

Andhra Pradesh Municipal Budget Manual



February 2008

TABLE OF CONTENTS

Page
No

Messages

Preface

GO Ms.No.233 MA dated 22-5-2002

GO Ms.No.619 MA dated 21-08-2007

Abbreviations

1 Budget Overview

2 Budget Preparation

3 Budget Maintenance & Monitoring

4 Appendix

3.1 Budget Watch Register

3.2 Variance Analysis Report on Revenue Budget

3.3 Revenue Trend Analysis Report

3.4 Ward-wise Works Liability Summary Report

5 Annexure – 1

6 Forms

BWS-1 Budget Estimate Working Sheet

BWS-2 Budget Estimate Working Sheet for Establishment Expenses 40

BWS-3 Budget Estimate Working Sheet for Interest/Financial Charges 41

BUD-1 Budget Estimation Sheet

BUD-2 Budget estimate Consolidation sheet

BUD-3 Summary of Budget

BUD-4 Major Account Head-Wise Budget

BUD-5 Summary of Function-Wise Budget

BUD-6 Summary of Field-Wise Budget

BUD-7 Summary of Function-Wise Budget

BUD-8 Quarterly Budget Variance Report

BUD-9 Statement of Receivables

BUD-10 Statement of Payables

BUD-11 Ward wise Works Liability Summary Report

BUD-12 Revenue Trend Analysis



Koneru Ranga Rao
Minister for Municipal Administration
Government of Andhra Pradesh

MESSAGE

In the year 2001, Government of India (GoI), based on the recommendations of the Eleventh Finance Commission, issued guidelines to the Comptroller and Auditor General of India (CAG), to prescribe formats of Budget and Accounts for Panchyat Raj Institutions and Urban Local Bodies (ULBs) amenable to computerization.

In September, 2003, the GoI suggested to the CAG to develop National Municipal Accounts Manual (NMAM). In December, 2004, the NMAM developed by CAG was made available to State Governments across the country for development of State-specific Budget and Accounts Manuals to be used by the ULBs. Like many other ULBs in the country, ULBs in Andhra Pradesh have been following cash based single entry system of accounting, while the NAMM suggest accrual based double entry system of accounting.

The State Government has decided to introduce reforms in budgeting and accounting in all ULBs and desired the Centre for Good Governance (CGG) to develop state-specific accounts and budget manuals keeping the NMAM guidelines in view.

Centre for Good Governance has developed Manuals for Accounts, Budget, Audit, and Asset Management; and Handbook on Municipal Financial Accountability. I am confident that these manuals would facilitate better management of finance and accounts activities in the Urban Local Bodies (ULBs) and help in improved and efficient delivery of civic services.

Koneru Ranga Rao



K. Rosaiah

Minister for Finance, Planning & Legislative Affairs
Government of Andhra Pradesh &
Chairman, Steering Committee
Centre for Good Governance, Hyderabad

MESSAGE

Centre for Good Governance (CGG) was established by Government of Andhra Pradesh (GoAP) in October, 2001 to help it to achieve its goal of transforming governance. One of the focus areas of CGG is Financial Management – to improve planning, resource allocation, monitoring, management and accounting systems and access to information, so that accountability is clear, spending is transparent and public expenditure is more effectively controlled and more productively targeted.

Government of Andhra Pradesh in Municipal Administration and Urban Development department have issued orders (GO Ms. No.233 MA dated 22nd May, 2002) in 2002 that ULBs adopt with immediate effect accrual based accounting system within their jurisdiction.

Government of India made the National Municipal Accounts Manual (NMAM) available to State Governments during December, 2004 for development of state-specific accounts and budget manuals. The Government of Andhra Pradesh has decided to introduce reforms in budgeting and accounts in all ULBs and in January, 2006 entrusted the CGG the work relating to preparation of state specific accounting and budget manuals as per the guidelines in NMAM. CGG has immediately responded and developed the following manuals and handbook.

- Andhra Pradesh Municipal Accounts Manual;
- Andhra Pradesh Municipal Budget Manual;
- Andhra Pradesh Municipal Asset Management Manual;
- Andhra Pradesh Municipal Audit Manual;
- Andhra Pradesh Municipal Uniform Budget and Accounts Code; and
- Handbook on Municipal Financial Accountability.

The manuals were approved by Government recently in GO Ms. No.619 MA dated 21 August, 2007. I am glad that the manuals and handbook are being published and hope that they would be helpful to all ULBs to improve their performance and serve the people.

K. ROSAIAH

Preface

With the 74th Constitutional Amendment Act the Urban Local Bodies (ULBs) have been accorded a constitutional status and are expected to function as local self governments to provide better governance. One of the important steps in the process is for the ULBs to switch over to Accrual Based Accounting System from the present single entry cash based accounting system. A Task Force set up by the Comptroller and Auditor General of India (CAG) has prescribed accounting and budgeting formats, significant accounting policies, etc. The Ministry of Urban Development has with the support of CAG of India, USAID-FIRE-D and National Institute of Urban Affairs has had a National Municipal Accounting Manual prepared for adoption by all the states.

Keeping the NMAM guidelines in view, the Andhra Pradesh Budget Manual has now been prepared for use in all ULBs in Andhra Pradesh. This Manual facilitates Preparation, Maintenance and Monitoring of Budget of ULBs in Andhra Pradesh. The procedures, rules and formats suggested in the Manual are based on the broad guidelines given in the NMAM, the Hyderabad Municipal Corporation Act, 1955, the Andhra Pradesh Municipalities Act, 1965, the Hyderabad Municipal Corporation Budget Rules, 1968 and the Andhra Pradesh Municipalities (Preparation of Budget Allotment and Transfer of Funds) Rules, 1967.

The Manual has been developed by M/s. Vidya Sagar & Co, Chartered Accountant firm with the assistance of CGG team consisting of Sri V. Chandrasekhar, Knowledge Manager, Sri PV Subrahmanyam, Consultant, Sri DV Rao, Consultant, Sri N. Manmadha Rao, Internal Auditor and Sri M. Brahmaiah, Director (FMRG). I would welcome any suggestions for improvement of the Manual.

Dr. RAJIV SHARMA, IAS
Director General
Centre for Good Governance

GOVERNMENT OF ANDHRA PRADESH
ABSTRACT

Municipal Administration & Urban Development Department – Decision taken in the Workshop on Governing for Results – Local Bodies and Self Help Group V on 16th and 17th May, 2002 held in MCR HRD Institute, Hyderabad – Implementation – Orders – Issued.

MUNICIPAL ADMINISTRATION AND URBAN DEVELOPMENT DEPARTMENT

GO Ms. No.233 MA

DATED 22-5-2002

ORDER

The following decision was taken in the Workshop, Governing for Results - Local Bodies and Self Help Groups held on 16th and 17th May, 2002 in MCR HRD Institute to adopt accrual based accounting system.

“The Urban Local Bodies/Corporations adopt with immediate effect the accrual based accounting system within their jurisdiction”.

2. Government has considered the above suggestion and hereby accepts for immediate implementation.

(BY ORDER AND IN THE NAME OF GOVERNOR OF ANDHRA PRADESH)

A.K.GOYAL
PRINCIPAL SECRETARY TO GOVERNMENT

To
The Commissioner, Municipal Corporation of Hyderabad, Hyderabad
The Director of Municipal Administration, Hyderabad
The Engineer-in-Chief,(PH), Hyderabad
The Director of Town Planning, Hyderabad
SF

//FORWARDED BY ORDER//

SECTION OFFICER

**GOVERNMENT OF ANDHRA PRADESH
ABSTRACT**

MA&UD Department - National Municipal Accounting Manual - A.P. State Municipal Accounting Manual - Implementation in all ULBs in the State - Orders Issued.

MUNICIPAL ADMINISTRATION AND URBAN DEVELOPMENT (UBS) DEPARTMENT

G.O. Ms. No. 619 MA

Date: 21-08-2007.

Read:

Guidelines issued by Government of India dated: 16-05-2005.

O R D E R

1. In the reference cited above, Government of India have communicated the model National Municipal Accounting Manual and instructed the State Governments to prepare the State Municipal Accounting Manual according to their needs and implement the same in all the Urban Local Bodies,
2. Accordingly Government of A.P, have prepared the A.P. State Municipal Accounting Manuals (1. A.P. Municipal Accounting Manual, 2. A.P. Municipal Budget Manual, 3. A.P. Municipal Asset Management Manual and 4. A.P. Municipal Audit Manual) in collaboration with Centre for Good Governance, Hyderabad. C. & A. G, Hyderabad has concurred with implementation of the same in the State.
3. Government hereby direct all the Urban Local Bodies in the State to implement the A.P. Municipal Accounting Manuals. The required Hard and Soft copies of A.P. Municipal Accounting Manuals will be provided by Centre for Good Governance, Hyderabad.
4. Commissioner and Director of Municipal Administration is instructed to take further necessary action.
5. These orders are issued with the concurrence of Fin. U.O. No. 17728/268/AI/Exp. M & F/07, dated: 2-08-2007.

(BY ORDER AND IN THE NAME OF THE GOVERNOR OF ANDRHA PRADESH)

PUSHPA SUBRAHMANYAM
SECRETARY TO GOVERNMENT

To

The Commissioner and Director of Municipal Administration, Hyderabad.
All the HoDs ,UDAs and ULBs in the State through CDMA, Hyderabad.

