

ACCOUNTING FOR GOVERNMENT AND LOCAL BODIES

UNIT-4

ACCOUNTING FOR URBAN LOCAL GOVERNMENTS

ORIGIN OF MUNICIPALITIES:

- Municipal bodies have a long history in India
- The first such Municipal Corporation was set-up in the former Presidency Town of Madras in 1688
- And followed similar corporations in - Bombay and Calcutta in 1726
- To strengthen urban local bodies Parliament enacted the Constitution (74th Amendment) Act, 1992 relating to municipalities in 1992.
- The Act received the assent of the President on 20 April 1993. The Government of India notified 1 June 1993 as the date from which the said Act came into force
- KARNATAKA MUNICIPALITIES ACT, 1964.
- A new part IX-A relating to the Municipalities has been incorporated in the Constitution to provide for among other things, constitution of three types of Municipalities
- **Nagar Panchayats**- for areas in transition from a rural area to urban area,
- **Municipal Councils**- for smaller urban areas
- **Municipal Corporation**- for large urban areas

PROVISIONS OF URBAN LOCAL BODIES UNDER 74TH CONSTITUTIONAL AMENDMENT ACT

1. **Article 243Q** mentions about the Constitution of Municipalities i.e. Nagar Panchayat, Municipal Council and Municipal Corporation.
2. **Article 243R** mentions the Composition of Municipalities; it states that all of its members are directly elected by the people of the Municipal area which is divided into territorial constituencies

known as wards.

3. **Article 243S** mentions about constitution and composition of ward committees. Consisting of wards and member of wards who represent that ward in Municipality.
4. **Article 243T** deals with the reservation of the seats in every Municipality.
5. **Article 243W** deals with the **powers, authorities and responsibilities of municipalities** that includes urban planning, financial and social development, and so on.
6. **Article 243X** states that the constitution has left it open to the Legislature of a State to specify by law matters relating to imposition of taxes.
7. **Article 243ZE** says that there will be a Metropolitan Planning Committee in every Metropolitan region to set up a draft improvement plan for the Metropolitan region overall.

3 TIERS OF URBAN LOCAL BODIES



1. **Municipal Corporation (Nagar Nigam):** A municipal corporation, City Corporation, Mahanagar Nagar Nigam or Nagara Sabha is a local government in India that administers urban areas with a population of more than one million. The growing population and urbanization in various cities of India were in need of a local governing body that can work for providing necessary community services like health care, educational institution, housing, transport, etc. by collecting property tax and fixed grant from the State Government
2. **Municipality (Nagar Palika):** In India, a Nagar Palika or Municipality or Nagar Nigam is an urban local body that administers a city of population 100,000 or more. An urban local body that administers with more than 15,000 and less than 25,000 inhabitants is classified as a "Nagar

Panchayat" or "Nagar Parishad".

3. **Town area:** A town is a place with many streets and buildings, where people live and work. Towns are larger than villages and smaller than cities. Many places that are called towns in Britain would be called cities in the United States. Parking can be tricky in the town center.
4. **Notified area committee:** A notified area committee is established to take care of administration of an area which is either a fast developing town from industrialization or a town not yet developed to fulfill all the conditions to create a municipality but is considered as important by the state government.

ENUMERATION OF MUNICIPAL AUTHORITIES

- **Council**
- **A Commissioner**
- **A Chairperson**
- **A Ward Committee**

THE STANDING COMMITTEES:

- Standing Committee handle the different
- departments like:
- Health
- Finance
- Taxation etc.

POWERS AND FUNCTIONS OF THE STANDING COMMITTEE

1. The Standing Committee for taxation, finance and appeals shall deal with all matters relating to finance, taxation and appeal and all matters not specifically assigned to any other Standing Committee.
2. The standing committee for public health, Solid waste and disaster management shall deal with all matters relating to public health, waste and disaster management.

