Collection Register shall be in the personal custody of the Bill Collector and the particulars in it shall be written up from the original receipts issued at the time of collection. The Receipt Books and Collection Register may be maintained separately for each fund if found convenient.

(2) Every Bill Collector shall invariably remit his collections daily to the Cashier before 4.30 PM. Before doing so, he shall take with him his Collection Register as well as the Receipt Books in his charge to the First Grade Revenue Inspector or the Revenue Officer or a staff of the Municipality duly authorised by the Municipal Commissioner or the Chief Officer as the case may be, in this behalf and get it verified by him. Then, he shall remit

the cash to the cashier and take the cashier's acknowledgment in the Collection Register.

Provided that in case such First Grade Revenue Inspector or Revenue Officer or the authorised staff is not available at the appointed time, he shall first remit the cash to the Cashier on the same day of collection obtaining Cashier's acknowledgement in the Collection register and then get his Collection Register and receipts verified by the First Grade Revenue Inspector or the Revenue Officer or the authorised staff within the closing hours of next working day.

26. Collection at Municipal Office. — (1) In respect of collections made at the Municipal Office, the parties shall present the money which shall be received through printed receipts in triplicate in Form KMF 14.

(2) The Cashier, or any other employee of the Municipality authorised by the Municipal Commissioner or the Chief Officer as the case may be, for this purpose shall, after satisfying the correctness of the remittance, receive the money and issue receipts duly signed by him to the party. He shall also enter all such collections in the Collection Register maintained by him in the manner prescribed in Rule 25 above, which shall be verified by the departmental or section head or a staff authorised by the Municipal Commissioner or the Chief Officer as the case may be, in this regard.

27. Collection directly at banks. – (1) In respect of direct collection by banks, the payer shall submit the amount to the bank along with challan in prescribed form, in quadruplicate. The bank shall accept the remittance and return two copies of acknowledged challan to the party, retaining one copy with the

bank and send the other copy to the Municipality along with the daily bank statement.

(2) The payer shall submit one copy of Challan with other necessary document to the Municipality.

(3) In respect of such direct collections at banks, collection register in KMF 16 shall be prepared by the staff allocated to the collection bank by the Municipal Commissioner or the Chief Officer as the case may be.

Provided that in case the Municipality has an arrangement with the bank to collect the necessary documents along with the challans, then challans can be in triplicate- one copy duly stamped and initialled being given to the payer, one copy being retained by the bank and the third copy duly stamped and initialled, being sent to the Municipality along with the document so collected. In such a case, the payer need not comply with sub rule (2) above.

28. Maintenance of Chitta — (1) The Cashier shall enter in his Chitta in KMF NO.17, all sums received by him on account of the Municipality from municipal employees such as Bill Collectors or any other employee or from private persons at the Municipal Office through his collection register. If any money is received directly at the Government Treasury or Bank, the same will not be entered by the Cashier in his Chitta as he needs to keep a record only of the money which passes through his hands.

(2) The Chitta shall be closed at the end of every day and the total arrived at and stated in words.

(3) The Manager or the Staff nominated in this behalf by the Municipal Commissioner or Chief Officer as the case may be,

shall verify daily the cash balance in the Chitta and certify to its correctness both in the Chitta and Cash Book.

(4) The Municipal Commissioner or Chief Officer as the case may be, shall at least once a week, examine the Chitta so as to satisfy himself that all money received has really been remitted to the treasury or Banks without delay and that the Cashier does not retain it in hand, without valid reasons. He shall initial the Chitta in token of such examination. He shall at least once a month examine in detail the items in the Chitta and the cash books with all the subsidiary forms and registers in which receipts are given and collections recorded with a view to testing whether all sums received are actually brought to account.

29. Summary of Daily Collection. - (1) The Cashier shall prepare a Summary of Daily Cash Collection in KMF NO.18, classifying the various items of receipt into appropriate heads of account. He shall then submit the summary to the Accountant.

(2) The cashier shall also prepare a Summary of Daily Cheque Collection in KMF NO.19 from the Register of Cheques Received, classifying the receipts appropriately and submit it to the Accountant.

(3) In respect of direct receipts in the bank or treasury i.e. those collections which do not pass through the cashier, a separate Summary of Daily Bank Collection for each bank in KMF NO 20 shall be prepared based on the collection register, by the staff allocated to the banks by the Municipal Commissioner or the Chief Officer as the case may be, for preparing the Collection Register.

30. Accounting of collections – (1) The amount collected during the day shall be accounted based on the summary statements, through a receipt voucher as follows:

(a) In respect of cash receipts, by debit in cash book and credit to respective heads of account;

(b) In respect of cheque receipts, by debit to cheques in hand and credit to respective heads of account;

(c) In respect of direct bank or treasury receipts, by debit to the bank or treasury account and credit to respective heads of account.

(2) If any amount collected by the Municipality is in respect of future years, it shall be treated as a liability and recorded through an ‘advance collection account’. Such amount shall be transferred to income or adjusted with “receivables” in the year when the amount becomes due for payment to the Municipality.

31. Custody of Money. —The cash balance of the Municipality shall be deposited in a strong cash chest at the end of each day. The cash chest shall be secured by two locks of different patterns. The key of one lock shall be in the custody of the Municipal Commissioner or Chief Officer as the case may be, and the key of the other lock shall be in the possession of the Cashier. The Municipal Commissioner or Chief Officer may delegate this function to Office Manager, and in the absence of Office Manager to any regular staff not below the rank of a Second Division Assistant.

32. Remittance of cash and cheques — (1) Every day morning the cashier shall first remit the amount held by him at the close of the previous day into the treasury or bank concerned. In case of unusually large collection in a day, the

Municipal Commissioner or the Chief Officer as the case may be, shall make special arrangement for its deposit into the bank on the same day or make special arrangement for security at the Municipal Office.

(2) For remittance into the treasury or bank, the Cashier shall fill up the necessary challan or pay-in-slip prescribed by the treasury or the bank and shall remit the amount to the treasury or bank duly obtaining the acknowledgement of the concerned treasury officer or bank cashier in the counterfoil. He shall then paste the counterfoil in a separate Remittance Book according to a running serial number. Remittance book shall be in the custody of the Cashier.

(3) It shall be the duty of the Office Manager and the Municipal Commissioner or Chief Officer to verify the Remittance Book on a daily basis and weekly basis respectively.

(4) It shall be the responsibility of the Accountant to get bank statements collected on a weekly basis and confirm that remittances have been fully credited into the bank account. Any discrepancy in remittances shall be reported immediately to the Municipal Commissioner or Chief Officer as the case may be. .

(5) Remittances to Bank shall be recorded in cash book and bank book through a contra voucher, based on the pay-in-slip or bank challan received.

33. Misappropriation of Municipal monies etc. — Whenever a misappropriation of municipal monies, store or any property is discovered, an enquiry shall at once be instituted by the Municipal Commissioner or Chief Officer as the case may be, and the fact of the misappropriation shall immediately be reported by him to the Controller and also to the Deputy

commissioner who shall, in turn report the same to the Director of Municipal Administration. When the matter has been fully enquired into, the Deputy Commissioner through the Director of Municipal Administration shall submit to Government a complete report showing the total sum of money misappropriated, the method in which misappropriation was effected and steps taken to recover the monies, cost of stores or property and punish the offenders.

34. Dishonour of Cheques received. - (1) In the event of a cheque being dishonoured by the bank, the fact shall be reported at once to the tenderer of the cheque intimating that the receipt issued for the payment through cheque stands cancelled and that he has to make payment of such amount in cash or demand draft only, along with the amount of bank charges debited by the bank, if any.

(2) In such cases, necessary entries shall be made in the books of account based on a payment voucher to reverse the effect of the original entry. Appropriate entries shall also be made in all the registers where such transaction has been posted to reverse the effect of the original entry. e.g.: DCB Register with proper reference to the above mentioned voucher.

(3) The dishonoured cheque shall be retained by the Accountant and it shall not be handed over to the Bill Collector or other collection staff till the amount is remitted by the party.

CHAPTER 6 GENERAL PROCEDURE FOR ACCOUNTING OF EXPENDITURE

35. Charge of expenditure. No expenditure shall be finally charged against the Municipal Fund and no adjustment shall be made without the charge being accepted by the Municipality:

Provided that the amounts directly debited by the treasury under the orders issued under Section 314 of the Act, or by the Accountant General or the Deputy Commissioner under Section 321 may be charged finally against the concerned heads of account, even without acceptance of the Municipality.

36. Accrual of expenditure. – (1) Every claim against the municipal fund, shall after examination with reference to work order or supply order or indent shall be accepted, if it is in order and accrued through a journal voucher.

(2) In respect of bills pertaining to establishment expenses and procurement of goods and or services, in the latter cases supported by work order or supply order, the accrual shall be done on the event of approval of the bill.

(3) Other revenue expenditures may be accounted on payment and the out-standings accrued at the end of every half year.

37. Claims against Municipal Fund — (1) Every person having any claim against the Municipal Fund shall present a bill at the Municipal Office. Wherever possible, such bill shall be in the form provided for the purpose and the claimant shall date and sign the same and stamp it when necessary.

(2) Where a claimant presents a bill in the form different from the form provided for the purpose, a separate bill in the proper form shall be prepared by the Officer or staff incurring the expenditure and the claimant's bill or invoice shall be attached thereto as a supporting document.

(3) All bills presented for a claim against the Municipality except a paid bill pertaining to permanent advance shall be received in the Departments or Sections concerned and entered in a Departmental Register of bills received in KMF NO 21.

(4) The Departments or Sections concerned shall examine the bills and if the claims are in order and supported by sanction of the competent authority, such bills shall be sent to the Accounts Department along with duly prepared Payment Order in KMF NO 22. Necessary certificates prescribed shall be recorded on the Payment Order and the Bills by the Officer or Staff in charge of the Department or Section before sending the bills to the Accounts Department. Full details of the bills, admissibility, deductions and other details shall also be noted in the note sheet of the file.

(5) The Officer and or staff preparing and forwarding the payment order shall be personally responsible to ensure that the bill is complete and affords sufficient information as to the nature of expenditure.

(6) After causing entry of the bills in the Register of bills received maintained by the Accounts Department in KMF No 23, the Accountant shall scrutinise the bills with reference to admissibility, sanction and availability of budget provision to meet the bills in question. If the bills satisfy all the conditions, he shall submit the bills to the Municipal Commissioner or Chief Officer as the case may be, with due noting in the note sheet as well as the payment order, for approval. Where any deficiencies are noticed in the bills, he shall return such bills to the Department or Section concerned indicating the deficiencies.

(7) When the bills are approved for payment by the Municipal Commissioner or Chief Officer as the case may be, he shall make an order of approval at the foot of the payment order and also in the note sheet of the file and send the bill and payment order along with the file immediately to the Accountant for payment.

(8) The Accountant shall prepare a journal voucher in case of accruable expenditure. He shall prepare a payment voucher for both accruable and non accruable expenditure at the time of making payment. He shall also prepare a cheque for the amount payable as per the bill and payment order and submit them to the Municipal Commissioner or Chief Officer or the officer authorised by him for signature.

(9) On receipt of the cheque duly signed, the Accountant shall issue it to the concerned party after obtaining the signature in the payment voucher or shall immediately remit it to the bank account of the concerned party.