Abbreviations

APM Act	Andhra Pradesh Municipalities Act, 1965
BUD	Budget Forms
BWS	Budget Work Sheets
CDMA	Commissioner & Director of Municipal Administration
Gol	Government of India
HMC Act	Hyderabad Municipal Corporation Act, 1955
NMAM	National Municipal Accounts Manual
RBE	Revised Budget Estimate
Sr. No.	Serial Number
ULB	Urban Local Body
UOM	Unit of Measurement

Budgeting Overview 1

Background

- 1.1 Urban Local Bodies (ULBs) form an integral and important constituent of local governance in India. The Constitution of India vide Article 246(3) and entry 5 of the State List place local governments within the legislative competence of the State Governments. Therefore each ULB is constituted under a State legislation which provides the preamble and framework to the functioning of an ULB stating its constitution, powers and functioning.
- 1.2 Article 243-W of the Constitution inserted by the 74th Constitution Amendment Act, 1992 enhances the status of ULBs resulting in devolution of more functions and funds by which the responsibilities of ULBs have increased and diversified.
- 1.3 Government of India (GoI), based on the recommendations of the 11th Finance Commission, issued guidelines to the Comptroller and Auditor General (CAG) of India, to prescribe the formats of Budget and Accounts for Panchyat Raj Institutions and ULBs.
- 1.4 Accordingly, a Task Force was constituted by CAG in February, 2002 under the Chairmanship of Mr. K.N. Khandelwal, Deputy Comptroller and Auditor General; with representatives of Ministry of Urban Development, GoI; select officers of Municipal Corporations and Municipal Administration Departments of State Governments. The Task Force gave its report.
- 1.5 In April 2003, GoI had accepted the Task Force Report and forwarded the same to the State Governments for implementation. The Ministry of Urban Development, GoI reviewed the progress made by the State Governments in September, 2003 and recommended for the development of Model National Municipal Accounts Manual.
- 1.6 The National Municipal Accounts Manual (NMAM) developed by CAG was made available to State Governments in December, 2004 to be used by all ULBs across the country with a request to State Governments for development of State specific Budget and Accounts Manuals.
- 1.7 Keeping the NMAM guidelines in view, the State Budget Manual has now been prepared for all ULBs in Andhra Pradesh. This Manual facilitates Preparation, Maintenance and Monitoring of Budget of ULBs in Andhra Pradesh. The procedures, rules and formats suggested in the Manual are based on the broad guidelines given in the NMAM, the Hyderabad Municipal Corporation Act, 1955, (HMC Act), the Andhra Pradesh Municipalities Act, 1965 (APM Act), the Hyderabad Municipal Corporation Budget Rules, 1968 and the Andhra Pradesh Municipalities (Preparation of Budget Allotment and Transfer of Funds) Rules, 1967.

Objectives of this manual

- 1.8 It proposes to introduce functional budgeting by adopting cost centre concepts, functional and geographical cost centers and usher in smooth change over in a phased manner as envisaged in the NMAM. Sound budgeting, financial reporting and accounting system are critical elements of reforms in the ULBs that have assumed greater significance after the 74th Constitution Amendment.

What is a Budget?

- 1.9 Budget is a summary of anticipated expenditure along with proposals as to how to meet them for a Financial Year. Receipts and Payments are classified as Revenue Receipts, Capital Receipts, Revenue Expenditure and Capital Expenditure. It plays an important role in planning and controlling operations of the ULBs. It reflects principles, policies, priorities and programmes of the ULBs. *Budget is a tool for optimal deployment of limited resources for the best possible utility and achievement of its felt needs.* It communicates financial objectives and resources requirement to staff, administrators, elected representatives and the public in order to secure their support for planned allocation of resources and for performance objectives.
- 1.10 The approved budget should be viewed as a transparent show piece of the objectives and targets of the ULB in achieving the goals set by itself.

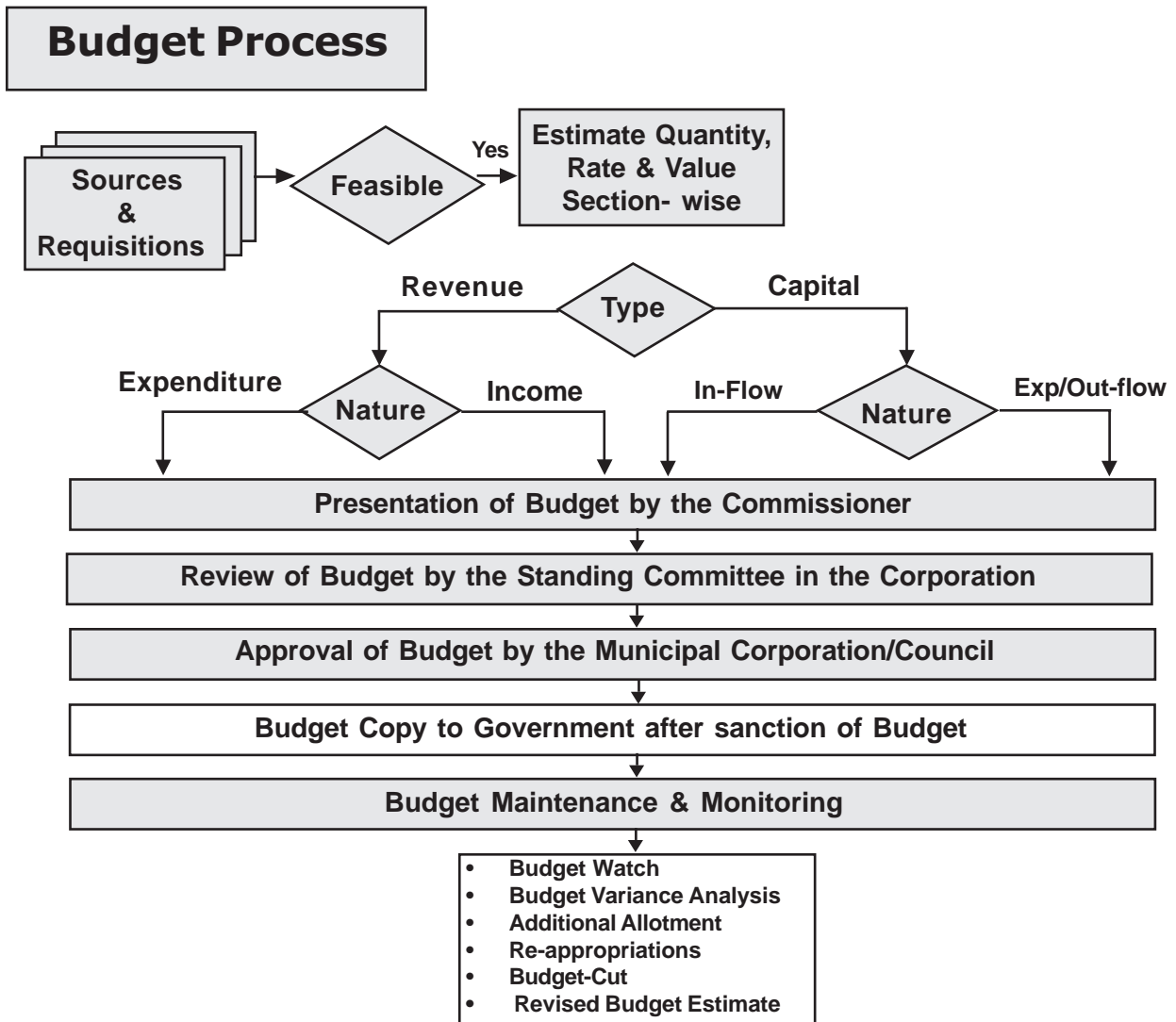
Why does an ULB prepare Budget?

- 1.11 As per Section 182 of the Hyderabad Municipal Corporation Act, 1955 and Section 126 of the Andhra Pradesh Municipalities Act, 1965, the Commissioner shall prepare annual budget in accordance with the Act and Rules and place before the Standing Committee or Municipal Council. While the Standing Committee forwards the Budget to the Municipal Corporation for approval, the Municipal Council approves the Budget.
- 1.12 In respect of Municipal Corporation, the Corporation approves the Budget. The Budget sanctioned by the Corporation/Council will authorise the Commissioner to strictly adhere to the realization of revenue and controlling expenditure as per the budgetary allocations.
- 1.13 Realistic budget estimate acts not only as a tool for financial planning and control, but also as the most significant instrument to steer the development of the ULB for achieving the aspirations of the people. The Budget of an ULB can be used for effective management and promotion of accountability in service delivery and provision of infrastructure on the part of civic functionaries.

How Budget is prepared?

- 1.14 Budget preparation process shall be initiated and monitored by the Commissioner. Bottom-up approach shall be followed in budget preparation. Estimates shall be made from the lowest unit and then consolidated at Commissioner's level. Basis for preparation of budget shall be actual performance of the ULB, information from Section Heads, Government directions to take up specified activities and requirements proposed by the elected representatives.
- 1.15 Estimates shall be made for each of the Accounting Subject under every Budgeting Centre. Hence a budget code is defined as a combination of Budget Centre and Account Code. The Codification Structure for this is defined in Andhra Pradesh Municipal Accounts Manual (APMAM).
- 1.16 Budget shall reflect estimated Revenue Income and Expenditure, Revenue Surplus/Deficit, Inflows and Outflows and Opening and Closing balances for capital heads.

Budget process flow is shown below:



Budget Process

Step 1

The concerned officers at the local unit prepare budget estimates:

Requisitions from:

- the ward members/ wards committee/ standing committee/ council/ corporation
- the citizens in the form of requests
- Previous year’s financial statements
- Current year’s estimated financial statements
- Receipts and payments for the first half year.

Step 2

Classify estimates into:

- Revenue Receipts
- Revenue Payments
- Capital Receipts
- Capital Payments

based on nature of expenditure.

Step 3

Budget will be prepared by the Commissioner.

Step 4

Budget will be reviewed and forwarded by the Standing Committee, in case of Corporation.