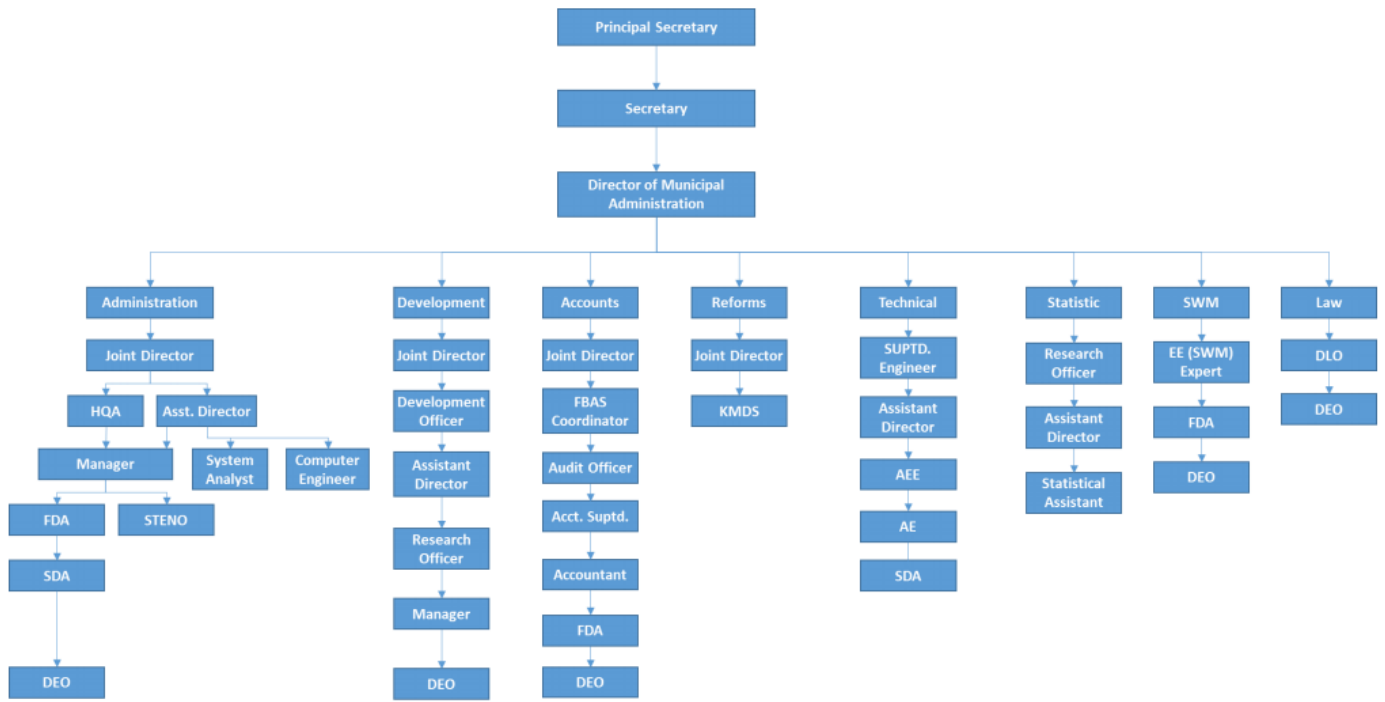
3. The Standing Committee on infrastructure shall deal with all matters relating to infrastructure.
4. The Standing Committee for appeals shall hear all appeals required under the Act.
5. The Standing Committee for establishment and administrative reforms shall deal with all matters relating to establishment and administrative reforms.
6. The Standing Committee for Audit and Accounts shall deal with all matters relating to accounts and audit.
7. The Standing Committee for Education shall deal with all matters relating to pre-primary, primary, secondary and higher secondary education including physical education and sports and play grounds.
8. The Standing Committee for Social Justice shall deal with all matters relating to securing the social justice to persons belonging to the Scheduled Castes and Scheduled Tribes and other weaker sections of the society and women.
9. The Standing Committee for markets shall deal with all matters relating to the markets.
10. The Standing Committee for Horticulture shall deal with all matters relating to the Parks.

Urbanization in Karnataka

- Karnataka is the seventh largest state in India with 38.67% of urban population as of 2011
- on 31st December 2008 the Government of Karnataka constituted a Committee to discuss the various issues relating to urban governance, and prepare an Urban Development policy for the State,
- The Committee was tasked with charting a new course for urban areas in Karnataka,

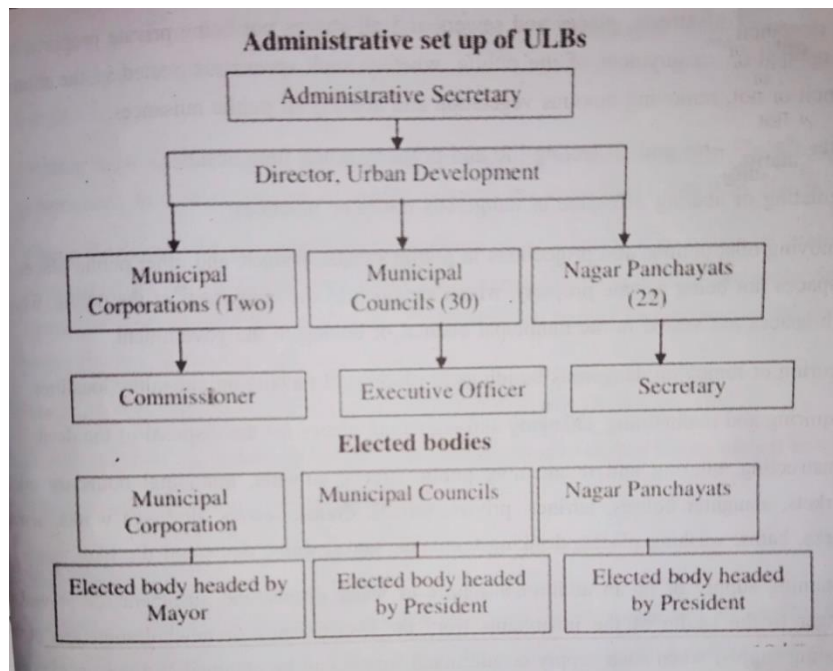
THE DIRECTORATE OF MUNICIPAL ADMINISTRATION (DMA) ORGANIZATION CHART

Directorate of Municipal Administration (DMA) Organization Chart



ORGANISATIONAL STRUCTURE OF URBAN LOCAL BODIES

There are two corporations, 30 municipal councils and 22 nagar panchayats in the state. The overall control of the ULBs rests with the Additional chief secretary (Department of Urban Development) to the Government of Himachal Pradesh through director, urban development. The organization set up is as under:



Functions of Municipal Corporation

1. Obligatory (compulsory)
2. Discretionary (Optional)

Obligatory (compulsory)

1. Public Health & Sanitation
2. Electricity & Water Supply
3. Education & Sports
4. Public Works/infrastructure (Development of road, slum etc.)
5. Record of Births & Deaths
6. Miscellaneous functions (fire services, burial grounds etc.)