(10) When the bills include recoveries or adjustments of claims due to the Municipality, the payment order and recordings in the note sheet of the file shall indicate the gross amount of the claim, amount recovered or adjusted and the net amount payable to the claimant. The Accountant shall pass necessary journal vouchers for recovery or adjustment made in the bills, and ensure that cheque is issued for the net amount only.

(11) After payment, both the bill and the concerned invoice shall be endorsed with the words 'paid and cancelled'. The Accountant shall record the payment details on the face of the bill, invoice and on the note sheet of the file. He shall return the file along with an endorsement, 'paid and cancelled' on the bill and invoice to the concerned Department or Section. The Accountant shall retain the 'payment order' as support for the journal and or payment voucher.

CHAPTER 7**GENERAL PROCEDURE FOR ACCOUNTING OF PAYMENTS**

38. Settlement of claims — All liabilities incurred shall be discharged with the least possible delay. Subject to the provisions of Rule 96, any claim relating to pay and allowances not preferred within one year of its becoming due, shall be paid only with the sanction of the Municipal Council by explaining the delay.

39. Payments from Municipal Funds — All payments from the Municipal Funds shall be made by cheques signed by the Municipal Commissioner or Chief Officer or the officer authorised by him.

Provided that the payments less than rupees five hundred may be paid in cash.

40. Requirement of Signature – (1) No money shall be paid on a bill or a claim signed with rubber or facsimile stamp. When the acquittance on a voucher is given by a mark or seal or thumb impression, it shall be attested by some known person. Signatures obtained in languages other than Kannada or English shall always be transliterated.

(2) Bills affixed with the facsimile signature of the Authorised Officer or bills in generally prescribed and accepted format including electronic format, presented by the following departments and institutions may be accepted for payment, if otherwise in order:—

- (a) Bills pertaining to telecommunication or leased lines or internet connectivity received from the service provider

- (b) Public Works Department, Bulk Water Suppliers, Water Supply Boards and Irrigation Dept. bills for water charges;
- (c) Electricity Bills of electricity supply companies or such organizations which supply electricity in that area.
- (d) All taxes, water and electricity charges;

41. Cash Payment out of Permanent Advance.— If the bill or invoice is to be paid in cash, out of the permanent advance, the Officer holding permanent advance shall pay the amount, and after payment in cash, stamp the voucher and the bill or invoice with the words “Paid in cash” in conspicuous type. This shall be attached to the detailed bill of other expenditure referred in rule 108(1) below while recouping the permanent advance.

42. Cheque Payments - If the amount is payable by cheque, the bill and the invoice shall be stamped ‘Paid by Cheque No’ in conspicuous type and the cheque shall be written up by the Accountant.

43. Control over Cheque Books - (1) Cheque books shall always be kept under lock and key in the personal custody of the Municipal Commissioner or the Chief Officer who, when relieved, shall take a receipt for the number of cheques made over to the relieving Officer. A specimen signature of the relieving officer shall, at the same time, be forwarded to the treasury or banks concerned, under the signature of the Officer relieved.

(2) When the Officer receives a new cheque book from the treasury or bank, he shall count the cheque leaves contained therein and shall record on the back of the cheque book a certificate that "this cheque book contains ____ leaves”.

(3) The Municipal Commissioner or Chief Officer as the case may be, shall verify the unused cheques on a daily basis, and satisfy himself that all unused cheques are in the book and that none has been surreptitiously extracted.

44. Issue of cheques — (1) The cheque book in use may be made over to the Accountant for writing cheques.

(2) No cheque shall ordinarily be signed unless required for immediate delivery to the person to whom the money is to be paid. No signed cheques shall be retained in the office except under exceptional circumstances which shall, in each case, be recorded.

(3) Every cheque shall be drawn in English or Kannada and shall be in favour of the person to whom the money is to be actually paid or in favour of the Bank Account which the person to whom it has to be paid has declared for receiving the payment. The stamp 'Account Payee' shall be invariably affixed on these cheques.

(4) The amount of every cheque drawn shall be written in words as well as in figures both on the cheque itself and on the counterfoil or record slip or transaction sheet available in the cheque book and initialled by the person who signs the cheque.

(5) When a cheque is being prepared for signature, the amount which is the next higher number of rupees than the sum for which the cheque is drawn, shall, as a safeguard, be written in red ink across it and its counterfoil as follows:

'Under Rupees.....'

45. Payments to be covered by receipts — Every payment made, either in cash or in cheque, shall be covered by a receipt,

stamped, if necessary, and signed by the person to whom the money is due.

46. Payment Voucher to bear acknowledgments of payees —

(1) Every payment voucher shall bear or have attached to it an acknowledgment of the payment, signed by the person for whom or on whose behalf the claim is put forth. No payment shall be made in the absence of the necessary acknowledgment.

(2) If a payment voucher be lost, a certificate of payment prepared in manuscript and signed by the disbursing Officer and endorsed, by the superior Officer shall be placed on record. Full particulars of all claims shall be set forth.

(3) Payments to illiterate persons shall be certified by the disbursing Officer and the thumb impression of those persons shall be obtained against their names on the vouchers concerned.

(4) The details of cheque number and date shall be noted in the payment voucher by the Accountant.

47. Accounting of payments. – The entry for payments shall be made by credit to the cash or bank account and:

(a) In case a liability was earlier taken for the amount of the bill, by debit to the same liability account;

(b) In case, no liability was taken, by debit to the appropriate expenditure or payment account head.

48. Dates to be noted in acknowledgments — Dates of payment shall invariably be noted by the payees in their acknowledgments.

49. Cancellation of cheques — (1) When a signed cheque is cancelled, it shall be stamped "cancelled" by the drawing Officer. The fact of cancellation shall be noted in red ink over the initials of the drawer of the cheque upon the counterfoil or record slip or transaction sheet available in the cheque book and also across the order of payment which has been endorsed on the Payment Voucher.

(2) If a cheque is cancelled before the entry is made in the Bank Book, the cheque number and the words "cancelled" shall be noted in the bank book. However, if the entry for cheque has already been recorded in the Bank book, the entry should be reversed.

(3) Cancelled cheques shall be retained with their counterfoils for purpose of audit.

50. Lost cheques - If a cheque is lost before payment, a fresh cheque can be issued to the party on after obtaining a certificate from the Treasury Officer or Bank that it has not been paid in the form given below.

CERTIFICATE

Certified that Cheque No..... dated..... for Rs..... reported (by the disbursing Officer) to have been drawn on this treasury or bank in favour of..... has not been paid and will not be paid if presented hereafter.

Dated.....

Treasury Officer or Bank.

51. Stale cheques — If a cheque is not encashed within the period of its currency, the entry for the cheque shall be reversed by preparing a receipt voucher, and crediting the account which was originally debited. A fresh cheque shall be issued, only after

return of stale cheque with a cross-reference to the stale cheque in the payment voucher.

CHAPTER 8

MAINTENANCE OF DEMAND, COLLECTION AND BALANCE REGISTERS

52. Duty of the Municipality – It shall be the duty of the Municipality to enumerate all persons or things that are liable for tax and maintain their record in a manner that amounts due, collection made and balances due are ascertained for all such persons or things.

53. Demand Collection and Balance (DCB) Register. – (1) Where any tax is due to be paid by the assesseees, relevant department or section shall maintain a Demand, Collection and Balance Register:

(a) For the purpose of property tax, in KMF NO 24 (Demand Collection and Balance cum Form III Register).

(b) For any tax, rent, fees, charges etc. which are collectible on monthly basis, in KMF NO 25 (Special DCB Register).

(c) For any other tax, rent, fees, charges etc. which are collectible otherwise than on monthly basis, in KMF NO 26 (Miscellaneous DCB Register).

(d) In the case of Trade License Fees, the DCB Register shall be maintained in KMF NO 26A (Demand Collection and Balance (DCB) Register (License Fees)).

(2) Such Demand, Collection and Balance Register shall be updated by the respective department or section for any

demand that is raised or falling due, at the beginning or during the course of the year, any collection that is made in respect of an assessee and the balance amount outstanding from the assessee.

(3) The departmental or section head shall prepare, on monthly basis, a Statement of change in demand or adjustments in KMF NO 27 in respect of new assessment or revision of tax, fee charges etc finalised, and send it to Accounts Department for accounting those changes in the books of account. In case there is no change in demand or adjustments in any month, a nil statement shall be given.

(4) In case any tax, fees or other charges are received, for which adequate details are not available to record in the relevant DCB Register, such amounts shall be recorded in a Suspense Register in KMF No 28. The concerned department shall then make all efforts to get the details of the amount so received within 15 days of the receipt of the amount, and record the details in the relevant DCB Register, by making suitable remarks in the Suspense Register. The details of the suspense items cleared shall be included in the Monthly Statement of change in demand or adjustments.

54. Alteration in figures prohibited — No entries in any of the DCB registers shall be altered without the express orders of the person authorised to order such change. All such orders shall give reasons for such alterations. These alterations shall always be made in red ink and initialled by the authorised person making such an order.

Provided that in case of clerical errors pertaining to posting of collection figures, necessary alteration can be made by striking out the entered figures in red ink and entering the correct

figures in red ink under the initials of the Officer or staff responsible for the posting of the figures.

55. Municipal demand to be recovered expeditiously - (1)

Every municipal demand shall be recovered as expeditiously as possible.

(2) Municipalities shall maintain a Register of Civil Suits in KMF NO 29 and also a Register of Decrees in KMF NO 30 for watching the proceedings relating to execution of decrees obtained for the recovery of amounts due. Decrees, as soon as they are passed, shall be entered in the latter register with all particulars. The Municipal Commissioner or Chief Officer as the case may be, shall review the registers every month and initial them in token of his inspection, to ensure that appropriate action is taken for the recovery of dues.

56. Remittance of Cess: The cesses collected shall, after deduction of collection charges, be remitted to the concerned authorities within the 10th of the next month through crossed cheque or demand draft.

CHAPTER 9

PROCEDURE FOR ACCOUNTING PROPERTY AND OTHER TAXES

57. Accounting for Property and Other Taxes. - (1) Property and other taxes shall be accrued at the beginning of the year in accordance with Chapter 4 of these rules. The demand, collection and balance under property tax shall be monitored through the DCB Register in KMF No 24 referred to in rule 53(1)(a) above.

(2) A suitable adjustment entry shall be passed after the end of the half year to reflect the correct amount of property tax income for the year, after considering the property tax declared and paid up to the end of the first half-year, and accounting for the compulsory assessments done by the Municipality.

(3) Rebate allowed on prompt payment of property tax shall be treated as an expense in the accounts through a journal voucher.

(4) Cess collected on behalf of the Government shall be treated as a liability for payment to the authorities. The collection charge due to the Municipality for cess collection shall be taken as income, and reduced from the amount payable to the authorities.

58. Provision for Unrealised Taxes- (1) On the amount of 'receivable', remaining outstanding on account of taxes a provision shall be made for unrealised taxes, at the end of the year, in accordance with the following norms:

- (i) 25% of taxes outstanding for more than 2 years, but not exceeding 3 years;
- (ii) 50% of taxes outstanding for more than 3 years, but not exceeding 4 years;
- (iii) 75% of taxes outstanding for more than 4 years, but not exceeding 5 years;
- (iv) 100% of taxes outstanding for more than 5 years.