Step 5

Budget will be approved by the Municipal Council in the case of Municipalities and Municipal Corporation in the case of Municipal Corporations

Step 6

Budget will be approved by the State Government, in the case of Municipalities when the Municipal

Council does not approve the budget in two meetings.

Step 7

Copy of approved budget sent to Government for information

Step 8

Budgetary Control and Monitoring through Budget Watch Register, actual versus estimate, variance analysis, re-appropriation, additional allotment, and revised budget estimates.

Calendar for Preparing and Monitoring Municipal Budget

- 1.1 The Budget preparation and monitoring process follows a Budget calendar. The Budget calendar provides milestones by which officials in the ULB need to prepare the budget and place before the concerned authorities.
- 1.2 The Budgeting activity for next financial year shall commence as specified in Hyderabad Municipal Corporation Act, 1955 for Municipal Corporations and Andhra Pradesh Municipalities Act, 1965 for Municipalities. The various stages of Budget preparation and approval should be within the time limits as stipulated in this regard by the relevant Acts/Rules.

1.3 Budget Calendar for Municipal Corporations in Andhra Pradesh for preparation, approval and monitoring of Budget is given below:

Budget Activity	Municipal Corporations
	(Not later than)
Commissioner shall convene Section Heads' Meeting to initiate budget process.	25 th September
Circular from the Commissioner to the Section Heads to prepare Budget estimates.	1 st October
Preparation of Budget for Sections by the Section Heads (Functionaries)	10 th October
Compilation of Budget at Accounts Section for review by the Commissioner	25 th October
Budget finalisation by the Commissioner and placing before the Standing Committee	10 th November
Review and Approval of Budget by the Standing Committee to be placed before the Corporation	10 th December
Circulation of Budget booklets to the Corporators.	15 th December
Sanction of Budget by the Corporation.	20 th February
Submission of Approved Budget to the State Government for information.	1 st March
Budget copy to Examiner of Accounts and Auditors	Within 15 days of Sanction
Budget additional allotment information to Corporation by the Commissioner	As and when necessary
Budget re-appropriation to the Corporation by the Commissioner	As and when necessary

1.20 Budget Calendar for Municipalities in Andhra Pradesh for preparation, approval and monitoring of Budget is given below:

Budget Activity	Municipal Corporations
	(Not later than)
Commissioner shall convene Section Heads' Meeting to initiate budget process.	25 th September
Circular from the Commissioner to the Section Heads to prepare Budget estimates.	1 st October

Preparation of Budget for Sections by the Section Heads (Functionaries)	10 th October
Compilation of Budget at Accounts Section for review by the Commissioner	25 th October
Budget finalisation by the Commissioner to place before the Council	7 th November
Circulation of Budget booklet to the Councillors (at least seven days before the Council budget meeting)	8 th November
Presentation of Budget for approval in the Council.	15 th November
Presentation of budget (again to the Council), if the Council fails to approve the budget with or without modification in its first meeting (within a week)	22 nd November
In case Budget is not approved by the Council in two meetings, it will be forwarded by the Chairperson to Government for approval	
Submission of approved Budget to the State Government for information through the Collector and Commissioner & Director of Municipal Administration (CDMA).	31 st December
Forwarding of Budget by Collector to CDMA	15 th January
Forwarding of Budget by CDMA to State Government	5 th February
Copy of Approved Budget to Auditors	31 st December
Observations if any made by the Government to be placed before Council.	After receipt from the Government
Budget additional allocation information/re-appropriation to Council by Commissioner	As and when necessary

1.21 Any expenditure during the course of a year shall be regulated in accordance with the allotments made in the Budget for the year, as sanctioned by the Corporation/ Council. Additional budget needs, if necessary, shall be made by additional allotment or re-appropriation. The Budget calendar facilitates the ULB to complete the Budgeting process before commencement of financial year and smooth roll over to the new financial year.

2

BUDGET PREPARATION

Overview

2.1 As per the provisions of the Act, budget preparation is the responsibility of the Commissioner. The Commissioner shall prepare budget in consultation with Sectional Heads and with the assistance of Accounts Section.

Two types of Budget Forms are used in preparation of budget estimates:

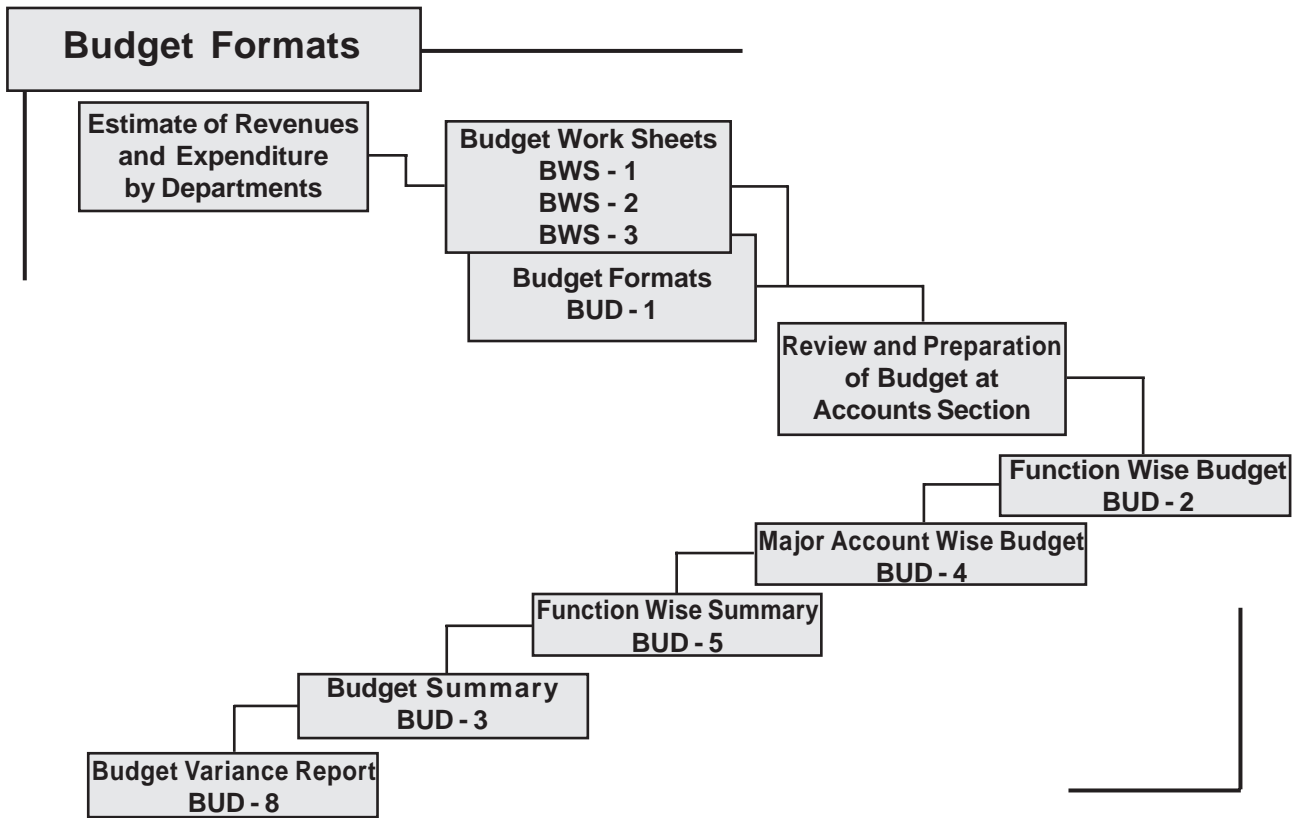
✓ Budget worksheets (BWS)

✓ Budget Forms (BUD)

2.2 Data Collected and compiled in a structured format for preparation of budget estimates can be analyzed and reviewed. It also facilitates a checklist to capture all the vital data without omission. Uniform formats for preparation of budget will make the exercise simple and understandable for the Accounts person.

2.3 Budget worksheets (BWS) are used for documenting basic particulars of the proposals, calculations and other vital quantitative and rate estimates. These worksheets shall be prepared in the Sections. Once these worksheets are prepared and stored rationally, then the information can be mapped to Budget Forms either manually or by using software application, or spread sheets. Budget preparation depends on the information captured in the worksheets. Any changes required in the budget estimates shall be carried out in the worksheets only. The information captured in the worksheets shall be used for review and analysis and also for preparation of explanatory note. Budget worksheets are the basic documents for the whole budget estimates and copy of the worksheets shall be kept in Section budget file and original in the budget Section.

2.4 Budget Forms (BUD) are used for presenting the worksheet information in meaningful formats to assess the various aspects of budget estimates and also monitoring of the budget. Budget forms contain information relating to actuals of previous year, budget estimate for the current year, actual data for 6 months (April to September) of current year, revised budget estimates for the current year and budget estimates for the next financial year.



2.5 Sectional Heads shall prepare budget estimates for their respective Sections in formats BWS and BUD -1 based on the following source documents:

- ✓ Current year Budget with amendments if any.
- ✓ Previous Year financial statements.
- ✓ 1st Half year (Current Year) financial statements
- ✓ Requisitions from the Ward Members/Wards Committees/Standing Committee.
- ✓ Requisitions from the people in the form of requests
- ✓ Specific directions or assurances by the Corporation/Council
- ✓ Quantitative and unit rates of various revenues & expenses.

2.6 Budget estimates are the targets set for the respective Sections and these estimates are to be realistic. These targets shall be reviewed at monthly intervals with the actual performance and the deviations, if any, should be analyzed with reasons through variance analysis reports.

Norms to be followed in preparing Budget

2.7 Norms to be followed:

Always

- ✓ Include all Receipts and Payments in the Budget.