Discretionary (Optional)

1. Transport Facilities
2. Cultural Activities library. Drama, museum, music etc.)
3. Urban Forestry
4. Sports & Recreation
5. Welfare activities (family planning, removing poverty etc.)

Functions of Municipal Committee

1. Obligatory (compulsory)

2. Special Functions

1. Obligatory (compulsory)

1. Lighting public streets, places and buildings.
2. Watering public streets and places
3. Cleansing public streets, places and sewers and all spaces not being private property, which are open to the enjoyment of the public
4. Extinguishing fires and protecting life and property when fires occur
5. Regulating or abating offensive or dangerous trades or practices.
6. Removing obstructions and projections in public streets, bridges, and other public places, and in spaces not being private property
7. Securing or removing dangerous buildings or places and reclaiming unhealthy localities
8. Acquiring and maintaining, changing and regulating places for the disposal of the dead
9. Constructing, altering and maintaining public streets, culverts, municipal boundary marks, markets, slaughter houses, latrines, privies, urinals, drains, sewers, drainage works, sewage works, baths, washing places, drinking fountains, tanks, wells, dams and the like
10. Naming streets and numbering houses.
11. Registering births and deaths.
12. Providing vaccination.
13. Providing suitable accommodation for calves, cows, or buffaloes required within the municipal area for the supply of animal lymph (biological fluid metabolism)
14. Maintain vital statistics including registration of births and deaths.

15. Maintenance of up-to-date record of all buildings and sites within the municipal area.

16. Planting and maintaining of road-side trees.

2. Special Functions

(i) Providing special medical aid and accommodation for the sick in time of dangerous disease and taking such measures as may be required to prevent the outbreak or suppress and prevent the recurrence of the disease.

(ii) Giving relief to and establishing and maintaining relief works in times of famine or scarcity (extreme scarcity of food) for destitute persons (idle person found in a public place) within the limits of the municipal area.

APPOINTMENT OF CHIEF OFFICER

According to Karnataka Municipalities Act, 1964, every municipal council shall have a Chief Officer who shall be appointed by the Director of Municipal Administration from among the persons in the cadre of Chief Officers of the Karnataka Municipal Administrative Service. A Chief Officer shall be transferable from that office by a resolution of the municipal council at a general meeting, passed by a majority of not less than three-fourths of the total number of councillors. The municipal council may recommend disciplinary action being taken against a Chief Officer for abuse of powers, misconduct or neglect of duty. When a Chief Officer shall have been appointed, all other officers and servants employed by the municipal council shall, save such as are accepted by order of the Government from time to time, be subordinate to him.

DUTIES OF CHIEF OFFICER

1. Subject to the control of the municipal council, perform all the duties and exercise all the powers specifically imposed or conferred upon him by or delegated to him under this Act.

2. Subject to the orders of the municipal council, or of the standing committee of the municipal council, as the case may be, take prompt steps to remove any irregularity pointed out by the auditor.

3. Report to the president, the standing committee and the municipal council all cases of fraud, embezzlement, theft or loss of municipal money or property.
4. Supply any return, statement, estimate, statistics, account, or report or a copy of any document in his charge called for by the municipal council or the standing committee and shall comply with any orders passed by the municipal council or the standing committee thereon.
6. Subject to rules prescribed in this behalf exercise supervision and control over the acts and proceedings of all officers and servants of the municipal council in matters of executive administration and in matters concerning the accounts and records of the municipal council and to dispose of all questions relating to the officers and servants subordinate to the Chief Officer and their pay, privileges and allowances.

Appointment of Municipal Commissioner

According to Karnataka Municipalities Act, 1964, notwithstanding anything contained in section 327, the Government may appoint a Municipal Commissioner for any city municipal area.

On the appointment of a Municipal Commissioner, the appointment of Chief Officer, if any, shall forthwith terminate. The Government may, at the time, discontinue the appointment of a Municipal Commissioner for any municipal area for which such appointment has been made.

Salary of Municipal Commissioner: A municipal Commissioner shall receive such monthly salary payable wholly by the municipal council or partly by the municipal council and partly by the Government, as the Government may from time to time, determine with due regard to the resources of the municipal area.

Powers of Municipal Commissioner or Chief Officer to appoint, grant leave, punish and dismiss.

1. A Municipal Commissioner or Chief Officer shall have, independently of such powers as may be delegated to him by the municipal council in this behalf, power without the sanction of the municipal council:
 - a) To appoint, subject to the rules for the time being in force, a competent person to y post under the municipal council, the monthly salary of which does not exceed.

b) To grant, subject to the rules for the time being in force, leave, of absence to the holder of any post to which the Municipal Commissioner or Chief Officer has power to appoint and to appoint a competent person to act for such holder during such absence.

c) To fine, reduce, suspend or dismiss, or to impose any other punishment on the holder of any post to which the Municipal Commissioner or Chief Officer has power to appoint 2. When a Municipal Commissioner has been appointed under the provisions of this Act, all other officers and servants employed by the municipal council shall be subordinate to him.