(2) Such a provision is made on an overall basis in the books of account, and neither any change shall be made in the DCB Register, nor shall this be treated as a reduction of demand or write-off. Action shall be continued to be taken to collect the outstanding amounts by legal means provided under the Act.

CHAPTER 10**PROCEDURE FOR ACCOUNTING OF WATER CHARGES**

59. Accounting for Water charges — (1) Water charges shall be accrued as income in the Water Supply and Sewerage Fund, in accordance with Chapter 4 of these rules. The demand, collection and balance under water charges shall be watched through the Special DCB Register in KMF NO.25 referred to in Rule 53(1) (b) above.

(2) Other receipts which are not accruable such as connection charges, water tanker charges, initial water supply deposit etc., shall be recognised on receipt, in accordance with Chapter 5 of these rules.

60. Provision for Unrealised Water Charges- (1) On the amount of 'receivable', remaining outstanding on account of water charges a provision shall be made for unrealised water charges at the end of the year, in accordance with the following norms:-

- (i) 50% of amount outstanding for more than 2 years, but not exceeding 3 years. ;
- (ii) 100% of amount outstanding for more than 3 years.

(2) Such a provision is made on an overall basis in the books of account and neither any change shall be made in the DCB Register, nor shall this be treated as a reduction of demand or write-off. Action shall be continued to be taken to collect the outstanding amounts by legal means provided under the Act.

CHAPTER 11**PROCEDURE FOR ACCOUNTING FOR LICENSES**

61. Form of Licence and Fees — (1) Licences granted by a Municipality shall be in KMF NO 31 and issued only after the prescribed fees are paid.

(2) At the end of each month, the Licensing Officer shall examine the DCB Register maintained in KMF No 26A referred to in Rule 53(1)(d) above, and shall, by issuing a demand notice or otherwise, take such action as may be necessary within his power with regard to every person whose licence may have expired and who has not taken out a fresh licence; or he may, if necessary, report the case to the Municipal Commissioner or Chief Officer as the case may be for orders.

62. Licence to be granted In the name of licensee — (1) License shall be granted exclusively in the name of the licensee and shall not be transferable. No licence shall be re-issued when its term has expired or be endorsed for a continuance of the term. At the expiry of the period for which a licence is granted, the licensee shall, if a licence is still required, apply for a fresh licence. The expired licence shall be stamped or endorsed as 'cancelled'.

(2) The conditions, if any, under which a licence is granted shall be clearly intimated to the licensee when it is issued.

63. Accounting for License Fees — (1) Income from Licence fee shall be accrued on an annual basis at the beginning of the year, in accordance with Chapter 4 of these rules.

(2) Income from new licences shall be accounted as and when they are received;

(3) Provision for unrealised licence fees shall be made at the end of the year, in accordance with the following norms:

(i) 50% of amount outstanding for more than 2 years, but not exceeding 3 years;

(ii) 100% of amount outstanding for more than 3 years.

(4) Such a provision is made on an overall basis in the accounts and neither any change shall be made in the DCB Register, nor shall this be treated as a reduction of demand or write-off. Action shall be continued to be taken to collect the outstanding amounts by legal means provided under the Act.

CHAPTER 12

PROCEDURE FOR ACCOUNTING OF RENTAL, FEES AND OTHER INCOME

64. Revenue from Rent of Properties— (1) The Municipality shall maintain a Special DCB Register in KMF NO.25 referred to in Rule 53(1)(b) above, to record all rents from municipal properties like land, shops, shopping complex, etc due on monthly basis to watch timely collection. This shall be based on previous years demand and agreements. This shall include new shops or shopping complex let out on rent during the year. Separate pages may be allocated for each class of revenue and location.

(2) The Municipal Commissioner or Chief Officer as the case may be, shall periodically, but not later than once in six months, cause the register to be examined, and certify that the record is correct.

(3) If the collections of these rents are made through the agency of a tax or rent collector, the procedure prescribed for collection

by bill collector shall mutatis mutandis apply to these collections also.

(4) If the demands are required to be paid at the Municipal Office then for each remittance so made, a receipt in KMF NO. 14 shall be issued. Immediately on receipt, the money shall be brought to account in the Collection Register of the Cashier and also the Department or Section shall record it in the relevant DCB Register.

(5) Non-refundable Premium (lump sum) received at the time of auction of shops, shall be treated as liability at the point of collection, and allocated equally as income over the period for which shops have been let out.

65. Revenue from Market and Slaughter Houses, etc — (1) In the case of stallage or other rents of any municipal market, slaughter house, bus stand, etc., the accounting procedure for demand and collection of dues shall be the same as prescribed in rule 64 with suitable modifications in the relevant DCB Register.

(2) When fees are levied and collected departmentally they shall be recovered by means of receipts in triplicate in KMF NO.14 or tickets with foil and counterfoil in different colours for different rates. In the latter case, an account of face value of tickets shall be maintained in the Stock Register of Ticket Books in KMF NO.32.

(3) The daily remittances of collections made by the collecting officials shall be accompanied by a collection register showing in detail the number and value of each kind of tickets actually issued. The Cashier or other person receiving collections shall

pass an acknowledgment of such remittances in the collection register, by accounting the amount in the Chitta.

(4) A Register of Ticket Books issued to the collection staff in KMF NO.33 shall be opened in the name of each official entrusted with the collection of revenues by issue of tickets. The account shall be debited with the number and value of each kind of tickets issued to each official and credited with the amount of his collections paid daily into the Municipal Office. The balances of tickets in his hand shall be arrived at, by the end of every day and checked by the Office Manager. When any book has been completely exhausted, the counterfoils shall be sent to the Municipal Office for verification with the actual credit. Such verification shall be carried out jointly by the Office Manager and the Accountant.

66. Revenue by way of fees from market, slaughter house etc — (1) When the right to collect market fees, slaughter house fees, bus stand fees etc. is leased out and the lease confirmed by the council, the lessee shall execute an agreement with provision for security deposit, payment of monthly instalment, penal interest for belated payment, etc. and all relevant details shall be recorded in the Special DCB Register in KMF NO.25.

(2) When a Municipality collects fees for permission to set up shops and stalls at a fair, jathra or urs, the fees shall be collected in the same manner as laid down for market fees.

67. Miscellaneous Sales - For recording transactions connected with miscellaneous sales effected from time to time of distrained property, road side trees, stores and materials, produce of lands and gardens, street sweepings, etc, a Register of Miscellaneous Sales or Auction in KMF NO.34 shall be kept. Separate pages shall be set apart in this register for each class of sales. A

separate register shall be maintained for each department or section of the Municipality for recording of miscellaneous sales.

68. Miscellaneous Demands.— The recovery of demands otherwise not provided for in these rules and all other fixed recurring demands shall be recorded through the Miscellaneous DCB Register in KMF NO.26.

69. Accounting of Assigned Revenues. – Assigned revenue from the Government such as duty on transfer of immovable properties shall be accounted on cash basis during the year. At the year end, any amount for which a sanction order has been received but the amount has not been received in the bank or treasury shall be accrued as income.

70. Accounting of Rental Income and Special Demands. —

(1) Rental income shall be accrued on a half yearly basis, in accordance with Chapter 4 of the rules.

(2) Any other amount which is receivable and included in the special DCB register in KMF No 25 shall also be accounted as accrued income in accordance with Chapter 4 of the rules.

(3) Provision for unrealised rental income and any other income accrued as per sub rule (2) above shall be made at the end of the year in accordance with the following norms:

- (i) 50% of the amount outstanding for more than 2 years, but not exceeding 3 years;
- (ii) 100% of the amount outstanding for more than 3 years.

(4) Such a provision shall be made on an overall basis in the books of account and neither any change shall be made in the DCB Register, nor shall this be treated as a reduction of

demand or write-off. Action shall be continued to be taken to collect the outstanding amounts by legal means provided under the Act.

71. Accounting of Fees and Other Income – Where the fees and other income cannot be estimated in advance, they shall be accounted on cash basis.

CHAPTER 13

PROCEDURE FOR ACCOUNTING OF GRANTS AND CONTRIBUTIONS

72. Grants and Contributions – (1) Specific grants and contributions received shall be treated as a liability until utilised for the purpose specified. General grants shall be treated as income of the Municipality.

(2) A Grant Register in KMF NO.35 shall be maintained by the Municipality in respect of specific grants, to record receipts and utilization of grants.

(3) Immediately on its utilization in accordance with the conditions of grant, the portion spent on capital works shall be transferred to “deferred income”, and after capitalisation of Capital Work in Progress shall be allocated to income over the period in proportion in which depreciation is charged on those assets

(4) In case any part of a specific grant is allowed to be used for revenue expense and is so used, a corresponding amount shall be immediately transferred to income from the specific grant (liability) account.

(5) In case of a capital project involving municipal fund, grant and loan, the grant portion shall be accounted as in sub rule (3) above. The loan portion shall be treated as 'liability' for being cleared in due course.

(6) Local contribution [financial assistance by NGOs and other individuals] shall be treated as "contribution by others". On its utilisation for capital expenditure, the accounting shall be in the same manner as specified in sub rule (3) above.

CHAPTER 14

PROCEDURE FOR ACCOUNTING PUBLIC WORKS

73. Works Executed through the Public Works Department or other Government Agencies — Where works are executed through the Public Works Department or other Government Agencies, they may consist of either (a) Deposit works or (b) Delegated Loan Works.

(a) Deposit Works: In respect of deposit works carried out by Public Works Department or any other Government Agency on behalf of the Municipality, the following accounting procedure shall be observed:—

(i) The gross estimated expenditure of the work shall be paid to the Public Works Department or concerned Government Agency in either one lump sum or in such instalments as agreed. The amounts paid shall be treated as advance to the Public Works Department or the concerned Government Agency. The Public Works Department or the concerned Government Agency shall send to the Municipality every month, a statement showing the outlay incurred during each month and up-to-date outlay on the works concerned. On receipt of this

statement, the amount shown as spent during the month shall be adjusted against the advance paid earlier and also accounted in the 'Capital Works in Progress'

(ii) After completion of the deposit works, the statement of the deposit work shall be sent by the Public Works Department or the concerned Government Agency to the Municipality. On receipt of such statement the expenditure under 'Capital Works in Progress' pertaining to that work shall be capitalized.

(iii) The unspent balances of completed works shall be refunded to the Municipality by the Public Works Department or concerned Government Agency, which shall be adjusted against the un-cleared advance.

(b) Delegated Loan Works: (1) When loans are raised by any other agency including Government Agency on behalf of the Municipality for capital works, the works are called as 'delegated loan works'.

(2) The following procedure shall be observed in respect of delegated loan works:

(i) The Municipality shall enter into a legally valid agreement enabling the agency to raise loan on its behalf and undertake to repay the principal and interest as per the terms and conditions of the loan and the said agreement.

(ii) Once the agency raises the loan, it shall send an advice indicating the loan raised, date of loan, period of repayment, rate of interest and terms and conditions of the loan in KMF NO 36.

(iii) On receipt of such advice, the Municipality shall make necessary entries in the books of account. It shall also record it in the Register of Loans and Register of Advances

(iv) The agency shall send a monthly statement of outlay incurred during each month showing the progress on the works concerned in KMF NO 37. On receipt of this statement, the amount shown as spent during the month shall be adjusted by passing necessary entries.