- ✓ Adopt a balanced Budget — revenues plus opening carry-over funds minus closing carry-over funds must be equal to or greater than expenditure.
- ✓ Be aware that some revenues have restrictions as to how they have to be spent.
- ✓ Classify estimates under appropriate fund, function, field (location) and finance (account head).
- ✓ Maintain 5% statutory minimum balance (working balance/cash balance) of the receipts after deducting Government Grants and Endowment funds.

Avoid

- Borrowing money to support revenue expenses.
- Over-estimating Receipts and under-estimating Payments.
- Agreeing to continue a service or operate a facility even though there is no revenue to support it and when it cannot be made self-supporting.
- Spending all the revenues received in a year without setting aside funds for emergencies.

Don't

- Use deductions from pay-bills, work bills and contingent bills to pay other expenses.
- Spend specific purpose Grants, Loans, Contributions & Funds for other purposes.
- Lend money to community organizations or individuals.
- Let bills or taxes owed to the ULB go unpaid.

Approach to Prepare Budget

2.8 Traditionally, Budgets of ULBs in Andhra Pradesh are being drawn up with

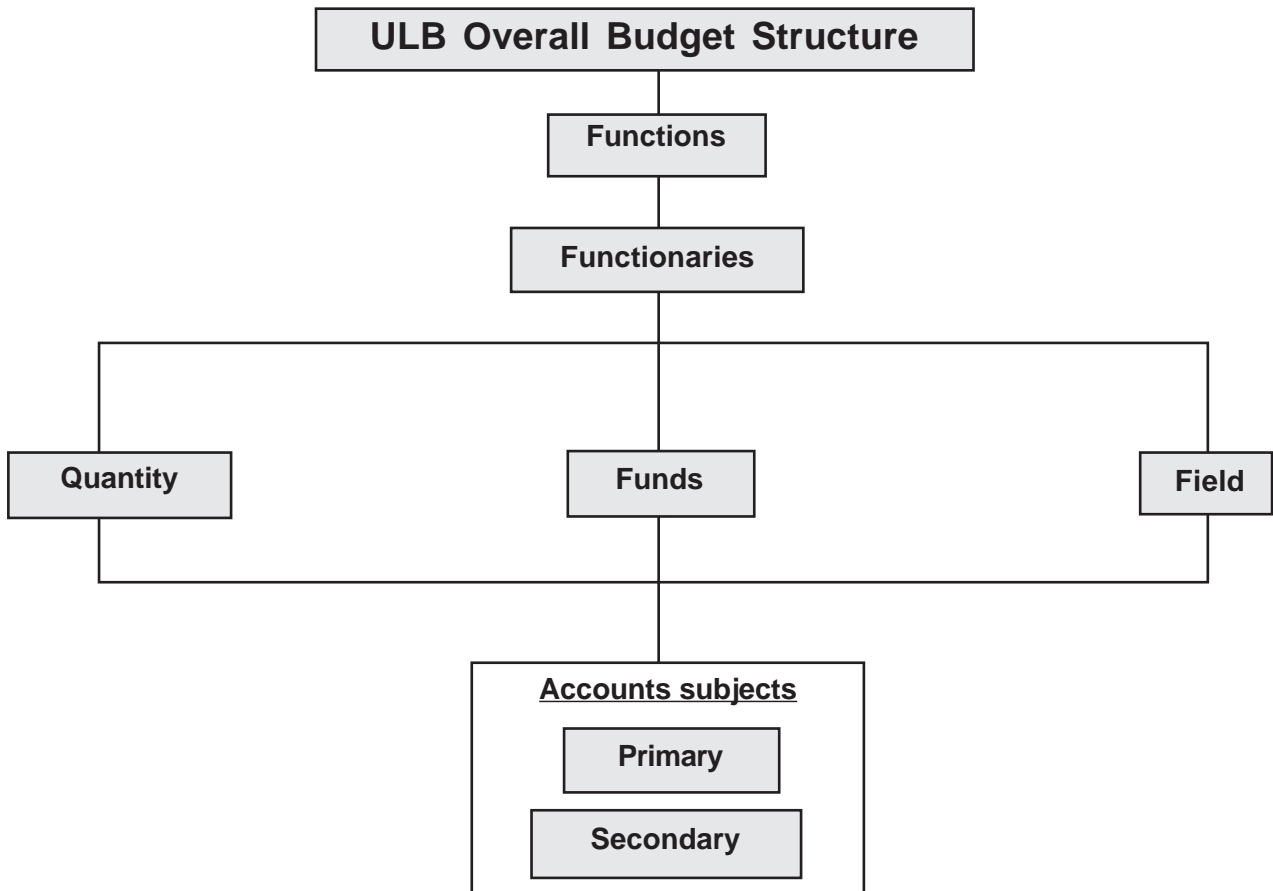
- Revenue receipts and expenditure
- Capital receipts and expenditure
- Loan repayments
- Receipt and payment of revenue, capital, advances and deposits
- Cash balance at the end of the financial year.
- Section-wise Budget allocations for receipt and expenditure
- Budget estimates are being normally done based on the previous year and current year trends.
- Participation of elected body is mostly confined to reviews

2.9 Though this process enable clear and easy identification of cash inflow and outflow during the financial year and closing balance at the end of the fiscal year, it could not be fully used as a tool for municipal management for measuring and promoting accountability on the part of municipal

functionaries. The focus of this Budgeting manual is, therefore, to bring in the responsibility and cost centre concept into the Budgeting exercise by building a close linkage between:

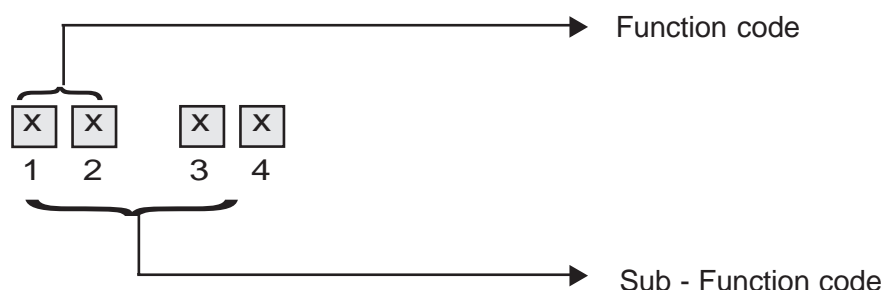
- the function (responsibility centre)
- the field as identifiable by the geographical boundaries over which the cost is incurred (cost centre)
- the functionary (executive/official)
- the finance as identifiable with the value associated.
- the account as identifiable to the nature of transaction, and
- the quantitative information

2.10 The objective, therefore, in this Budgeting exercise has been to arrive at a scientific basis for building linkage between the function, field, functionary, costing and finance aspects, into Budgeting methodology. To facilitate tracking and monitoring, Budget Heads and Account Codes will be one and the same. The classification of Budget Heads is based on the principal objective of enforcement of accountability.



Responsibility Centers: The Function and Functionary Linkage

2.11 As a first step to this, all the possible activities of the Municipal Corporations/ Municipalities have been grouped into several functions or responsibility centers. For each of these functions, further sub divisions have been identified to fix the functionary responsible for each aspect of the function. These functions are set out in Annexure-1 with respective codes.



2.12 Function code is a two (2) digit code and sub-function code is four (4) digit code. The first two digits in the code structure are indicative of the function to which it belongs and the next two digits are indicative of the running serial allotted to each sub-function.

2.13 All the functions will be linked to Functionaries as part of organizational delegation of powers and responsibilities. Each functionary may be responsible for one or more functions (responsibility centers) based on the allocation.

Bottom Up approach - Start work at local unit level

2.14 The basis for preparing the Budget will be the inputs from various functionaries drawn from the requisitions, requirements and actual performance of the ULB. Budget preparation shall be based on a bottom up approach. Estimates shall be made from the lowest unit and then consolidated at the Head Office. A consolidation will be made in the Form given as BUD - 2.

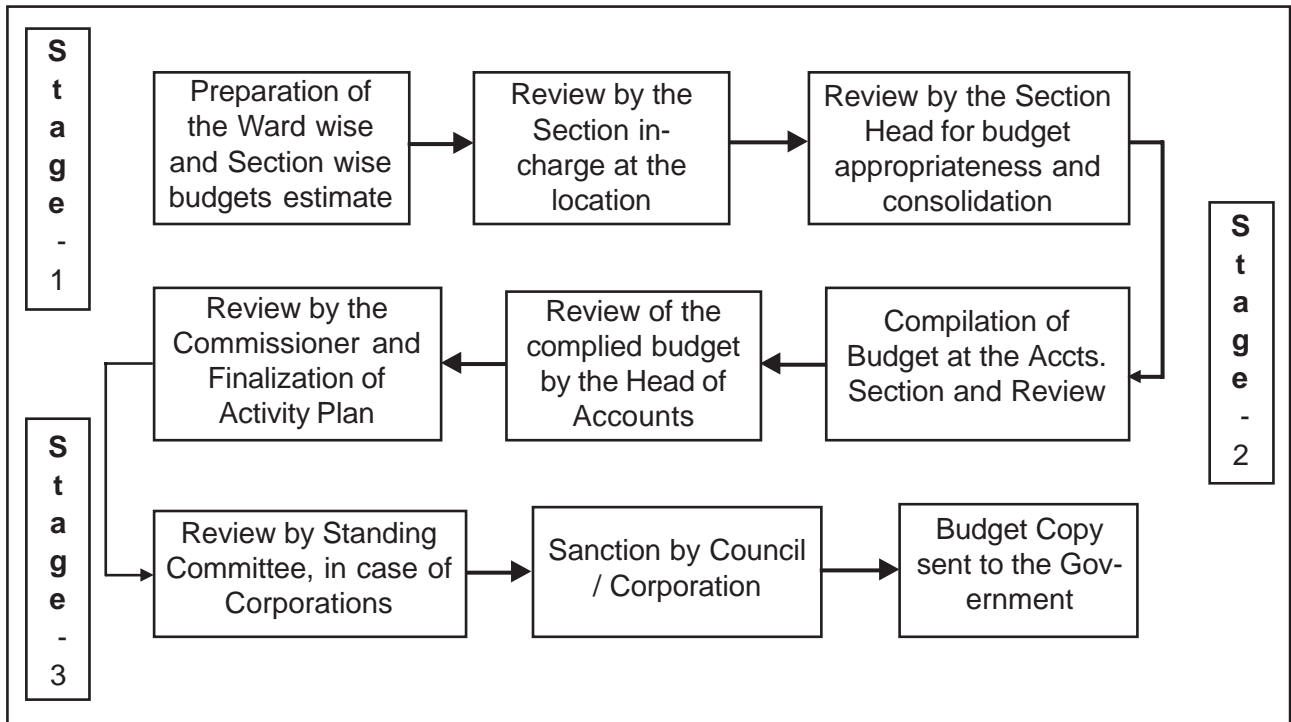
2.15 The consolidated Budget shall be presented in a summary Form (in Form BUD-3 to BUD-7). Detailed Budget will also form part of the Budget Document of the ULB.