MAYOR AND DEPUTY MAYOR

According to section 46 of BBMP Act, 2020, the members of the corporation shall in the first meeting of the Corporation elect one of its Members to be the Mayor and another member to be the Deputy Mayor of the Corporation in such manner as may be prescribed In an event of a vacancy in the office of either the Mayor or the Deputy Mayor, the Corporation shall within one month of such a vacancy fill up these vacancies.

Term of office of the Mayor and Deputy Mayor

The Mayor or the Deputy Mayor shall hold office for a period of thirty months from the date of his election and shall continue in office till his successor is elected.

Powers and functions of the Mayor

According to section 59 of BBMP Act, 2020:

1. The Mayor shall discharge all functions as has been assigned to him under this Act
2. When the office of the Mayor is vacant, the Deputy Mayor shall act as a Mayor and perform such functions as have been assigned to him until such time that a Mayor has been appointed
3. The Mayor shall preside over every meeting of the corporation.
4. Subject to the provisions of this Act, the Mayor shall have general powers of inspection and may give direction to the Chief Commissioner with regard to the implementation of any resolution of the corporation or a standing committee in the discharge of any obligatory and discretionary functions of the corporation, and the Chief Commissioner shall comply with such directions. The Mayor may call any record of the corporation from the Chief Commissioner and the records made available to him shall be returned by him within fifteen days from the date they are made available.
5. The Mayor may, by an order in writing delegate any of his functions to the Deputy Mayor
6. The Mayor shall not be eligible to be elected as chairman of any standing committee.

7. If the Mayor is, at the time of his election as Mayor, the chairman or an elected member of a standing committee, he shall cease to hold office as such chairman or member of such committee.

8. If any vacancy occurs in the office of the chairman of any standing committee, the Mayor shall convene a meeting of such committee for the election of another chairman.

Functions of the Deputy Mayor

According to section 60 of BBMP Act, 2020:

1. When the office of the Mayor is vacant, his functions shall devolve on the Deputy Mayor until a new mayor is elected.

2. If the Mayor is continuously absent from the city for more than eight days, or is incapacitated for more than eight days his functions shall devolve on the Deputy Mayor until the mayor returns to the city or recovers from his incapacity, as the case may be.

3. The Deputy Mayor shall have the power to direct the Chief Commissioner to get the Administration and Audit Reports prepared in time.

4. The Deputy Mayor shall discharge such functions of the Mayor as may be delegated to him by the Mayor.

Honoraria, fees or allowances

1. From out of the corporation funds such honoraria, fees or allowances as may be determined by the Government may be paid to Mayor, the Deputy Mayor and the Councilors.

2. The Corporation shall place at the disposal of the Mayor annually by way of sumptuary allowance such sum not exceeding the limit as may be prescribed: Provided that, the limit shall be as prescribed.

3. Notwithstanding anything contained in this Act the receipt by any person of honorarium, fee or allowance as Mayor, Deputy Mayor or Councilor as aforesaid shall not disqualify him for being elected as or for being a Councilor.

Appointment of Chief Commissioner

1. The Chief Commissioner shall be appointed by the Government in consultation with the Mayor and shall not be a member of the Corporation.

2. The Chief Commissioner shall be an officer not below the rank of the Principal Secretary Government.

3. The Chief Commissioner shall hold office for a period of two years subject to the pleasure of the Government and may be transferred by the Government, as may be required for effective administration of the Corporation.

4. The transfer of the Chief Commissioner, specified under sub section (3) shall take place only after due consultation of the Corporation and reasons shall be recorded for such transfer.

5. The Chief Commissioner may be transferred from office by the Government, upon the recommendation of the Corporation on the following grounds, namely:

- (i) Proved to be guilty of misconduct and neglect
- (ii) Incapacity to perform duties assigned to him.

POWERS RELATING TO APPLICATION OF MUNICIPAL FUND AND PROPERTY

Subject to the provisions of this Act and such rules as may be prescribed, the municipal fund and all property held by or vested in the municipal council under this Act, shall be applied for the purposes specified in sections 87, 88 and 91 and for all other purposes for which by or under this Act, or any other law for the time being in force, powers are conferred or are imposed upon the municipal council, and with the previous sanction of the Government, for any other purposes for which the application of such property or fund is in public interest.

Notwithstanding anything contained in sub-section:

1. Any officer duly authorised by it in this behalf incur expenditure beyond the said limits for
 - a) In the acquisition of land.
 - b) Construction maintenance repair or purchase of works for the purpose of obtaining supply of water required for the inhabitants of the municipal area.
 - c) Providing the supply of electric energy for the use of the inhabitants of the said municipal area.
 - d) Establishing slaughter houses or places for the disposal of night soil or sewage of carcasses of animals beyond the said limits.
 - e) For drainage works or for the purpose of providing mechanically propelled transport facilities for conveyance of the public.
 - f) For the purpose of setting up of dairies or farms for the supply, distribution and processing of milk or milk products for the benefit of the inhabitants of the municipal area
 - g) For any other purpose calculated to promote the health, safety or convenience of the inhabitants of the said municipal area
2. Make whether within or beyond the limits of the municipal area a contribution towards expenditure incurred by any other municipal council or Taluk Panchayat or a Grama Panchayat or cantonment authority or other public institution or person or body of persons for measures promoting the health, education or convenience of the public and calculated to benefit the residents within the limits of the contributing municipal council.