(v) On receipt of completion report the Capital Work in Progress shall be capitalised.

Note. —The delegated loan works shall be shown separately in the Budget estimate of the Municipality.

74. Schedule of Rate – Every Municipality shall follow the Scheduled Rates of Public Works Department in force for the year.

75. Data sheets to be worked out in certain cases – For the items not provided in the schedule of rates of Public Works Department, the procedure prescribed in the Public Works Department code for data rate shall be followed. Such rates shall be got approved by the next higher technical authority than the authority competent to sanction the estimate.

76. Contractors' Bills — (1) Contractors' bills shall be prepared in KMF NO.38 and shall furnish full particulars of the work done so as to admit the items being identified and checked by a comparison with the estimate.

(2) The bill shall be checked with the Measurement Book and other records by the next higher municipal engineer than the engineer who has recorded the measurements in the

Measurement Book and if in order, shall be passed on to the Municipal Office through the Head of Engineering Department or Section for payment. When there is no higher municipal engineer, then this check shall be exercised by the Municipal Commissioner or Chief Officer or such other officer duly authorised by him.

(3) The final bill shall be distinctly marked as such and shall be checked by the Accountant before payment with reference to connected documents (e.g. Deed of contract , sanctioned estimate and Measurement Book) and with reference to the corresponding entries in the Register of Public Works. The bill shall finally be approved by the Municipal Commissioner or Chief Officer as the case may be, in accordance with their powers or shall be approved by such authority which has the necessary powers.

(4) The procedure laid down in the rules under Chapter 6 shall also apply.

77. Payments to Contractors — (1) Payments to contractors and suppliers shall be made by means of 'Account Payee' cheque following the procedure laid down in Rule 44.

(2) Every payment to a contractor shall be on account of some particular work for which a work order exists. No payments in anticipation of measurements shall be made to a contractor.

(3) In respect of large works, mobilization advance may be paid to the contractors with prior approval of the Deputy Commissioner and after obtaining further securities like bank guarantee, etc.

78. Departmental Labour — (1) When work is done by daily labour, the basis of the account will be the Nominal Muster Roll

in KMF NO.39 which, as a rule, shall be kept separately for each gang of labourers for a week or fortnight or a month as may be found convenient.

(2) Labourers shall not ordinarily be hired on daily wage basis on Nominal Muster Roll unless it is provided in the scheme for being a labour oriented scheme. Work of perennial nature e.g. sweeping, garbage collection, water supply shall not be got done through the system of Nominal Muster Roll unless it is only for a one time special event (e.g. additional work during fairs and festivals or special events which does not occur as a perennial nature).

(3) Nominal Muster Rolls shall be machine numbered and shall not be prepared in duplicate. All entries therein shall be made with indelible ink.

(4) When works are executed departmentally, the rates at which such works are valued and paid for shall not exceed those allowed to contractors for similar class of works.

(5) The Nominal Muster Roll shall be written up daily by the subordinate deputed for the purpose, before the labourers begin work.

(6) In opening the Nominal Muster Roll, the labourers shall be mustered in the order in which they are engaged.

(7) Each half-day presence or absence of each labourer shall be denoted by the insertion of the letters 'P' or 'A' as the case may be against his name in each box separated by a diagonal slash with each portion on the left and the right of the slash denoting half-a-day. The sum of figures brought out in the column "total" will represent the total number of days each labourer has worked. For example, P/A will denote the presence of labour in

fore-noon and his absence in the afternoon whereas P/P shall denote a labour's presence both in forenoon and afternoon.

(8) The Nominal Muster Roll shall be closed immediately after the close of the week or other period for which it is kept and the labourers paid as soon as possible.

(9) A daily labour report in KMF NO 40 shall be submitted by the subordinate in-charge of the work every evening to the Engineer or the Municipal Commissioner or the Chief Officer showing the details of the labour employed. This report shall be used in the Engineering and the Accounts Department or Section to check the Nominal Muster Roll when presented for payment. Labour employed daily as shown in this report shall be cross checked as often as practicable by the Engineer or the Municipal Commissioner or Chief Officer, who shall attest the musters in token of such check.

(10) When the Nominal Muster Roll is closed, the work turned out shall be measured and recorded in the Measurement Book and Nominal Muster Roll in terms of items given in the sanctioned estimate. When the work turned out is not susceptible of detailed measurements, such measurements may be made on the certificates of the Officer-in-charge of the work to the effect that the work turned out is commensurate with the amount spent, shown thereon.

(11) The staff disbursing the payment shall make the disbursements in the presence of the next senior Engineer or Municipal Commissioner or Chief Officer or any other staff authorised by the Municipal Commissioner or Chief Officer in this behalf. He shall also note the date of the payment and obtain the acknowledgement of the labourers in the Nominal Muster Roll itself in the space provided for. In case of illiterates,

their thumb impression in the place of signature shall be obtained and attested by the staff disbursing the payment. The disbursement certificate at the foot of the Nominal Muster Roll shall then be signed by the Officer or staff witnessing the disbursement.

79. Register of Public Works — (1) For every work undertaken by the Municipality, an account shall be kept in a Register of Public Works in KMF NO 41 by the Engineering Department or Section.

(2) The quantity of work done and amount paid shall be recorded in the register from the bills, as they are passed for payment. When a work is completed, a double red line shall be drawn below the entries and the following note made in the register with date:

“Work completed and completion certificate furnished on.....”

80. Measurement of works — (1) All works executed by the Municipality shall be measured at least once in a month or at such periodicity agreed upon in the contract and recorded in the Measurement Book. On recording in the Measurement Book a bill shall be raised.

Provided that, in the case of small works, the execution of which runs over only a few days, works may be measured up and paid once for all after their completion, and the agreements with the contractors shall provide for this wherever applicable.

(2) Check measurements of works shall ordinarily be made as early as possible after recording the measurements in the Measurement Book. In no case, check measurements shall be

delayed for more than a period of two weeks from the date of completion of the work.

81. Measurement Books — (1) All measurements of work done whether by means of daily labour or by contract shall be recorded in the Measurement Book prescribed by the Public Works Department to be kept by the Junior or Assistant Engineer or such other engineer of the Municipality deputed for the duty, for periodically measuring the work.

(2) The pages of the book shall be machine numbered and no page shall, on any account, be torn out nor shall any entry be erased so as to be illegible. If a mistake be made, it should be corrected by crossing the incorrect words or figures and the correction thus made should be initialled.

(3) The entries shall be recorded in the Measurement Book at the work spot with indelible ink so as to render it difficult to tamper with or make unauthorised additions to or alterations in entries once made. When any measurements are cancelled, the cancellation must be supported by the date and initials of the Officer ordering the cancellation or by a reference to his orders initialled by the Officer who made the measurements, the reasons for the cancellation being also recorded.

(4) The location of the work shall be clearly described so as to admit of easy identification and check measurements shall be written up and rendered complete by calculating quantities.

(5) From the Measurement Book, all quantities shall be clearly traceable into the documents on which payments are made. No contractor's bill shall be signed without crossing off the connected entry in the Measurement Book. The documents, on which payment is made, shall invariably bear a reference to the

number and page of the book in which detailed measurements are recorded. Reference to bill number and date of payment shall also be given in the Measurement Book.

82. Custody of Measurement Books — (1) The Engineer who has been issued with the Measurement Books shall be responsible for safe custody of the Measurement Books and for ensuring that the measurements are properly recorded and that they are complete records of each kind of work done for which certificates have been granted or Bills or Nominal Muster Rolls prepared.

(2) All the Measurement Books shall be returned to the Municipal Office for record, after all pages of the Measurement Book have been used.

83. Accounting of Contractors' Bills. - (1) The procedure for accounting of contractors' bills shall be the same as provided in Chapter 6 of these Rules. On accrual of the bill, the liability shall be taken by:

- (a) Debit to the 'Capital Work in Progress' account in case of an ongoing contract to create a new (capital) asset;
- (b) Debit to the 'revenue expense' in case the contract is to carry out certain repair or maintenance works.
- (c) Crediting the deductions towards any tax, works contract tax, royalty, or any other statutory recoveries to the respective liability accounts.

(2) When the capital work referred to in clause (a) above is completed, it shall be capitalised.

(3) The Engineer responsible for any capital work shall prepare Summary Statement of Status of Capital Work-in-progress, in KMF NO 42 on quarterly basis. The statement shall be prepared separately for work carried out by the Municipality, Deposit Works and for Delegated Loan Works, and sent to Accounts Department for reconciliation with the balances in the Ledger.

84. Recovery of Royalty from contractor bills. – (1) Where the Municipality recovers royalty on stones, ballast, gravel, jelly, sand, kankar and bricks from the contractors' bills passed for payment at the prescribed rates, a Royalty Register in Form No KMF 43 shall be maintained.

85. Remittance of recoveries from Contractors Bills: Amounts recovered towards income tax deducted at source, works contract tax, royalty, or any other statutory recoveries shall be credited to Government under the relevant head of account, before the 7th of next month unless the period for such remittance is specified otherwise in the concerned laws.

CHAPTER 15

PROCEDURE FOR ACCOUNTING FIXED ASSETS

86. Capitalisation of Fixed Asset. – When an asset is ready and put to use, the amount spent on the asset which was recorded under 'Capital Work in progress' account, shall be capitalised by debit to the appropriate 'fixed asset' account head and credit to 'Capital Work in Progress' account head.

87. Register of Fixed Assets. – (1) The municipality shall maintain the following fixed asset registers comprising of land,

buildings and all other infrastructure, immovable and movable properties which belong to the Municipality:

- (i) Register of Land (KMF NO 44)
- (ii) Register of Land under Roads (KMF NO 44A)
- (iii) Register of Immovable Properties (other than land) (KMF NO 45)
- (iv) Register of Movable Properties (KMF NO 46)

(2) These registers shall be maintained category wise in respect of lands, buildings, etc.

(3) The infrastructure assets like roads, bridges, culverts, drains, etc shall be recorded in such a manner as to identify location, measurements, etc.

(4) The registers shall be maintained fund wise.

(5) Any new asset that is capitalized, purchased or obtained by way of grant or gift shall be recorded in the register on the date the asset is capitalized, purchased or obtained.

88. Valuation of Fixed Assets. – (1) Fixed assets shall be recorded at historical cost including directly attributable expenses such as freight, insurance etc. for bringing the asset to its working condition.

(2) In case a fixed asset is acquired at a concessional rate, it shall be recorded at the acquisition cost incurred;

(3) In case a fixed asset is acquired free of cost, it shall be recorded at a nominal value of Rupee One.

89. Depreciation on Fixed Asset. – (1) Depreciation shall be charged on all fixed assets except for land, under the Straight line Method, in accordance with the rates of depreciation and useful life provided in Schedule VII to these rules.

(2) In case an asset is capitalized on or after October 1 of a financial year, depreciation shall be applicable at half the rates provided in the abovementioned schedule.

(3) In case an asset is sold or disposed of on or after October 1 of the financial year, full depreciation shall be provided. If it is sold or disposed off before October 1, depreciation shall be charged at half the prescribed rates. Entry for providing depreciation shall be passed at the time of accounting the sale or disposal of asset

(4) The depreciation of each asset shall be updated in the relevant fixed asset register every year in such a manner that the written down value of the assets as per accounts and as per the fixed asset register are in agreement.