Budget Preparation Process

2.16 Budget preparation process mainly comprises of three (3) stages and each phase has to be carried out in sequential order.

- In the 1st stage, estimations will be made based on the previous performance of the ULB, Government schemes and directions, requisitions and needs of people in the ULB.
- In the 2nd stage, Budget will be reviewed and compliances with Act, Rules and Government Orders in preparation of Budget.
- In the 3rd stage, Budget approval and sanction process will be done.

Budget Preparation Process Flow:



Act, Rules & Government Orders Related to Municipal Budget Preparation

2.17 Sections 182 to 187 of Hyderabad Municipal Corporation Act, 1955 deal with preparation of Budget, review by Standing Committee and approval by Corporation. The Hyderabad Municipal Corporation Budget Estimate Rules issued GO Ms No. 640 MA dated 16-07-1968 govern the other details of preparation and sanction of Budget.

2.18 Some important provisions under Hyderabad Municipal Corporation Budget Estimate Rules, 1968.

Rule 10: The Commissioner and other Heads of Departments of the Corporation shall pay regard to the remarks, if any, made by the Examiner and the Auditor, if any, appointed under Section 196 of the Act in regard to the expenditure to be incurred on any item.

Rule 11: Subject to the provisions of Section 190 of the Act, all allotments made in the budget shall lapse at the end of the financial year and no part of an allotment remaining unexpended at the end of the financial year shall be reserved or appropriated by transfer to deposits or any other head or drawn in order to avoid lapse for disbursements after the end of the financial year.

Rule 12(2): The Commissioner shall, within seven days of the date on which the Council sanctions any such application, forward a copy thereof to the Examiner and the Auditor, if any, appointed under Section 196 of the Act.

Rule 13(3): The Commissioner shall within seven days of the date on which the Council sanctions any such application, forward a copy thereof to the Examiner and the Auditor appointed, if any, under Section 196 of the Act.

- 2.19 Sections 126 and 127 of Andhra Pradesh Municipalities Act, 1965, deal with preparation of Budget and approval by the Municipal Council and submission of a copy of Budget to Government. The Rules relating to the preparation of Budget and its submission are issued in GO Ms No.619 MA dated 7.10.1967, and are subsequently amended in GO Ms No.36 MA dated 20.1.1970 and GO Ms No.740 MA dated 12.12.1977.
- 2.20 Some important provisions under Andhra Pradesh Municipalities (Preparation of Budget and Transfer of Funds) Rules, 1967.
- Rule 11: The Commissioner shall pay prompt attention to the remarks, if any made by the Auditor in regard to the expenditure as compared with the budget allotment.
- Rule 12: All allotments made in the budget shall lapse at the end of the year and no part of any allotment, remaining unexpended at the end of the year, shall be reserved or appropriated by transfer to deposits or any other head or drawn in order to avoid lapse for disbursements after the end of the year.
- 2.21 Due provision has to be made for all obligatory charges, discharge of liabilities in respect of loans and for the other commitments. Provision also has to be made for recurring Government grants and also non-recurring grants, which are anticipated during the Budget year. Under Sec. 127 of the Public Health Act, 1939, every municipality has to earmark not less than 30 percent of its income from all sources other than Government grants for expenditure on public health activities. This amount has to be worked out and provision has to be made accordingly.
- 2.22 15%, 7.5% and 5% of the developmental expenditure has to be earmarked in the Budget estimate for the development of Schedule Castes areas, Scheduled Tribes areas, and welfare of Woman and Children respectively (GO Ms No.265 MA dated 19-7-2004).
- 2.23 Further, as per GO Ms No.265 MA dated 19-07-2004, 40% of the net funds available shall be spent in slum areas, priority being on provision of Water Supply and Sanitation.
- 2.24 In GO Ms No.157 MA dated 8.4.1986, Government has issued instructions for allocation of funds for developmental works. (Refer Para 2.32)

Enclosures to the Budget

- 2.25 The following documents have to be enclosed to the Budget
- (i) Explanatory Note (G.O.Ms.No.619 M.A. dated 10.6.1967)
 - (ii) Statement showing the Revenue Income and Expenditure for the last three years (Govt. Memo No.1349/72 M.A. dated 7.12.1974)
 - (iii) Proforma showing the amounts provided for the benefit of SCs, STs, and Women and children (GO Ms No.265 MA dated 19-7-2004)
 - (iv) Proforma showing the amounts allocated for development works (G.O.Ms.No.626 M.A dated 12.11.1986)
 - (v) D.C.B. Statement (G.O.Ms.No.2593 M.A. dated 29.11.1944)

- (vi) Statement showing the rates of Taxation (G.O.Ms.No.1844 M.A. dated 16.4.1934)
- (vii) Special Grants Accounts for capital works.
- (viii) Loan Account
- (ix) Statement showing the financial position (G.O.Ms.No.2503 M.A. dated 29.11.1944)
- (x) Annual Accounts for previous year.
- (xi) Council Resolution approving the Budget.

Statutory Closing Balance (Working Balance/Cash and Bank Balances)

2.26 Under Section 184 (2) (e) of the Hyderabad Municipal Corporation Act, 1955 and Rule 4 of the Hyderabad Municipal Corporation Budget Estimates Rules, 1968; and Rule 3 of the Andhra Pradesh Municipalities (Preparation of Budget, Allotment and Transfer of Funds) Rules, 1967, ULB shall ensure to provide minimum working balance of 5% on estimated receipts of the year excluding Endowments, Government grants, loans, advances and deposits. The specific grants / contribution balances shall be excluded from cash balance.

2.27 While preparing the Budget, closing cash balance has to be arrived at and percentage has to be worked out. The calculated percentage shall be 5% or more. If it is less than 5%, then measures have to be initiated to improve the closing cash balance so as to meet the norms specified in the Act. Reducing the payments or increasing the receipts after careful review can achieve this.

Calculation of Statutory Closing Balance (Working Balance/Cash and Bank Balances)

2.28 Calculation of % Cash Balance to Receipts

Rupees in Lakhs

Major Head	Major Head Description	Amount
110	Tax Revenue	200.00
120	Assigned Revenue and Compensations	50.00
130	Rental Income From Municipal Properties	60.00
140	Fees & User Charges	125.00
150	Sale & Hire Charges	25.00
170	Income From Investments	
171	Interest Earned	25.00
180	Other Income	10.00
	Total (A)	500.00
450	Cash & Bank Balance (B)	65.00
320	Balance of Grants/Contributions for Specific purpose (C)	30.00
% age of Cash Balance = (B - C) X 100 / A		7%

Estimating Municipal Income/Receipts

2.29 Income/Receipts are the gross inflow of cash, receivables or other considerations arising in the course of the ordinary activities of ULB from rendering of services, and from usage of ULB resources by others. Following are the major sources of Income/receipts which are classified as Revenue Income and Capital Receipts.

1 – Revenue Income		
Major Head	Major Head Description	
110	Tax Revenue	
120	Assigned Revenue & Compensations	
130	Rental Income From Municipal Properties	
140	Fees & User Charges	
150	Sale & Hire Charges	
160	Revenue Grants, Contributions & Subsidies	
170	Income From Investments	
171	Interest Earned	
180	Other Income	
3 – Capital Receipts & Liabilities		
Major Head	Major Head Description	Estimate *
310	Municipal Fund	No
311	Earmarked Fund	No
312	Reserves	No
320	Grants, Contribution for Specific Purpose	Yes
330	Secured Loans	Yes
331	Unsecured Loans	Yes
340	Deposits Received	Yes
341	Deposits Works	Yes
350	Other Liabilities	Yes
360	Provisions	No
* Capital Receipts & Liabilities estimated as part of expenses shall be shown as inflow, hence no separate estimate is required and marked as “NO”		

2.30 Sources of Income/receipts for a ULB depend on a number of factors and may vary among ULBs. To identify the sources of revenue, review the revenue sources listed in Chart of Accounts. These are the most common sources of ULB revenues. Estimate of receipts shall be prepared cautiously, realistically and exhaustively.

2.31 Fees levied and collected for the performance of services shall be utilized or expended for the purpose for which the fees are collected.