3. Create scholarships tenable outside the limits of the municipal area.

4. Nothing in this section, or in any other provision of this Act, shall be deemed to make it unlawful for a municipal council:

(i) When with the sanction of the Government it has constructed works beyond the limits of the said municipal area for the supply of water or electrical energy or for drainage as aforesaid.

(ii) When any expenditure, beyond the municipal limits with regard to payment for the construction, maintenance, repair or alteration of any connection pipes or any electric supply lines or other works necessary for the purpose of such supply or for the extension of such advantages

POWER TO DEPOSIT AND INVEST SURPLUS FUND

It shall be lawful for the municipal council to deposit at interest with the Government savings bank, or with the sanction of the Government in any scheduled bank or a central co-operative bank in the State, approved by the Government any surplus funds in its hand which not be required for current charges, and, with the like sanction to invest such funds in public securities in the name of the municipal council, and from time to time dispose of such securities as may be necessary.

All surplus funds over and above what may be required for current expenses shall, unless deposited or invested as provided for in sub-section (1) be deposited in the local Government treasury or such other place or invested in such security as may be sanctioned by the Government.

POWER OF MUNICIPAL COUNCILS TO BORROW MONEY

A municipal council may, in pursuance of a resolution passed at a special general meeting and with the previous sanction of the Government and subject to such conditions as may be prescribed by the Government as to security, the rate of interest and the repayment of principal and interest, borrow either from the Government or from any bank, corporation or person, any sum of money required for constructing any work of a permanent nature which it is required or empowered to undertake under the provisions of this Act, or for acquisition of land.

POWER TO IMPOSE AND COLLECT TAXES, PENALTY AND FEES

Taxes which may be imposed by Municipal Council subject to the general or special orders of the Government, a municipal council at rates specified in the Karnataka State municipalities act, 1964

Tax, Fine, Fees

1. A tax on buildings or vacant lands or both situated within the municipal area referred to as propertytax.
2. A Duty on transfers of immovable property in the shape of an additional stamp duty. The duty on

transfers of immovable property shall be levied in the form of a surcharge at the rate of two percent of the duty imposed by the **Karnataka Stamp Act, 1957, on instruments of sale, gift, mortgage, exchange and lease in perpetuity, of immovable property situated within the limits of a smaller urban area.**

3. 3. A tax on advertisements (other than advertisements published in newspapers) erected, exhibited, fixed or retained upon or over **any land, building, wall, hoarding, frame, post or structure or upon or in any vehicle or displayed to public view in any manner whatsoever visible from a public street or public place including any advertisement exhibited by means of cinematograph.**
4. Levy of Penalty on Unlawful Building ,Whoever unlawfully constructs or reconstructs any building or part of a building
 - (i) On his land without obtaining permission under this Act, without approval under the relevant law relating town and country planning.
 - (j) Shall be liable to pay every year **a penalty, which shall be equal to twice the property tax** levied on such building so long as **it remains as unlawful construction**
5. Levy of Entertainment Tax
 - (k) Entertainment tax shall be levied and collected by the Corporation over any ticket based entertainment, non-ticket based entertainment and televised entertainment, in accordance with the Act
6. Fees in respect of Jatra, Urus A municipal council may, if in its opinion it is necessary to make special arrangements for the health and comfort of persons **over twelve years of age**
7. When permission is given by it for making any temporary erection or for putting up any projection.
8. For the temporary occupation of any public street or other land vested in the municipal council
9. The municipal council may charge a higher fee by way of penalty for any erection, or projection, without permission or license.

SPECIAL PROVISIONS RELATING TO TAXES

Fixed charges and agreements for payment in lieu of taxes;

1. A municipal council may, instead of imposing water-rate or where a water-rate has been imposed, in individual cases, instead of levying a rate imposed in respect of the supply of water belonging to the municipal council to or for use in connection with, any private vacant lands or buildings.
2. Where a municipal council has made provision for the cleansing of any factory, hotel, club or any group of buildings or vacant lands, used for any one purpose and under one management it may, instead of levying in respect thereof any special sanitary cess imposed under this Chapter, fix a special rate and the dates and other conditions for periodical payments thereof, such rate, dates and conditions.
3. Where a municipal council has imposed a tax on vehicles or animals used for riding, draught or burden and kept for such use within the municipal area it may be compounded with the keeper of any livery-stable or of horses or vehicles kept for sale and hire for the payment of a lump-sum for any period not exceeding one year at a time, in lieu of any amount which such keeper would otherwise have been liable to pay on account of the tax imposed as aforesaid.
4. The municipal council may compound for a period not exceeding one year at a time, with any person for a sum to be fixed in accordance with a scale approved by the municipal council and to be paid monthly, quarterly, or half yearly, in advance in lieu of all tolls payable in respect of any vehicle belonging to such person and issue a pass for the free admittance of the vehicle or animal, within the limits of the, provided that the sum charged shall not be less than one-half of the amount which such person would have been liable to pay if the vehicle had to pay toll once every day during the period for which the pass is issued.
5. Every sum claimed by a municipal council due under sub-section (1) as charges, payments or expenses, or as a special rate under sub-section (2) or as lumpsum under sub-section (7) shall for the purposes of Chapter VII be deemed to be, and shall be recoverable in the same manner as, an amount claimed on account of a tax recoverable.