(5) The Municipality may, if found necessary, maintain a separate Sinking Fund for the replacement of fixed assets, by transfer of amounts equivalent to the depreciation provision made for the year or a part thereof, to a separate bank account. A Register of Sinking Fund for Asset Replacement in KMF NO 47 shall be maintained for this purpose.

90. Revaluation of Fixed Assets. – (1) A Municipality may carry out a revaluation of its assets, with prior permission of the Director of Municipal Administration in any of the following cases:

- (i) Commercial development of the fixed assets are taken up after the land use and architectural

control have been approved by the competent authority;

(ii) At the time of lease; or

(iii) At the time of issue of municipal bonds.

(2) Revaluation cannot be done for any particular asset. It shall be carried out for all the assets of the Municipality or at least for a complete class of assets of the Municipality.

(3) Any increase in value of the fixed assets due to revaluation shall be recorded in a 'Revaluation Reserve' account.

(4) The portion of depreciation on the re-valued asset which is attributable to revaluation can be set off against the revaluation reserve created above.

CHAPTER 16

PROCEDURE FOR ACCOUNTING ESTABLISHMENT COSTS

91. Sections of Establishment to be distinct - Pay bills shall be, as far as practicable, prepared distinctly based on functions as shown in the budget, using Function Codes prescribed in Schedule III

92. Proposition statement — (1) Save as otherwise provided, when a change in the sanctioned scale of establishment, permanent or temporary, is made or proposed, a proposition statement in KMF NO. 48 showing clearly its financial effect should be submitted with full explanation of the grounds of the change.

(2) If the change would affect only a section of the establishment, the numbers and cost of the other sections may

be shown in totals without details, but full particulars shall be given for all sections in which any change is recommended.

93. Scale Register — (1) The whole establishment of the Municipality shall be recorded in a Scale register in Form No. KMF 49 in which every appointment shall be entered under the initials of the Municipal Commissioner or Chief Officer or the Officer authorised by him, a page or pages being allotted to the establishment chargeable to each item of the budget. Whenever any revision is made, the revised number of posts and scale of pay and allowances shall be noted in the columns provided for the purpose.

(2) Temporary establishment shall be recorded separately at the end of the space allotted for the permanent establishment and shall not be mixed up with it. The period for which the temporary establishment is sanctioned and the order of sanction shall be distinctly specified in the Scale register.

(3) All fixed recurring charges such as house rent allowance, conveyance allowance, leave and pension contribution, etc., shall be recorded on a separate page of the scale register.

94. Pay of Establishment .— The Pay of the Establishment of a Municipality shall be drawn and paid on the last working day of the month during which it has been earned:

Provided that when the last working day happens to be a Sunday or a public holiday, the pay of the establishment may be drawn and paid on the previous working day.

95. Monthly Pay Bills cum Acquittance Rolls— (1) Pay bills shall be prepared in KMF NO.50 and an abstract of pay bill shall be prepared in KMF No 50A. Both forms shall be signed by the Municipal Commissioner or Chief Officer or other Officer

authorised by the Municipal Commissioner or Chief Officer. Pay bills shall be prepared function wise. They shall also be totalled and allocated to separate funds as per guidelines issued from time to time.

(2) The details of names shall invariably be given in the pay bill.

(3) While preparing the pay bill the following shall also be observed:—

- (i) When salary is drawn for a broken period of the month, the reasons why this has been done, the period for and the rate, at which it is drawn, shall be distinctly entered in the pay bill.
- (ii) Officers absent on leave or on deputation or under suspension shall be clearly shown as such in the monthly pay bills and officiating arrangements that may have been made shall be noted.
- (iii) The pay of all temporary establishments shall be billed for separately in the same form, the sanction being quoted.
- (iv) The wages of labourers, workmen, etc., working on daily wage or not on regular pay shall not be drawn in the regular pay bill form but only on nominal muster rolls.
- (v) Fixed travelling and conveyance allowances shall be drawn in the pay bill of the Officer or employee concerned and not on travelling allowance bills.
- (vi) To the first pay bill in which a periodical increment is drawn an increment certificate in KMF NO. 51

signed by the Competent Authority shall be appended.

- (vii) The total amount of income-tax deducted from pay bills shall be credited to the Income Tax Department of the Central Government.
- (viii) In claiming pay of new employees for the first month, the Municipal Commissioner or Chief Officer as the case may be, shall certify that the physical fitness certificate issued by a Medical Officer has been produced by the employee.
- (ix) The Combined Pay Bills cum Acquittance Rolls shall be in bound books.
- (x) Pay, officiating pay, leave salary and other emoluments may be drawn for the day of an official's death; the hour at which death takes place does not affect the claim.

96. Arrear Bills — Arrears of pay shall be drawn separately, the amount claimed for each month being entered with a quotation of the bill in which the charge was omitted or withheld or on which it was refunded by deduction or of any special order granting a new allowance. Such bills can be paid at any time and may include as many items as are necessary. When arrears are paid, the number and date of the cheque and payment voucher shall be noted on the original bill in which the charge was withheld or omitted or in which it was refunded against the particular item, in order to prevent a second claim from being entertained.

97. Supplemental Claims — (1) All supplemental claims shall be verified thoroughly by the drawing Officer. Such claims shall

be invariably noted in the original Pay Bill cum Acquittance Roll filed in the office and a certificate in the following form shall be recorded by him, in addition to the non-payment certificate.

“Certified that the supplemental claims preferred above, have been verified with reference to the Pay Bill cum Acquittance Roll for the concerned months filed in this office or the concerned offices and also that they have been noted against the entries shown therein as withheld or omitted.”

(2) A note of the arrears bill shall invariably be made in the office copy of the bills for the period to which the claim pertains over the dated initials of the Municipal Commissioner or Chief Officer or the Officer authorised by him in this behalf, in order to avoid the risk of the arrears being claimed again.

98. Responsibility of Drawing Officer — (1) The drawer of a bill shall be personally responsible for all moneys drawn as pay, leave salary, allowances, etc., on a pay bill signed by him. He shall make arrangement with the local bank, preferably where the accounts of the Municipality are maintained, to disburse salaries to the municipal employees through cheque. For this purpose, he shall issue a cheque with the list of employees containing their bank account numbers and the net amount to be credited to their accounts. The same procedure shall be followed for payment of festival advance. In respect of supplemental or arrears claim, he shall issue cheques in favour of the employees concerned.

(2) However in case of payment of wages (Nominal Muster Roll) or temporary or urgent ‘advance’ payments, the system of cash payments may be followed.

99. Cheques to be drawn for net amount only — Cheques in payment of pay bills shall be drawn for the net amounts payable. When a pay bill is paid by a cheque, separate crossed cheque in favour of the Treasury Officer or bank or concerned institution shall be sent for the deductions made such as insurance premium, provident fund subscription, etc., along with the necessary statements.

100. Payment of claims of deceased Municipal Employee — Pay and other claims due to and claimed on behalf of a deceased municipal employee may be paid without the production of the usual legal authority:

(i) to the extent of Rs.5,000/- (Rupees five thousand only) under the orders of the Municipal Commissioner or Chief Officer as the case may be, responsible for the payment after such enquiry into the right and title of the claimant as may be deemed sufficient and;

(ii) above Rs. 5,000/- (Rupees five thousand only) under the orders of the Municipal Council and on the execution of an indemnity bond with such surety or sureties, as it may require, if it is satisfied, after such enquiry as it may consider sufficient, about the right and title of the claimant and considers that undue delay and hardship would be caused by insisting on the production of authority like legal heir certificate. In case of dispute, legal action shall be taken.

101. Transfer of charge of Municipal Employees – When an employee is transferred from one function to another, his pay and allowances shall be charged to the applicable function to which he is transferred from the next succeeding month.

102. Advances on transfer of municipal employees — (1) Advances may be made to a municipal employee under orders of transfer involving change of station up to an amount not exceeding one month's basic pay which he is in receipt of immediately before his transfer or the pay he is entitled to after the transfer whichever is less plus the travelling allowance to which he may be entitled under the rules in consequence of the transfer.

(2) Recovery towards advance of salary paid by a Municipality, local body or department of Government shall be effected at the time of preparing salary bill of the employee concerned and remitted through cheque or demand draft to the Municipality, local body or department of Government which originally paid the advance.

103. Amounts payable by a Municipality to the Government

(1) Amounts payable by a Municipality to Government shall be paid by cheques into the Government's account. These payments shall be made within the due date prescribed.

(2) Simultaneously, with the issue of crossed cheques for amounts due to Government and also for supplies and services made by Government Departments, the Municipality shall send intimation thereof, containing full details, namely, (i) Requisition number and date; (ii) Bill number and date; (iii) Nature of payment and (iv) Period to which it relates, etc., to the concerned department of Government, at whose instance crossed cheques are issued.

104. Annual Return of establishment — (1) Early in March of each year a detailed statement in two parts, one for permanent establishment including officiating incumbents of permanent

posts and the other covering all temporary establishments entitled to pension existing as on the 1st march shall be prepared in KMF NO. 52 and transmitted to the Controller as soon as possible and in any case not later than 15th May of each year.

(2) A similar return in respect of non-pensionable employees shall also be prepared and forwarded to the Deputy Commissioner together with the annual return in respect of the pensionable employees referred to in sub rule (1) above.

(3) The returns referred to in sub-rules (1) and (2) shall be prepared in the following manner, namely:—

(i) The particulars (such as designation, pay, etc.) of all members of the establishment, holding permanent and temporary posts, whether on duty or absent or on foreign service, leave or deputation or in temporary posts elsewhere or under suspension or in transit to another office shall be entered in the appropriate columns in KMF NO. 52, the particulars relating to pensionable and non-pensionable employees being shown separately.

(ii) The dates of birth, appointment to present post and promotion to present pay of each person as well as the authority creating the posts shall be clearly entered in the appropriate columns of the return.

(iii) The return shall show accurately the sanctioned scale of permanent establishment and so will include every post, whether filled or not, and if a post be vacant, the word "Vacant" shall be set against it in the column "Name of incumbent". Post sanctioned but not filled shall be detailed at the foot of the return.

(iv) There shall be a separate return for each permanent establishment and not more than one establishment shall be exhibited on a single page.

(v) The names shall be entered in the order of budget function group of the establishment. There shall be a separate total for each section, and a grand total for the whole establishment.

(vi) (a) In column (1) of KMF NO. 52 the General orders shall be entered only once and any other order shall be entered against every entry which it supports.

(b) The date to be entered in column shall be the date from which the official has held the post continuously in an officiating, provisionally substantive or substantive capacity, as the case may be.

(c) Personal pay shall be shown on a separate line immediately below the entry of pay in Column 8 the orders of the Competent Authority sanctioning it being quoted in Column 1.

(d) In column 4, the scale of pay with minimum and maximum pertaining to the post shall be filled up only when the pay is progressive, i.e. rises from a minimum to a maximum by periodical increments.

(e) If the pay entered in Column 8 includes an increment allowed with effect from 1st March, the entry shall be checked with the increment certificate which would accompany the March pay bill.