Estimating Expenditure/Outflow

2.32 Based on the purpose for which expenditure is incurred or paid (out flow), expenditure may be broadly classified as Revenue Expenditure and Capital Expenditure/out-flow. Expenditure for the purpose of creating facility or upgrading can be classified as capital expenditure and payment of loan obligations (Liability) can be classified as outflows. Following are the major categories of expenditure.

2 – Revenue Expenditure	
Major Head	Major Head Description
210	Establishment Expenses
220	Administrative Expenses
230	Operations & Maintenance
240	Interest & Finance Charges
250	Programme Expenses
260	Revenue Grants, Contributions & Subsidies
270	Provisions & Write Offs
271	Miscellaneous Expenses
272	Depreciation
280	Prior Period Items
4 – Capital Expenditure & Assets	
Major Head	Major Head Description
410	Fixed Assets
411	Accumulated Depreciation
412	Capital Work-In-Progress
420	Investments
430	Inventory
431	Sundry Debtors
440	Pre-paid Expenses
450	Cash and Bank
460	Loans, Advances & Deposits
470	Other Assets
480	Miscellaneous Expenses to be written off

2.33 Estimate for all obligatory charges shall be made in the budget. It is desirable that allocation for the maintenance of infrastructure at standard rates mentioned below may be provided. These are indicative only.

Infrastructure Facility	Standard Rate
Buildings	2.5% of Capital Cost (Capital Cost at the beginning of the year)
Cement Concrete (CC) Roads	Rs.500/- Per KM p.a. (Length of road at the beginning of the year)
Block Topped (B.T) Road	Rs.3,650/- Per KM p.a. (Length of road at the beginning of the year)
Water Bound Macadam Road	Rs.3,000/- Per KM p.a. (Length of road at the beginning of the year)
Un-metalled Road	Rs.1,500/- Per KM p.a. (Length of road at the beginning of the year)

2.34 Estimates for revenue expenditure, loan repayments and minimum working balances have to be made before budget allocation for capital works. Surplus balance available for capital works shall be utilized for capital works in the following ratio. (As per GO Ms. No .157 MA dated 8.4.1986)

Sl. No.	Particulars	Allocation % age
1	Water supply	20%
2	Drainage	13%
3	Roads	19%
4	Street lights	7%
5	Recreation facilities	10%
6	Markets, parks, buildings, community halls, latrines, urinals etc.	17%

Management Information System (MIS)

2.35 Management Information System (MIS) reports are necessary in ULBs for measuring its activities in a more meaningful and transparent manner. MIS not only provides information on accounting and financial aspects, but also covers non-financial aspects/information in an integrated mode. The object of development of MIS reports is to provide the performance details/statistical data of the activities of the ULBs in various forms. MIS reports serve as critical inputs for any decision making on any of the conducts of the ULBs.

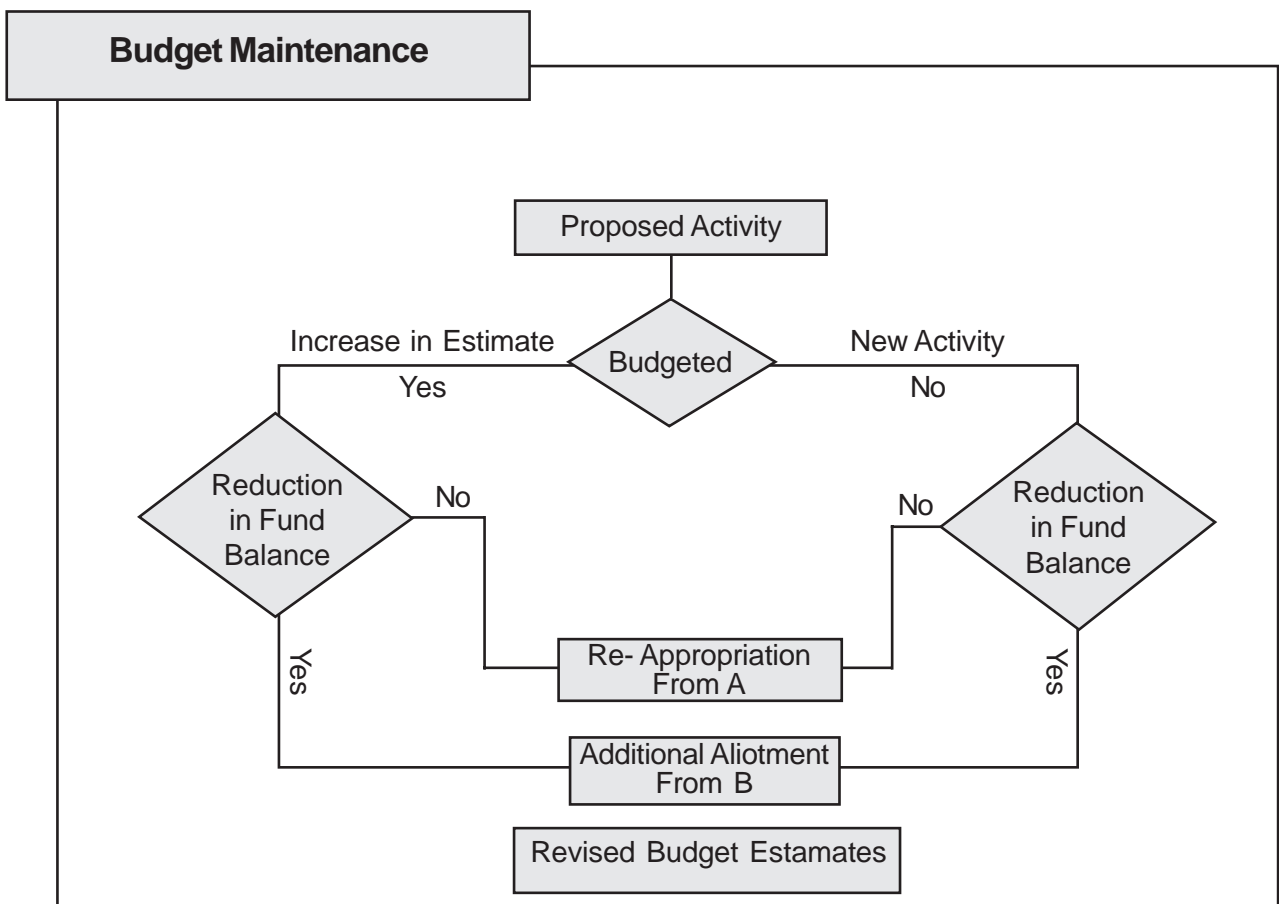
- 2.36 MIS reports are prepared from the accounting and other records maintained for the conduct of the ULB activities. These basic data are to be maintained properly in order that the MIS reports prepared based on the records are correct and accurate. Therefore, establishment and ensuring of maintenance of proper accounting and other records is key for effective MIS records.
- 2.37 As explained earlier, MIS covers non-financial aspects of the activities also. For example, the data on education, ie., number of schools under ULB, number of teachers, number of students, and the pass percentage form part of such data. If these data are used integrally with financial aspects results in preparation of various analytical reports like cost of service delivery.
- 2.38 ULBs may also prepare the following reports on a periodical basis and submit them to various authorities for review, analysis and decision making purposes.
- i) Statement of Receivables (Form BUD -9)
 - ii) Statement of Payables (Form BUD – 10)

3

BUDGET MAINTENANCE & MONITORING

Overview

- 3.1 Once the Corporation/Council sanctions Budget estimates, the same shall be adopted for the financial year. All expenditure during the year shall be regulated in accordance with the allotments made in the budget for the year. Under Section 172 (1) of Municipal Corporation of Hyderabad Act, 1955, sanctioned budget allocation is necessary for incurring expenditure. However, sanctioned budget allocation is not mandatory for the items mentioned in Section 172(2) for emergencies. Sometimes, necessity may arise to take up activities that are not estimated in the Budget. In this situation, a ULB will have option of seeking re-appropriation / additional allotment to take up the activity duly justifying the reasons.
- 3.2 The process of Budget Maintenance has been shown and explained below:



- 3.3 If increase in estimate in respect of any proposal does not result in reduction in fund balance below statutory minimum, then application for re-appropriation shall be made in Form A for Municipal Corporations and in form B for Municipalities.
- 3.4 If increase in estimate in respect of any proposal results in reduction in fund balance below statutory minimum, then application for additional allotment shall be made in Form B for Municipal Corporations and in Form C for Municipalities

The above procedure shall be followed in regard to “new activity” also.

Re-appropriation

- 3.5 Necessity for budget re-appropriation arises when any unexpended saving of budgetary allocation under a budget is transferred to another budget head. Such transfers of budgetary allocation may be within two or more budgetary heads in the same group or between different groups. A re-appropriation would result in a fall in the budgetary allocation for the transferor budget head and an increase in the budgetary allocation for the transferee budget head. Re-appropriation would not result in any change in the closing fund balance.
- 3.6 Under Section 191 (2) of the Hyderabad Municipal Corporation Act, 1955, the Standing Committee may sanction transfer within minor heads.
- 3.7 Under Section 191 (3) of the Hyderabad Municipal Corporation Act, 1955, the Commissioner may at any time during a financial year sanction transfer of any amount not exceeding Rupees Five Lakhs within a minor head from one subordinate head to another or from one primary unit to another, if such transfer does not involve a recurring liability.
- 3.8 In the case of Municipalities, the Council is competent to sanction re-appropriation of funds from one head of account to another head of account.