EXPENDITURE RULE

Prohibition of expenditure not budgeted for.

According to Section 286 Karnataka Municipalities Act, 1964, except as hereinafter provided, no payment of any sum shall be made out of the municipal fund unless the expenditure of the same is covered by a budget grant

Following items shall be exempted from this prohibition

1. Refunds of taxes and other moneys which the municipal council is authorized by this Act or the rules made there under to make.
2. Repayments of moneys belonging to the contractors or other persons held in deposit and of moneys collected or credited to the municipal fund by mistake
3. Sums which the municipal council is required or empowered by this Act, to pay by way of compensation.
4. Under a decree or order of a civil court passed against the municipal council.
5. Under a compromise of any suit or other legal proceeding or claim.

CONTRACT RULES

Power of the corporation to enter into contracts.

The corporation may enter into any contract and perform any obligation specified under the contract for the purposes of carrying out into effect provisions of this Act.

1. Every contract concerning the affairs of a particular zone shall be made on behalf of the corporation by the **Zonal Commissioners for amounts not exceeding five crores.**
2. Particular zone exceeding **the amount five crores and pertaining to such affairs, which overlaps two or more zones**, shall be made on behalf of the corporation by the **Chief Commissioner.**
3. Subject to delegation of power no contract shall be entered into by the **Zonal Commissioner without the prior approval of the zonal committee.**
4. Subject to delegation of power no contract shall be entered into by the **Chief Commissioner without the prior approval of the Mayor.**
5. No contract shall be entered by the corporation without following such procedure as may be prescribed and the provisions of the Karnataka Transparency in Public Procurements Act, 1999 (Karnataka Act 29 of 2000).
6. The corporation shall make **available a common seal, which shall be affixed on every contract**

entered into by the Chief Commissioner or the Zonal Commissioner on behalf of the corporation

- 7. No contract executed otherwise** than as provided under this section shall be **binding on the corporation.**

BORROWING RULES

Investment, Lending and Borrowing

1. No Government Servant shall speculate in any stock, share or other investment. Frequent purchase or sale or both, of shares, securities or other investments shall be deemed to be speculation within the meaning of this sub- rule
2. No Government Servant shall make or permit any member of his family or any person acting on his behalf to make, any investment which is likely to embarrass or influence him in the discharge of his official duties.
3. A municipal council may, in pursuance of a resolution passed at a special general meeting
4. With the previous sanction of the Government and subject to such conditions as may be prescribed by the Government as to security,
5. The rate of interest and the repayment of principal and interest, borrow either from the Government or from any bank, corporation or person,
6. Any sum of money required for constructing any work of a permanent nature which it is required or empowered to undertake under the provisions of this Act, or for acquisition of land.

ASSETS AND LIABILITIES OF ULB'S

All assets and liabilities of the Bruhat Bengaluru mahanagara palike constituted under the Lataka Municipal Corporations Act, 1976 (Karnataka of 14 of 1977 shall stand transferred to de Corporation constituted under this Act.

REGULATION OF DUTY ON TRANSFERS OF IMMOVABLE PROPERTY

1. The duty on transfers of immovable property shall be levied in the form of a surcharge at rate of two percent of the duty imposed by the **Karnataka Stamp Act, 1957**, on instruments of sale, gift, mortgage, exchange and lease, of immovable property situated within the limits of a smaller urban area.
2. Provided that no such duty is levied in respect of a mortgage where the amount secured by the mortgage does not exceed two thousand and five hundred rupees.
3. The Government may make rules for regulating the collection of the duty, the payment thereof to the municipal council and the deduction of any expenses incurred by the Government in the collection thereof.
4. 4...No duty shall be chargeable:
 - a) In respect of any instrument executed by or on behalf of or in-favor of the Government
 - b) In respect of any instrument exempt from stamp duty under the Karnataka Stamp Act, 1957.

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 - c) In respect of any instrument executed by or on behalf of or in-favor of the Government
 - d) In respect of any instrument exempt from stamp duty under the Karnataka Stamp Act, 1957.

MUNICIPAL CORPORATION BUDGET

1. **Every zonal committee shall submit a budget estimate to the Mayor** which shall comprise of the required budgetary support for the implementation of the existing schemes, list of capital expenses, required manpower and such other expenses for the purposes of effective implementation of this Act within a particular zone.
2. **No zonal committee shall submit a budget estimate to the mayor without consulting with the wardcommittees and considering its recommendations.**
3. The ward committees shall prior to making its recommendations to the zonal committees organize

such public consultations as necessary

4. The format and process for submission of zonal committee budgets estimate shall be as specified.

5. **The chief commissioner** shall prepare a budget estimate for the Corporation upon **considering the budget estimates from all the zonal committees.**

6. The budget estimate shall state the following:

a) The receipts and payments for the **previous financial** years and expected receipts and payments for the **upcoming financial year.**

b) Compliance to the medium term fiscal plan.

c) Rates at which various taxes, surcharges, cess and fees that shall be levied by the Corporation for the **immediately succeeding financial year.**

d) The amount of money to be raised as a loan amount of money allocated to each zonal committee and the basis for the utilization of such amounts

7. The budget estimate shall be prepared, presented and adopted in such form and in such manner and shall provide for such matters as may be prescribed

BUDGET ESTIMATES: According to the BBMP Act 2020. Budget estimates to be prepared by the standing committee for taxation, finance and appeals or as the case may be, standing committee for taxation and finance. 1. The standing committee for taxation and finance and appeal shall, on or as soon as may be, after the fifteenth day of January consider the estimates and proposals of the chief Commissioner and after having obtained proposals, if any, of other standing committees and such further detailed information, if any, as it shall think fit to require from the chief Commissioner and having regard to all the requirements of this Act, shall prepare there from, subject to such modifications and additions therein or thereto as it shall think fit, a budget estimate of the income and expenditure of the corporation for the next year.