(vii) When the pay of an establishment or of an individual employee is met partly from local or other funds, the whole shall be shown in the return and the

portion payable from each source specified in a footnote.

(viii) The name of an employee officiating in a post and the amount of additional pay for officiating, drawn by him need not be shown unless the additional pay for officiating, counts for pension.

(ix) In the case of an establishment on a time scale of pay, the names of all officials not belonging permanently to the cadre but officiating in permanent posts or holding temporary posts shall be included with an indication of the nature of vacancies they fill.

(x) If the officiating incumbent holds a permanent post on another establishment the fact shall be stated and the entry shall be supported by a certificate. (xi) Under the pension rules, service (either in full or half as the case may be) in a temporary post counts for pension, if such service is followed by a substantive appointment and an employee without a substantive appointment officiating in a post which is substantively vacant or the permanent incumbent of which does not draw any part of the pay or count service may, if he is confirmed without interruption in his service, count his officiating service. As the annual establishment returns are intended for verification of service for pension and payment of pensionary contribution on behalf of the employee entitled to pension, the names of all temporary and officiating employees to whom the above rules apply, shall be included in the return, in order that their service for pension can be verified.

Note. - As soon as an employee under the service of a Municipality is confirmed, the previous period or periods of service which would count for

pension shall be noted in the service book and also in the annual establishment return on the next available occasion.

(i) The Schedule to the annual return shall detail changes in the establishment as compared to the previous annual return, and details of employees on leave or suspension during the previous year.

Note 1 - If an employee was transferred more than once in the preceding year, the name of each office and post in which he was employed during the year shall be mentioned with dates in Column 2 of the statement.

Note 2 - In the case of an employee under suspension and subsequently reinstated, a note shall be appended stating whether the period of suspension shall count as service qualifying for pension (Number and date of the order of the competent authority to be quoted).

(ii) When the annual return is completed as indicated above and before it is dispatched to the appropriate authorities, the entries in the return shall be carefully verified with the service books so as to ensure the accuracy of the return, to facilitate the verification of pension claims as well as contributions towards pension. The Municipal Commissioner or Chief Officer as the case maybe, shall also satisfy himself of the correctness of the entries in the return, with reference from the service

books and shall record the following certificate on the return:

“Certified that I have satisfied myself of the correctness of the entries in this return by personally checking a few items in it with the service books.”

105. Accounting of Establishment Costs. – (1) Establishment Costs shall be accrued at the end of each month in accordance with the procedure prescribed in Chapter 6 of the Rules.

(2) The payment of salary shall be in accordance with the procedure prescribed in Chapter 7 of the rules and rule 95 above.

(3) Leave encashment shall be accounted as and when due for payment i.e. on accrual basis.

CHAPTER 17

PROCEDURE FOR ACCOUNTING OF STORES AND OTHER EXPENSES

106. Register of Stores – (1) A Register of Stores in KMF NO 53 shall be maintained. The cost of stores articles on receipt shall be debited to “stock in hand”. When issued, the cost will be debited to the work concerned and credited to “stock in hand”. Different registers shall be maintained for different types of stores as classified in the Chart of Accounts prescribed.

(2) The following procedures shall be followed for accounting of stores transactions:

(a) Material Receipt Note shall be prepared by the Stores-in-Charge for receipt of material in KMF NO 54, and shall

be sent to Accounts Department along with suppliers' bills for passing entries;

(b) Material Issue Note in KMF NO 55 shall be prepared by Stores-in-Charge for material issued to contractors and other departments;

(c) Monthly Summary Statement of Material Issued to Other Departments in KMF NO 56 shall be prepared by him on the basis of Material Issue Notes;

(d) In the case of material issued to contractors, Accounts Department shall account the issues on daily basis, on the basis of individual Material Issued Notes. However, in the case of material issued to other departments of the Municipality, monthly entries shall be passed based on Material Issue Notes and Monthly Summary Statement of Material Issued to Other Departments.

(e) Half-Yearly Statement of Closing Stock in KMF NO 57 prepared from Register of Stores by the Stores-in-Charge, and sent to Accounts Department for reconciliation of closing stock as per Register of Stores and Ledger.

(f) Materials issued shall be valued as per the First-in-First-Out Method of valuation.

107. Accounts relating to maintenance of motor vehicles —

Where a Municipality maintains a motor vehicle;—

(1) The vehicle shall be used only in the interest of municipal work and with the permission of the competent authority;

(2) The movement of each vehicle shall be recorded in a log book which shall contain the details as indicated in Log book for Vehicles KMF NO.58.

(3) All motor vehicles whether cars or Lorries or vans, etc., maintained by the Municipality shall be insured.

108. Other Expenditure — (1) Expenditures including contingent expenditures for which no special bill format has been prescribed, shall be drawn in a bill in KMF NO.59.

(2) This bill shall be rubber stamped on the back of the invoice to which it pertains. If it cannot be rubber stamped on the back of the invoice, then the invoice shall be properly attached or pasted to the bill format.

109. Provision for Bills Pending for Approval - At the end of each half-year, the department concerned shall prepare a Statement of Bills Pending for Approval in KMF No 60, and send it to Accounts Department for making provision in the books of account.

CHAPTER 18

PROCEDURE FOR ACCOUNTING ADVANCES AND OTHER ASSETS

110. Advances — (1) An account of advances shall be maintained in a Register of Advances in KMF NO 61. Whenever advances other than permanent advances are made, the transactions shall be recorded in this register and the recoveries shall be monitored. The Register of Advances shall be reconciled with corresponding ledger accounts on monthly basis. When an advance is recovered in cash or adjusted by deduction from bill, the amount shall be noted against the original advance in the

column for the month in which the recovery or adjustment is made. The monthly columns for recoveries shall be totalled at the end of the month and the total agreed with the corresponding credit under advances in the ledger. The register shall be balanced at the end of the year and details of outstanding balances carried forward to the next year.

(2) Advances shall be made in accordance with relevant rules. They shall be recovered or adjusted, as per the conditions of the advance, unless the authority sanctioning the advance orders otherwise.

(3) A register of interest on loans and advances to employees shall be maintained in KMF NO 62, to account for interest on such loans or advances.

111. Permanent Advance — (1) An amount of permanent advance shall be sanctioned by the Municipal Commissioner or Chief Officer with approval of the Deputy Commissioner to an officer towards petty expenses of the office. The concerned Officer to whom the permanent advance is given shall be responsible for the safe custody of that amount.

(2) The sum to be allowed shall be fixed on the supposition that recoupment will be made once in a month.

(3) A register of permanent advances shall be maintained in Form KMF 63.

(4) A permanent advance shall not be multiplied and an Officer having subordinates who require petty sums, may spare a small portion of his own advance for their use than applying for separate advances for them, taking acknowledgments of them in the same form as he himself furnishes, and retaining them in his office.

(5) Permanent advance shall be adjusted by debit to the appropriate expense heads for which the amount is used and recouped once in a month or an earlier event when the full advance has been expended. At the close of the year, a certificate of balance of permanent advance with the various officers shall be taken and reconciled with the balance appearing in the accounts.

112. Stamps Register — A stamps Register showing the purchases and issues of stamps shall be maintained in KMF NO.64. The balance of stamps on hand shall be verified once in a month by an Officer duly authorised by the Municipal Commissioner or Chief Officer who shall make a note of such verification in the register under his signature.

113. Stationery Stock Register — A stationery stock Register shall be maintained in Form No. 65 to show the actual stock on hand, the actual receipts and consumption and the balances. The issues shall be acknowledged in the register under the initials of the concerned to whom they are issued. Balances shall be arrived, at the end of each year and verified with the actual stock by the Office Manager or any other Officer authorised by the Municipal Commissioner or Chief Officer.

114. Investments — (1) A Register of Investments held by the Municipality shall be maintained in KMF NO.66 showing all investments belonging to the Municipality. The purpose for which each investment is held shall be stated in the column provided and the orders of Government, if any, shall be quoted.

(2) The register shall also indicate interest due, and received from time to time to ensure that the amounts due are realised on due dates. In respect of interest accrued but not received at

the end of the year, an accrual entry shall be made in the books of account.

CHAPTER 19

PROCEDURE FOR ACCOUNTING BORROWINGS, DEPOSITS AND OTHER LIABILITIES

115. Deposits — (1) A Register of deposits shall be maintained in KMF NO 67 for all deposits received or recovered. Separate sets of pages may, if necessary, be set apart for each of the following classes of deposits.

- (i) Deposits by tenants or lessees;
- (ii) Deposits by suppliers, contractors' security deposit and retention money recovered out of running bills;
- (iii) Other deposits.

(2) Wherever bank guarantees are furnished by suppliers or contractors either in lieu of earnest money deposit or security deposit, or for any other purpose as per the terms of procurement order, the details of the bank guarantee shall be entered in the Register of Bank Guarantees in KMF NO. 68 by the Accounts Department, which shall ensure that the bank guarantees shall be kept in force during the term specified in the procurement order by renewing them as and when they expire. The original bank guarantees shall be kept under the safe custody of the Accountant or such other officer or staff that the Municipal Commissioner or Chief Officer may authorise.

- (3) (i) When Earnest Money Deposit by intending bidders at an auction is received; it shall be entered in the Register of Miscellaneous Sales or Auction, KMF NO 34. After the

auction is over, the earnest money deposit shall be returned to unsuccessful bidders with an acknowledgement in the register (KMF NO. 34). For the earnest money deposit of the successful bidder, a receipt shall be issued and accounted as deposit. If for any reason, earnest money deposit of any unsuccessful bidder is not refunded on the day of the auction, it shall be brought to account in the same manner as for the successful bidder and a refund made subsequently.

(ii) Deposits received that are not refundable or are by practice not claimed back such as initial water supply deposit or deposit for water meters shall be treated as income for the year in which it is collected.

(iii) Non-refundable premium received at the time of auction of shops etc. shall be treated as income by allocating equally over the period for which shops have been let out.

116. Refund of Deposits — Refund of deposits shall be made by preparing a Deposit Refund, Adjustment or Lapse Advice in KMF NO 69 and it shall be passed for payment only when the Municipal Commissioner or Chief Officer has satisfied himself by a reference to the Register of deposits and the Accountant has certified that the deposit is actually outstanding, in token of which he shall set his initials in the register against the entry.

117. Lapse of deposits — Deposits remaining unclaimed for three consecutive financial years after their refunds have fallen due, shall be lapsed. An advice in KMF No 69 shall be prepared by the concerned department and, after obtaining approval from the Municipal Commissioner or Chief Officer as the case may be, it shall be sent to Accounts Department for passing

necessary entries in the books of account and the deposit register.

118. Register of Securities— The Municipality shall maintain a separate Register of Securities in KMF NO. 70 of all securities furnished by contractors, municipal employees, etc otherwise than in cash, viz. Deposit in Savings Bank, National Savings Certificates, Municipal Bonds, etc pledged in favour of the Municipality.

119. Loans — (1) All loans received by the Municipality shall be recorded each on a page in a Register of Loans in KMF No 71., Each instalment of loan as it is taken shall be recorded therein, and particulars of repayment and interest shall also be recorded in appropriate columns till the loan is fully repaid.