Additional Allotment

- 3.9 An additional allotment arises when any amount over and above the amount already allocated is sought to be added in the budget originally allocated. This is different from re-appropriation. As such additional budget would result in an enhancement in the budgetary allocation under one or more budget heads. However, it needs to be noted that such sanction of additional budget does not result in any change in the closing fund balance as originally arrived in the approved / sanctioned budget.
- 3.10 Under Section 189 of the Hyderabad Municipal Corporation Act, 1955, on recommendation of the Standing Committee, the Corporation may increase budget grant to meet the special or unforeseen expenditure by additional allotment. But such additional sanction should not result in reduction of working balance below the prescribed statutory minimum balance. Application for additional allotment shall be made in Form 'B' and shall be submitted to the Corporation by the Standing Committee in time to obtain its sanction before end of the year.

In respect of Municipalities, additional allotments have to be sanctioned by the Municipal Council.

Revised Estimate

- 3.11 A Revised Estimate is an estimate of the probable receipts and disbursements for a year framed in the course of the year with reference to the transactions already recorded.
- 3.12 The revised budget estimate for the current year and budget estimate for the ensuing year have to be framed simultaneously and as carefully as possible. All the possible resources of income have to be explored, but the amounts that are expected to be realised need not be over-estimated. Over-estimating of revenue to show the prescribed minimum working balance is unwarranted optimism and shows carelessness in the preparation of budget. Similarly, expenditure

need not be under-estimated, but need to be provided on a realistic scale so as to avoid incurring of expenditure in excess of allotments made in the sanctioned budget. Resorting of percentage cut in salaries of the establishment or withholding of increments to avoid a deficit is also to be avoided. A proper budget will, therefore, be one wherein neither the income nor the expenditure is either over-estimated or under-estimated. A Municipal Council is not expected to save any appreciable amount and show large surplus. It need to collect as much revenue as is ensured for meeting all its normal expenses and to maintain the minimum working balance of 5% as provided in the Rules.

- 3.13 The Revised Estimate for the current year is the basis for working out the probable receipts of the coming year. 5% increase over the receipts of the revised estimate wherever possible, can be adopted in the budget estimate for the coming year.

Budget Estimate

- 3.14 It is a statement of the estimated receipts and expenditure of an ULB for a financial year. It is prepared before the commencement of the year with the object of enabling the authorities subsequently to exercise control over the expenditure and to ensure that it is kept within the authorized allotments and to watch that the revenue anticipated is fully realized. It is a forecast of what will be received and what will be paid during a financial year and whether the receipts will be sufficient to meet the expenditure.

Supplemental Estimate

- 3.15 It is a statement done in the event of sudden fall in the revenue or increase in the expenditure during the course of a year on account of abnormal or unforeseen circumstances which necessitates supplemental budget involving increased taxation or redistribution of allotments for expenditure. Generally, it will not happen in municipalities.

Guidelines for Preparation of Revised Budget Estimate and Budget Estimate

- 3.16 For preparation of Revised Budget Estimate for the Current year, the actual opening balance in the Cash Books as on 1st April shall be adopted as Opening Balance in the Revised Budget Estimate. For example, if the RBE is for the current year 2005-06 and the Budget Estimate is for 2006-07, the Opening Balance in the RBE for the year 2005-06 shall be the total of actual Opening Balances of all Cash Books as on 1st April 2005. Similarly, the Closing Balance arrived at for the Revised Budget Estimate of a year shall be adopted as Opening Balance for the Budget Estimate of the ensuing year. This shall be scrupulously followed:

3.16.1 Receipts

1. DCB Statement shall be prepared for all Tax and Non-Tax items. For arriving at the estimated collections in the RBE, 50% collections from Arrear Demand and 90% collections from the Current Demand can be taken.
2. The assigned Revenue and Non-plan grants that are being received every year shall be shown as Receipts in the Budget Estimate. All anticipated special Government Grants shall also be shown as receipts and the said grants shall also be shown as expenditure

towards the respective purposes for which the Special Grants are sanctioned.

3. The provision for Receipts pertaining to Surcharge on Stamp Duty, Entertainment Tax etc., can be arrived at based on 5% increase over the average Receipts of the preceding 3 years. The contributions receivable towards granting water supply connections shall be estimated duly keeping in view the number of connections to be sanctioned.
4. The total expenditure towards salaries of Teaching and Non-Teaching staff of secondary schools can be taken as Grant-in-aid towards Salaries of Teaching staff.
5. In respect of Elementary Education, the Salary Grant shall be arrived at by deducting the current year's demand under Education Tax component of Property Tax from the total expenditure on teaching staff.
6. The deductions effected from pay bills, work bills and other bills towards Provident Fund, Group Insurance scheme, Life Insurance, Profession Tax, Deposits, Advances, Income Tax, Sales Tax, Seionirage charges, Pension Contributions / Grant etc., shall be shown as receipts under "Recoveries Payable".
7. The pensionary contributions of all municipal employees except teaching staff of Secondary and Elementary schools shall be calculated at 9.5% of the maximum of their Scales of Pay. These contributions shall be worked out by different Sections which prepare Pay Bills for a year in the month of March, and be shown as expenditure on par with salaries and credited to "Pension-cum-Gratuity Fund" in "Recoveries Payable" Subsidiary Account.
8. In respect of employees working in the municipalities of Telangana region, pensionary contribution at the rate of 1/7th of the Basic Pay has to be remitted to State Funds to enable the State Government to pay pension to them. A provision to that extent has to be made in the Budget.

3.16.2 Expenditure:

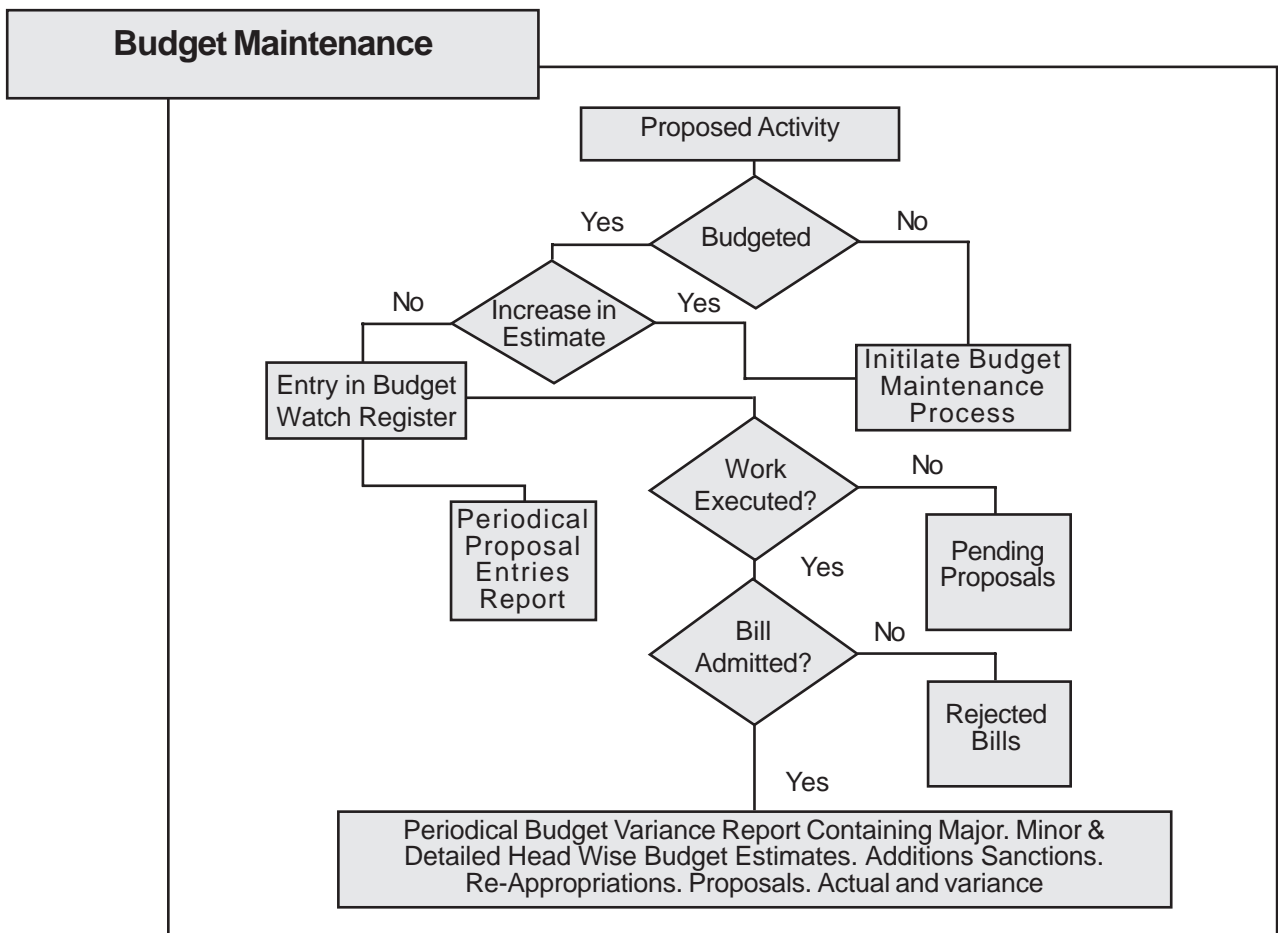
1. Schedules shall be prepared for Pay and Allowances of all categories of establishments. The expenditure on Salaries in the Revised Budget shall be arrived at by adding 5% of the total expenditure on salaries for the Months upto October or November, as the case may be, and at the same rates for the remaining months of the current year.
2. For Budget proposals, the expenditure on salaries shall be arrived at by adding 5% to the total expenditure and also provision for addition of one increment and Dearness Allowance to each employee.
3. Besides the expenditure on Salaries, provision for Commissioner's pay and allowances, TA and his Pensionary contribution at 11.5% p.m. on the maximum of the Time Scale; and in respect of APMMSS establishment, Leave Salary contribution at 12.5% p.m. on their pay shall also be included.
4. Provision shall be made for all anticipated special Government Grants and works to be executed from out of the said grants. In case it is considered that the works cannot be executed during the year, the surplus amount may be invested in short term deposits

under “Other Investments – Fixed Deposits with Banks”.