2. In such budget estimate, the standing committee shall -

a) Provide for the payment, as they fall due of all installments of principal and interest for which the corporation may be liable on account of loans.

b) Provide for the payment as it falls due, of any amount towards contributions, fees or such other amounts as may be payable by the corporation to the Government.

c) Allow for a cash balance at the end of the year of not less than one lakh of rupees under General Account Revenue.

3. The Chief Commissioner shall cause the budget estimate as finally approved by standing committee, to be printed and shall, not later than the first day of February, forward a printed copy thereof to each councillor.

CORPORATION MAY PASS SUPPLEMENTAL BUDGET

- The Corporation may, on the recommendation of the standing committee for taxation, finance and appeal during the year pass a supplemental budget estimate for the purpose of meeting any special or unforeseen requirements, arising that year;
- So however that the estimated cash balance under General Account- Revenue at the close of the year shall not be reduced to less than one lakh of rupees:
- Provided that no item shall be included in the supplemental budget which had been disallowed by the Government while sanctioning the Budget. during finally approved

Schemes of ULB's in India

Government aims at building 100 Smart Cities across India with focus on planned urbanization and sustainable development as a support system for the neighboring cities

1. **Smart Cities Mission: Launched on June 25, 2015, the Smart Cities Mission** is a flagship scheme specific issues under **the Ministry of Housing and Urban Affairs**. This ambitious programme by the Indian health services, IT accessibility, digitisation, e-governance, sustainable development, safety and security.

- The mission involves as many as 3,183 projects worth Rs 1,45,245 crore. But so far, work has been finished only in projects worth Rs 4,960 crore

- **2. Pradhan Mantri Awas Yojana (PMAY) (Urban)** or Housing for All: The scheme was launched on June 25, 2015 for providing 20 million affordable homes for the urban poor including slum dwellers by March 2022
- **3. Swachh Bharat Mission- Urban (SBM-U):** Launched on October 2, 2014, The Swachh Bharat Mission is the government's nationwide flagship programme with the objective of universal sanitation coverage in urban areas with a budget allocation of Rs 41,765 crore for 2018-19.
- **4. Jawaharlal Nehru National Urban Renewal Mission (JNNRUM):** Launched in 2005, Jawaharlal Nehru National Urban Renewal Mission was a city-modernization scheme with an investment of over \$20 billion over seven years.
- **5. AMRUT (Atal Mission for Rejuvenation and Urban Transformation):** Launched in 2015, the focus of the AMRUT scheme was on infrastructure creation that has a direct link to provision of better services to the citizens. Closely connected to the Swachh Bharat Mission, the scheme includes provision of water supply facilities, sewerage networks
- **6. National Urban Sanitation Policy (NUSP):** The National Urban Sanitation Policy was formulated in 2008 which laid out the government's vision to provide hygienic and affordable sanitation facilities for the urban poor
- **7. National Urban Livelihoods Mission (NULM):** Launched on 24 September 2013 by the Ministry of Housing and Urban Poverty Alleviation (MHUPA), the scheme is a livelihood promotion programme to reduce poverty and vulnerability of the urban poor households by enabling them to access gainful self-employment and skilled wage employment opportunities thereby enhancing their livelihood
- **8. National Urban Transport Policy, 2006:** The National Urban Transport Policy involves incorporating urban transportation as an important parameter at the urban planning stage.

MAINTENANCE ACCOUNTS OF DIFFERENT SCHEMES OF LOCAL BODIES

Maintenance of Accounts and Restrictions on Expenditure

1. Accounts of the income and expenditure of the municipal fund shall be kept, and receipts accepted and payments from the municipal fund made in accordance with the rules prescribed in this behalf.
2. Expenditure from the municipal fund shall, save as otherwise expressly provided in this Act be incurred subject to the restrictions, conditions and limitations imposed in the rules prescribed in this behalf.
3. The municipal council shall, at the general meeting in April or after audit of the past official year's accounts, if such audit has not before that general meeting taken place, pass the accounts of the past official year.

Audit of Accounts: The municipal accounts shall from time to time and once in every year at the least, be audited by an auditor appointed by the Government and also by such other agency, if any, as may be prescribed in the rules of the municipal council. Provided that subject to any other law for the time being in force, audit of all city Municipal Councils, Town Municipal Councils and Town Panchayats in a year shall be subjected to technical guidance and supervision by the Comptroller and Auditor General of India through complementary audit and submission of Annual Technical and Inspection Report.

Fund Based Accounting System(FBAS)

Fund Based Accounting System is a concept that is new to Indian Governmental accounting system. Governments follow fund accounting in order to provide them with better information and hence possibility of better control.