(2) Sinking fund for repayment of loans — Where a loan is raised in the open market and is repayable by means of a sinking fund, a separate register shall be maintained in KMF NO 72. Payments shall be made into the sinking fund, as per the terms of the loan or as decided by the Municipal Council, and the balance shall be invested in public securities. Sinking fund balance shall be maintained in a separate bank account.

120. Appropriation of loans, endowments and other funds.-

(1) Loans, endowments and other funds for specific purpose shall be kept in separate bank accounts. Without the previous sanction of Government, no portion of such funds shall be appropriated even temporarily, for any purpose other than that for which they have been raised.

(2) The Municipality having an earmarked fund for a specific purpose shall maintain a Register of Earmarked Funds in KMF

NO 73, to ensure that the fund is utilised for the purpose for which it is created.

(3) On utilisation for capital expenditure, an amount equivalent to the amount of expenditure incurred shall be transferred from Earmarked Fund to Earmarked Fund (Utilised) account.

CHAPTER 20

PERIOD END AND RECONCILIATION PROCEDURES

121. Bank Reconciliation Statement - The bank books shall be closed daily. The entries in the book shall be compared, item-wise, with the entries in the treasury or bank statement. The closing balance, according to the bank books shall be reconciled with the closing balance of the treasury or bank statement on monthly basis.

122. Period end procedures. - (1) The period end procedure prescribed in this rule shall be carried out by the Municipal Commissioner or Chief Officer or an Officer authorized by him in this behalf.

(2) The following procedures shall be carried out daily:

- i Closing of Cash Book and Bank Book;
- ii Physical verification of cash balance with the Chitta and Cash Book
- iii Checking ledger accounts with the books of original entries, i.e., Cash Book, Bank Book and Journal Book;

(3) The following procedures shall be carried out at the end of every month:

- (i) Recording of expenditures incurred against permanent advance;
- (ii) Payment of pension contribution and leave salary contribution in respect of employees on deputation;
- (iii) Compilation of details of stock used during the month, for recording the consumption of stores;
- (iv) Recording transfer entry pertaining to Welfare Funds
- (v) Closing of ledger accounts.
- (vi) Payment of Government dues (cesses, tax deducted at source, royalty and loan etc with reference to the concerned registers).
- (vii) Reconciliation of Classified Register of Receipts and Payments with total receipts and payments as per Monthly Receipts and Payments Account.
- (viii) Reconciliation of sub-ledgers or registers with the corresponding account in the General Ledger.
- (ix) Reconciliation of utilisation of Earmarked Funds and Earmarked Fund (Utilised) account;
- (x) Reconciliation of transfer of specific grants used for revenue expenditure to income with expenditure incurred.
- (xi) Reconciliation of utilisation of specific grants for capital expenditure with transfers to deferred income.

(4) The following procedures shall be carried out at the end of every half year:

- (i) Reconciliation of deposits, advances, receivables and incomes with subsidiary records and registers;
- (ii) Accrual of interest on borrowings;
- (iii) Recording of provision for bills remaining unpaid;
- (iv) Accrual of interest on advances and investments;
- (v) Reconciliation of Capital Work in Progress account with records and registers;
- (vi) Provision of depreciation for half year;
- (vii) Transfer from deferred income to income in proportion to depreciation of assets constructed or acquired out of specific grants or contributions.

(5) The following procedures shall be carried out at the end of every financial year:

- (i) Physical verification and reconciliation of stores;
- (ii) Physical verification of fixed assets;
- (iii) Confirmation of all categories of advances;
- (iv) Confirmation from Government and Government agencies on outstanding loans;
- (v) Provision for depreciation on various types of assets in accordance with the policies in this regard;

(vi) Provision for amounts receivable, in accordance with the provisioning norms in this regard;

(vii) Annual closing of revenue accounts in ledger, by transfer to Income & Expenditure Account.

**PART C – FINANCIAL STATEMENTS, ANNUAL
REPORTS AND AUDIT**

CHAPTER 21

FINANCIAL STATEMENTS

123. Monthly Receipts and Payments Account. - The Municipal Commissioner or Chief Officer as the case may be, shall cause to, prepare a Monthly Receipts and Payments Account in KMF NO. 74 not later than 20th day of the subsequent month.

124. Monthly Trial Balance and DCB Statement - (1) A monthly Trial balance in KMF NO 75 shall be prepared for each fund separately by the Accountant by extracting all ledger balances under various Account Codes and certified by the Municipal Commissioner or the Chief Officer.

(2) A “Consolidated DCB statement in KMF No. 76 shall be prepared by the Accountant, by consolidating the DCB statements received from various departments or sections and after reconciling with the ledger balances.

(3) The Monthly Receipts and Payments Account, trial balance and, consolidated DCB Statement shall be sent to the Controller, Assistant Controller of the Local Audit Circle concerned and the Deputy Commissioner by the 30th of the succeeding month.

125. Annual Financial Statements - (1) The Municipal Commissioner or Chief Officer as the case may be, shall cause

to be prepared financial statements for each year, within two months from the end of the year,

(2) The Financial Statements shall comprise of,-

- (a) Receipts and Payments Account for the year (KMF NO. 74)
- (b) Balance Sheet as on 31st March of the year (KMF NO 77)
- (c) Income & Expenditure Account for the year (KMF NO. 78)
- (d) Significant accounting policies followed in presentation of the financial statements
- (e) Notes to Accounts which shall disclose Contingent Liabilities, and such other information as may be useful in understanding the financial statements clearly.

(3) Comparative amounts shall be entered on the financial statements for the preceding financial year except, in the case of the first year to which these rules apply.

(4) The Municipal Commissioner or Chief Officer as the case may be, shall, after preparing the Financial Statements, submit them to the financial statements auditor, within two months from the end of the financial year.

(5) The financial statement audit shall be completed within four months from the end of the financial year. The audited Financial Statements shall be placed before the Council for adoption.

(6) The Council shall adopt the audited Financial Statements within five months from the end of the financial year.

CHAPTER 22

ANNUAL PERFORMANCE REPORT

126. Annual Performance Report. - The Annual Performance Report of the Municipality shall consist of the following:-

- (i) City Management Report, prepared in accordance with rule 127 below.
- (ii) Auditor's Report on the Financial Statements, in accordance with rule 130 below.
- (iii) Audited Financial Statements approved in accordance with rule 125(6) above.
- (iv) Cost and Performance Indicators, prepared by the Municipal Commissioner or the Chief Officer as the case may be, in the manner prescribed in Schedule VIII.
- (v) Budget Variance Statement which shall give the variance between the sanctioned budget for each budget head and the actual receipts and payments for the year. , and explaining the reason for variance that are more than 15% of the original budget.

127. City Management Report. - (1) A city management report shall be prepared by the Municipal Commissioner or Chief Officer as the case may be, and presented to the council along with the Financial Statements.

(2) The City Management Report shall provide a discussion and analysis of the financial performance and position of the Municipality during the financial year. In respect of any adverse performance, the report shall explain the reason there of, and the steps taken to improve performance in that area.

(3) The report shall also discuss the future plans of the Municipality and the projects currently in progress. It shall also give explanations for any adverse comments and qualifications mentioned in the Financial Statement Auditor's report, stating the facts of the matter and the steps taken in respect of those comments or qualifications.

128. Publicising Annual Performance Report - The Municipal Commissioner or Chief Officer as the case may be, shall, not later than six months after the end of the financial year, or such other date as the State Government in special circumstances may allow -

- (i) Publish the Annual Performance Report;
- (ii) Publish a detailed version of the Annual Performance Report on the website of the Municipality if the website has been hosted;
- (iii) Send an abridged version of Income and Expenditure Account, Balance Sheet and Budget Variance Statement to the District Information and Publicity officer for being published in two news papers having highest circulation in the district
- (iv) Publish a notice in 2 news papers, advising of the publication of the Annual Performance Report and that copies of the report are available at the office of the Municipality;

- (v) Send a copy of the Annual Performance Report to the Director of Municipal Administration, the Deputy Commissioner, the Controller, and the Assistant Controller of the Local Audit Circle.

CHAPTER 23

FINANCIAL STATEMENTS AUDIT

129. Financial Statements Audit. - (1) The financial statements prepared under these rules shall be audited by a Financial Statements Auditor who shall be a Chartered Accountant holding certificate of practice under the Chartered Accountants Act, 1949 or a firm of Chartered Accountants

(2) The Financial Statements Auditor shall be appointed by the Director of Municipal Administration in consultation with the Controller from the Panel of Auditors jointly maintained by the Director of Municipal Administration and the Controller. The Financial Statements Auditor shall be subjected to regular rotation as determined by the Director of Municipal Administration in consultation with the Controller.

(3) The remuneration of the Financial Statements Auditor shall be fixed by the Director of Municipal Administration in consultation with the Controller, and shall be paid by the Municipality from its Municipal Fund. Such an auditor shall have the same powers as the auditor appointed under section 290 of the Act and shall have access to all books of account and records of the Municipality.

130. Audit Report.- (1) Subject to the provisions of the Act and these rules, the auditor shall perform the audit in such manner as he thinks fit, having regard to the character and effectiveness

of internal controls and recognised professional standards and practices.

(2) The auditor shall prepare an audit report. The audit report shall mention,-

- (i) whether he has obtained all the information and explanation which, to the best of his knowledge and belief, were necessary for the purposes of his audit;
- (ii) whether, in his opinion, proper books of account as required by the Act and Rules have been kept by the Municipality so far as it appears from his examination of those books;
- (iii) whether the Balance Sheet of the Municipality, Income and Expenditure Account and Receipts and Payments Account dealt with by the report are in agreement with the books of account;
- (iv) whether the Financial Statements give a true and fair view;
 - a in case of the Balance Sheet, of the state of affairs of the Municipality as at the last day of the financial year; and
 - b In case of Income and Expenditure Account, of the surplus or deficit of the Municipality for the year ended on that date.

(3) Where any of the matters referred to above are answered adversely or with a qualification, the auditor's report shall state the reason for the same and with the further explanation of the

Municipal Commissioner or the Chief Officer as the case may be and the financial impact of such qualification.

(4) The auditor shall report on additional matters as mentioned in Schedule IX to these rules. The audit report along with annexure shall be submitted by the Auditor to the Municipal Council with copies to the Deputy Commissioner, the Director of Municipal Administration and the Assistant Controller of the Local Audit Circle, immediately on completion of audit.

PART D – BUDGET

CHAPTER 24

BUDGET

131. Preparation of Budget - The Municipal Commissioner or Chief Officer as the case may be, shall prepare an annual Budget in accordance with the Act, and in the manner and form specified in these rules. It shall be prepared on cash basis.

132. Presentation of Budget—(1) An annual estimate of the anticipated receipts and payments of the Municipality during the next financial year, shall be prepared in Budget Summary Statement in KMF NO 79 by the Municipal Commissioner or Chief Officer as the case may be, and laid before the Municipal Council at its general meeting to be held before 15th January of the year.

(2) The Budget Summary Statement shall be accompanied by subsidiary statements detailed below:—

- a. Estimate of Revenue Receipts in KMF NO 80.
- b. Estimate of Revenue Payments in KMF NO 81.
- c. Estimate of Capital Receipts in KMF NO 82.

- d. Estimate of Capital Payments in KMF NO 83.
- e. Estimate of Extraordinary Receipts in KMF No 84; and
- f. Estimate of Extraordinary Payments in KMF NO 85.

(3) Budget codes: Budget shall be prepared using budget codes which shall be a combination of the Function code and the Account code as illustrated in the forms above.

133. Manner of preparing Budget Estimate — (1) In addition to the requirements specified in Section 287(3) of the Act, the Municipality shall prepare the Budget Estimate in the following manner, namely —

- (i) The Budget Estimate shall be, for what is expected to be received or paid during the year and not for demands or liabilities likely to fall due within the year;
- (ii) All existing liabilities which are expected to be paid during the year for which the Budget is being prepared, shall be ascertained and provided for;
- (iii) Gross receipts and gross payments shall be entered for each account head in the Budget;
- (iv) The figures mentioned in the Budget shall be based on detailed working sheets showing the basis of arriving at various figures in the Budget Statements.
- (v) The principal explanations required shall be in connection with the differences between the estimates proposed for the ensuing year and the current year. The explanation shall be short and consistent with the subject-matter;

- (vi) If there are any abnormal receipts or payments that are likely to be very different from the average trends, they must be explained fully in explanatory notes to the Budget.
 - (vii) In preparing the Budget Estimate, the Municipality shall see that its normal expenditure is well within its normal receipts and shall show separately all special items of receipts and expenditure. Any increase of expenditure shall be carefully considered with reference to resources, to avoid excess over normal resources;
- (2) Every Municipality shall have two rounds of public consultation when preparing the Budget. First should be in the month of November and the next in December. The Public consultations shall be in a structured manner inviting representatives from Registered Resident Welfare Associations, Registered NGOs, Trades and Industry Associations and such other Associations and prominent citizens that the Municipal Council may like to invite. The meeting of Public Consultation shall be chaired by the President of the Municipality or in his absence by Vice President or in their absence by the Municipal Commissioner or the Chief Officer.
- (3) In the first round the Annual Performance Report of the previous financial year shall be explained and discussed. The budget performance of the current year and the approach to the next year's Budget shall be explained and discussed. The capital expenditure budget proposed along with the action plans showing the current status of capital works and new works suggested should also be discussed. Major repair and maintenance budget shall also be placed for discussion. Suggestions should be invited in the public consultation about

the additional revenue measures that could be considered. The suggestions received in the public consultation shall be recorded and placed before the Municipal Council for discussion along with the note of the Municipal Commissioner or the Chief Officer as the case may be, about the financial and administrative feasibility of the suggestions.

(4) In the second round of public consultation, the draft of the Budget likely to be placed before the Council shall be placed for discussion and suggestions. The details of the capital works most likely to be taken up in the next year shall be specially placed for discussion. The suggestions received during the public consultation shall be recorded and placed before the Council along with the note of the Municipal Commissioner or the Chief Officer about financial and administrative feasibility for decision.

(5) The final form of the Budget shall then be placed before the Council before the 15th of January as prescribed in the sub rule (1) of Rule 132 above. Once the Budget has been passed by the Council, it shall be immediately published under the seal of the Municipal Council signed both by the President and the Municipal Commissioner or the Chief Officer as the case may be, hosted on the Municipality's website and copies forwarded to the Director of Municipal Administration, the Deputy Commissioner, the Controller and the Assistant Controller of the local audit circle.

(6) An abridged version of the Budget approved by the council shall be sent to the District Publicity and Information Officer for being published in 2 local leading newspapers of the district.

(7) A notice shall also be published in two local newspapers having maximum circulation in the district announcing the

sanction of the budget and that detailed copies may be obtained from the office of the Municipality on payment of necessary fees or may be downloaded from the website of the Municipality.

134. Commitment for Expenditure – (1) No expenditure shall be committed by issue of sanction order or work order unless sufficient budget provision is available for such expenditure.

135 Additional Budget or Re-appropriation of Budget (1) For incurring additional expenditure not provided in the sanctioned budget, the Municipal Commissioner or Chief Officer as the case may be, shall seek Additional Budget and Re-appropriation from the Municipal Council and only after sufficient budget provision has been made, he shall issue the sanction order or work order. Any proposal under section 288 of the Act for Additional Budget or Re-Appropriation of budget shall be submitted in KMF NO 86, for approval by the Municipal Council.

(2) The Municipal Council shall not give the sanction for additional budget unless there is sufficient savings shown under other budget heads or unless additional revenue measures are shown to cover the additional budget sought.

(3) Additional budget sanctioned as per sub rule (1) or (2) above along with probable revision in the estimates of receipts and payments shall be placed before the Municipal Council for consideration of revised Budget by the end of November of the current financial year for readjusting the Budget to reflect the most likely scenario of receipts and payments. Such revised estimate shall also be included in the budget estimate to be placed before the council as per sub rule (1) of Rule 132.

PART E – MISCELLANEOUS**Chapter 25****COMPUTERISED ACCOUNTING AND BUDGETING**

136. Computerised Accounting. – (1) The accounting records required to be maintained under these rules, may be kept in a computer based system. Where the records are so kept, it shall be the responsibility of the Municipal Commissioner or Chief Officer or the Director of Municipal Administration either by themselves or through any organisation approved by Government to ensure that appropriate controls and procedures are exercised for the integrity and security of the data files and programs and storage of back up of this data and its retrieval.

(2) When accounting is done on a computerised platform, the Director of Municipal Administration may modify the information requirements of KMF forms with regard to such fields, rows, columns or contents that are already available in the database or that are designed to be captured in other computerisation modules and, therefore, can be extracted easily for reporting.

(3) When the Director of Municipal Administration is satisfied that the computerised system has stabilised and sufficient security and backup systems have been put in place, he may request the Government to direct for dispensing with manual maintenance of such forms and registers that he deems fit for such municipalities that have these systems in place. On receipt of such a request the Government may direct such municipalities to dispense with the manual maintenance of such forms and registers and direct that they be maintained in a computerised system only.

Chapter 26

PREPARATION OF OPENING BALANCE SHEET

137. Preparation of Opening Balance Sheet — (1) In the first year, under these rules, the Municipality shall determine the opening balances of the assets and liabilities at the beginning of the period and this statement shall be called the Opening Balance Sheet.

(2) The Opening Balance Sheet shall be prepared separately for each fund.

(3) In order to determine the balances, the Municipality shall prepare an inventory of all its assets and liabilities and value them based on their original cost, appropriately depreciated in the case of fixed assets, to arrive at the current book value.

(4) In case the Municipality is unable to determine the actual cost of a fixed asset with reasonable accuracy, it shall use the current standard cost rates prescribed by the Government, deflate it to the year of purchase and then depreciate them, to arrive at the current book value of the asset.

138. Adoption of Opening Balance Sheet — When the Opening Balance Sheet is prepared by the Municipality, it shall be laid before the Municipal Council for adoption by it.

139. Opening Balance Sheet Adjustments — (1) If, after the Opening Balance Sheet is prepared, any error or omission is noticed, such error or omission shall be incorporated in the opening balance sheet figure, by routing it through an 'Opening Balance Sheet Adjustment' account.

(2) Such adjustments in the Opening Balance Sheet may be carried out up to two years after the preparation of the opening

balance sheet. Any such adjustment shall be placed before the Municipal Council for approval before it is included in the accounts.

CHAPTER 27 MISCELLANEOUS PROVISIONS

140. Stock Book of Forms — (1) The Forms and Receipt Books prescribed under the Act or the rules or bye-laws, shall be supplied by the Director of Printing, Stationery and Publications, Government Press upon requisition from the Municipal Commissioner or Chief Officer as the case may be. A Stock Book in KMF NO 87 shall be maintained for all forms. The Municipal Commissioner or Chief Officer as the case may be, shall be responsible for the correct maintenance of the Stock Book. The balance of Forms on hand shall be verified annually by the Officer appointed by the Municipal Council to check the Municipal stock who should record a certificate of correctness or otherwise over his dated signature.

Provided that in case the Director of Printing, Stationery and Publications, Government press is not able to supply the requisitioned forms, Receipt Books etc., he shall inform the Municipal Commissioner or Chief Officer as the case may be, in writing, his inability. The Municipal Commissioner or Chief Officer as the case may be, shall then get these printed forms in any other private press duly following the procedure prescribed in the Karnataka Transparency in Public Procurement Act, 2000.

(2) The Municipal Commissioner or Chief Officer as the case may be, shall obtain one Cheque book each for the accounts operated at a time from the Treasury or Bank.

(3) The Municipal Commissioner or Chief Officer as the case may be, shall forward to the Director of Printing, Stationery and Publications by about the middle of November of each year with an indent for the number of books required during the succeeding official year. A reserve stock of books which will last for at least a year shall as far as possible, however, be maintained by the Municipality.

141. Receipt Books — Receipt Books shall, on receipt immediately in the Municipal Office; be counted, numbered and entered in the Stock Book of Forms. Each Receipt Book shall be serially numbered and paged and a certificate of the number of pages each book contains shall be furnished in each book and signed by the Municipal Commissioner or Chief Officer or the Officer duly authorised by the Municipal Commissioner or Chief Officer in this behalf. The issue of Receipt Books shall be in order of their numbers and the signature of the receiver obtained in the stock register. No fresh book shall be issued before the previous one is completely exhausted and returned to the Municipal Office. Each page of every copy of all kinds of Receipt Books, tickets, etc., shall be impressed with the common seal of the Municipality before issue from the stock of books of the Municipal Office.

142. Lapse of Sanction — (1) A sanction for any fresh charge which has not been acted upon for a year shall be held to have lapsed unless it is specifically renewed by the authority which originally sanctioned the charge.

(2) When in the order sanctioning a temporary establishment the period for which it should be retained is not specified, sanction to it shall be considered to terminate at the end of the official year in which it is accorded.

143. Facsimile stamp and Common Seal of the Municipality— The facsimile stamp shall be kept in the personal custody of the Officer whose signature it represents and shall never be used except in his presence and actually within his sight. The common seal of the Municipality shall be kept in the personal custody of the Municipal Commissioner or Chief Officer as the case may be, and shall be only used in his presence.

144. Guidelines, Clarifications and Instructions: The Government or the Director of Municipal Administration may issue, from time to time, such guidelines, clarifications, or instructions as it may find necessary, in order to ensure that these rules are followed properly.

145. Accounting Manual: The Government may prescribe an Accounting Manual further clarifying the accounting concepts and treatments for proper implementation of these rules.

146. Audit Manual: The Government may prescribe an Audit Manual detailing the audit contents, audit procedures and reporting requirements, for appropriate audit by the Statutory Auditor.

147. Provisioning for Unrecovered Loans and Advances: (1) Provision for Unrecovered Loans and Advances given by the Municipality shall be made at the end of the year in accordance with the following norms:

- (i) 50% of the amount outstanding for more than 2 years, but not exceeding 3 years;
- (ii) 100% of the amount outstanding for more than 3 years.

(2) Such a provision shall be made on an overall basis in the books of account and shall not be treated as waiver or write-off

of the amounts due. Action shall be continued to be taken to collect the outstanding amounts by legal means provided under the Act.

148. Maintenance of Record for Fixed Deposits: In respect of fixed deposits in banks, the Accountant shall maintain a record, to keep track of the date of the deposits and interest received thereon, and shall ensure that, the deposits are en-cashed in favour of the Municipality or renewed on maturity, and also that appropriate amount of interest is received on all such deposits.