Basis of Accounting

Almost all the Governmental units including municipal bodies currently follow cash basis of accounting. Also generally, there is no classification between "capital" and "revenue" and as and when cash "comes in" and "goes out, recording is made in accounting. The features are

- a. Revenue recorded when cash is received
- b. Expenditure recorded when cash is paid

1. Accrual system refers to the normal double:

- a. Clear classification of accounting period, capital/revenue classification is important. The Features are
- b. Revenue recorded when revenue is earned.
- c. Expenditure recorded when expense is incurred

2. Modified accrual system has features of both cash and accrual basis.

- a. Revenue recorded when measurable & available
- b. Expenditure recorded when expenditure is incurred

Fund Accounting Process & Elements

The fund accounting is oriented towards following specific objectives:

a.To get a comprehensive picture of what is happening in the municipal body:

As a distinctive departure from the common Government Financial statements, the FBAS statements, through the classification under fund columns, provide required objective information to the users;

b.To get a picture of what happened in the past:

FBAS gives the local body a clear picture of what had happened in the past by providing a Balance Sheet. Also the cumulative financial position is depicted;

c.To understand the performance under each of the objectives:

The Revenue & Expenditure statement shows the performance during the current period and the relative performance under various fund categories.

d.To plan for the future:

FBAS system is so designed that it gives a very clear picture of what has been achieved (actuals) vis-à-vis what was planned (budget). This feature gives a very clear idea about the what needs to be done;

e.To observe certain legal considerations:

FBAS is also a legal requirement as necessitated by the Government, Acts, Rules and Regulations governing the municipal body.

Accounting Cycle various steps involved in FBAS process are as follows:

1. Record the Opening Balances:

The basic principle underlying FBAS is control and hence the closing balances from the previous year's Balance Sheet (Books of Accounts) are carried over as Opening balances of the current year's Books;

2. Record transactions for the period:

As per the accounting convention of each of the funds, various transactions are recorded;

3. Prepare closing entries:

Closing entries are prepared in order to draw the accounts year or the period. The closing entries are made as per accounting conventions (GAAP) and features of specific fund accounting practices;

4. Prepare financial statements:

There are basically two very important financial statements: The Balance Sheet and Revenue & Expenditure statement. Apart from these the two other important ancillary statements are Cash Flow statement and Budget variance statement:

i. Balance Sheet gives what the local body owns (assets) and owes (liabilities).

ii. Revenue & Expenditure statement shows the summary of all the revenues earned during the period and also the related expenses. This is similar to Income and Expenditure statement popularly used in India.

iii. Cash Flow statement gives the summary of all the cash inflows and outflows as per prescribed groupings.

iv. Budget Variance statement is basically a control statement that enlists all the planned (budget) and actual figures for the period along with the deviations.

Accounting System

1. Every Municipality shall maintain its books of **account using the double entry system bookkeeping and following the accrual** system of accounting.
2. All financial transactions shall be identified with funds in accordance with rule, separate books of account maintained for **each such fund**.
3. The government may prescribe the accounting policies and standards for Municipalities.

Voucher Entry

1. Receipt Voucher
2. Payment Voucher
3. Contra Voucher
4. Journal Voucher

1. Receipt Voucher

Only amounts that are received (in cash / cheque /Treasury/ Post Office etc.) are to be recorded

- A. **Direct Receipt** (Form PRI 9.1) Such as taxes received, grants from state government,
- B. **Transfer Receipt** (Form PRI 9.2) i.e. Money transferred to them by other PRIS.
- C. **Advance Receipt** (Form PRI 9.3) received from any agency for certain works.
- D. **Refund of Advance** (Form PRI 9.4) i.e. Any amount received back from advance paid earlier
- E. **Cancellation of Cheque**(Form PRI 9.5) i.e. When a cheque is drawn for payment but has to be cancelled, this is recorded through a contra (reverse)entry by passing a receipt voucher for the purpose.

2. Payment Voucher

Only expenditures that are paid (by cash/ cheque/treasury/ Post Office etc) are to be recorded

- A. **Expenditure incurred (Form PRI 10.1)** by the Panchayat(salary, travel, purchase of officeequipment, construction of building , schemes)
- B. **Transfer of Funds (Form PRI 10.2)** to other Panchayat(s) such as transfer of scheme funds from aBlock Panchayat to the Gram Panchayat;
- C. **Payment of Advance (Form PRI 10.3)**
- D. **Receipt Cancellation (Form PRI 10.4)** for cancellation of any receipt.

3. Contra Voucher

A Contra Voucher is used to record any transactions which relates exclusively to the **cash and its equivalent accounts such as bank/ treasury/ post office**. For example, withdrawal of cash from bank or treasury, transfer of cash from one post office account to another, deposit of cash to treasury etc.

4. Journal Voucher

A Journal Voucher is used to record any book adjustment (from one Account Head to another Account Head) i.e. an entry in which no bank/cash/Post office/ Treasury account is involved

- i. Receipt Rectification (Form PRI 12.1) i.e. where a receipt is recorded to the wrong head of account
- ii. Advance Rectification (Form PRI 12.3).e. an advance paid adjusted against a wrong head and needs to be rectified.
- iii. Adjustments (Form PRI 12.4) i.e. advance has been given and now needs to be booked against its specific account heads such as travel, wages etc;