5. Provision shall be made for exhibiting all deductions effected in pay / work bills meant for remittance to other authorities as remittances to different authorities on payment side. Similarly, the Library Cess collections shall be shown as receipts at the time of realisation and as expenditure on Payment side at the time of remittance to Zilla Grandhalaya Samstha Funds.
6. Provision shall be made for completion of all Spill Over Works, Maintenance Works, important and urgent contingent expenditure like Street Lighting Charges, Maintenance of Public Health, Lighting, Water Supply, Schools etc., For all obligatory expenditure such as Law Charges, Court Decrees, Repayment of loan installments, Election expenditure and the like, due provision shall be made.
7. After providing the expenditure for all obligatory items as specified above, the balance available can be apportioned towards capital works (development works) like Roads, Drains, Water supply, Lighting etc., as mentioned in G.O.Ms.No 157 MA dated 8-4-1986.
8. Finally, it should be ensured that the working balance should not be less than 5% of the total Receipts excluding Govt. Grants, Loans, Deposits, Advances and Endowments.

Budget Monitoring / Budgetary Control

3.17 Budget monitoring is a day-to-day exercise to achieve the objectives enumerated in the Budget. The detailed budget monitoring process flow and explanation is given below.



- No expenditure can be incurred unless backed by a Budget.
- Any expenditure, prior to its being incurred, must be identified to its Fund, Function, Major Head, Minor Head & Detailed Head for fund allocation.
- Any additional budgetary grant/allocation would be as per rules and it should not result in change of closing fund balance as arrived in budget.
- Budgetary Control is Financial Planning of receipts and payments and financial control over actuals vis-a-vis budgeted amounts that would enable optimal cash planning.

3.18 In order to achieve these objectives, budgetary control has to be exercised by adopting the following measures:

- 1 Maintenance of Budget Watch Register;
- 2 Identification of Budget head at the time of incurring the expenditure;
- 3 Analysis of variances on monthly basis; and
- 4 Management of overruns, if any.

Budget Watch Register

3.19 The Budget Watch Register shall be maintained by not only the Accounts Section but also by concerned Sections. While the individual entries in the Budget Watch Register are to be made by the concerned staff in the Accounts Section, it is the responsibility of the Head of the Accounts Section to ensure that the Budget Watch Register is maintained upto date by posting all the entries therein.

3.20 After the Corporation/Council approves the Budget, the Budget allocations under different heads are posted Section-wise in the Budget Watch Register. The Budget Watch Register enables the ULB to capture budget proposals for each budget head and function. It monitors actual expenditure as and when bills are admitted against the sanctioned proposals.

3.21 As and when a work is taken up or whenever a payment is to be made for establishment and administrative expenses, the Budget allocation shall be verified by the Finance / Accounts Section. If the expenditure is within the budgetary allocation, the bill will be admitted, after making an entry in the Budget Watch Register. If the expenditure is beyond the budgetary allocation, the bill will not be admitted, unless there is re-appropriation of the budgetary allocation with the approval of the Council/concerned authority. Thus a bill is admitted only after ensuring that it is within the budgetary allocation.

3.22 At any point of time, the Budget Watch Register will indicate the budgetary allocation, the cumulative payments made till that date under the relevant Budget head and the balance available under the relevant Budget head.

The format for Budget Watch Register is given in the Appendix 3.1.

Variance Analysis

- 3.23 The expenditure, both revenue and capital, can be controlled to a great extent by using the Budget Watch Register. Further, some of the items of expenditure relate to the level of activity, though expressed in absolute figures in the Budget, the expenditure may, still be incurred, though there is shortfall in the level of activity. Such co-relation of the expenditure with the level of activity may not be feasible on day-to-day basis, through the Budget Watch Register. Hence, budgetary control has to be exercised by analyzing the variance between actual and budgeted receipts and payments.
- 3.24 The variance analysis report shall be prepared at the end of every quarter and submitted to the Standing Committee/Council. The format for the variance analysis report is given in the Appendix 3.2. This report will highlight the variances between the actual and budgeted revenue receipts and payments.
- 3.25 In addition to the variance report on revenue receipts and payments, every ULB shall also prepare a Revenue Trend Analysis Report on monthly basis and place it before the Standing Committee/Council. The format for the Revenue Trend Analysis Report is given in the Appendix 3.3. This report will highlight the trend in the actual revenue generation under various Budget Heads.
- 3.26 In order to ascertain the position relating to the Capital and Maintenance Works, every ULB shall also prepare a Ward-wise Works Liability Summary Report and place it before the Standing Committee/Council. The format for this Report is given in the Appendix 3.4. This report will highlight the status of the pending bills on works ward-wise.

Overruns

- 3.27 In the event of overruns in the expenditure on capital account or revenue account, the ULB shall revise its Budget estimate and place it before the Corporation/Council for its approval along with the Budget for the next financial year. However, should there be any need for re-appropriation from one head to another; the ULB shall do so with the approval of the Competent Authority/Council, provided there is no reduction in the working balance or closing cash balance. Such changes shall also be intimated to the Auditor.

APPENDIX 3.1**BUDGET WATCH REGISTER**For the Financial year ended on 31st March, 200_

Name of the ULB

Budget Head:

Budget Code:

Budget Description:

Function:

Circle :

Ward :

Rs.

		I Quarter	II Quarter	III Quarter	IV Quarter			
Budget Release								
Amount Expended								
Surplus/(Deficit) for The Quarter								
Cumulative Surplus/ (Deficit) for the financial Year								
Sl. No.	Date	Particulars	Sanction Order No. & Date	Amount Sanctioned Rs.	Balance Rs.	JVNo. Date	Initial	
							Posted by	Verified by

Notes:

1. Separate sheet should be used for each Budget head.
2. Separate registers may be maintained for each Section.
3. The entries under the head "Budget Release" shall be made after the approval of the Budget.
4. The amount released for payment shall be entered as soon as the bill is sent for payment. The payment details shall be entered in the register after the payment is released.
5. No payment shall be released, if there is no balance left under the Budget Head.

APPENDIX 3.2**VARIANCE ANALYSIS REPORT ON REVENUE BUDGET**

For the Quarter ended June/September/December/March, 200_

Name of the ULB:

In Rs.

Code No.	Head of Account	Budget Estimate	Progressive total at the end of each quarter			
			Q 1	Q 2	Q 3	Q 4
1	2	3	4	5	6	7
	Revenue Receipts					
110	Tax Revenue					
120	Assigned Revenues and Compensations					
130	Rental Income from Municipal Properties					
140	Fees and User Charges					
150	Sale and Hire Charges					
160	Revenue Grants, Contributions and Subsidies					
170	Income from Investments – General Fund					
171	Income from Investments – Other Funds					
180	Interest Earned					
190	Other Income					
	Total Revenue Receipts					
	Revenue Expenditure					
210	Establishment Expenses					
220	Administrative Expenses					
230	Operational & Maintenance Expenses					
240	Interest and Finance Charges					
250	Programme Expenses					
260	Revenue Grants, Contributions and Subsidies					
270	Provisions & Write offs					
271	Miscellaneous Expenses					
272	Depreciation					
	Total Revenue Expenditure					
	Revenue Surplus/ (Deficit)					

Note: This report shall be placed before the Standing Committee/ Council at the end of every quarter.

APPENDIX 3.3

REVENUE TREND ANALYSIS REPORT

For the year ended 31st March, 200 _

Name of ULB

Code	Revenue	Apr	May	Jun	Jul	Aug	sep	Oct	Nov	Dec	Jan	Feb	Mar	Total of current year	Total of previous year	Absolute increase or decrease	Percentage increase or decrease
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18
110	Tax Revenue																
120	Assigned revenues and compensations																
130	Rental income from municipal properties																
140	Fees and user charges																
150	Sale and hire charges																
160	Revenue grants, contributions and subsidies																
170	Income from investments																
171	Interest earned																
180	Other income																
	Total																

Annexure - 1

Function Codes

Function Group Code		Function Group Code Description	
Function		Sub Function	
Code	Description	Code	Description
	00	General	Administration
01	Municipal Body	0101	General Body
		0102	Ward & Standing Committee
		0103	Secretariat
02	Administration	0201	General Administration
		0202	Public Relations
		0203	Information Technology
		0204	Legal
		0205	Vigilance
03	Finance, Accounts, Audit	0301	Finance & Accounts
		0302	Pre-Audit
04	Election	0401	Local Body Elections
		0402	MP/MLA Elections
05	Record Room	0500	Record Room
06	Estate	0600	Estate
07	Stores & Purchase	0701	Purchase
		0702	Stores
08	Workshop	0800	Workshop
09	Census	0900	Census
	10	Planning & Regulations	
11	City and Town Planning	1100	City and Town Planning
12	Building Regulation	1200	Building Regulation
13	Economic Planning	1300	Economic Planning
14	Encroachment Removal	1400	Encroachment Removal
15	Trade License / Regulations	1500	Trade License / Regulations
	20	Public Works	
21	Roads and Pavement	2100	Roads and Pavement
22	Bridges and Fly-overs	2200	Bridges and Fly-overs
23	Subways & Causeways	2300	Subways & Causeways
24	Street Lighting	2400	Street Lighting
25	Storm water Drains	2500	Storm water Drains
26	Traffic Signals	2600	Traffic Signals
27	Guest Houses	2700	Guest Houses
	30	Health	
31	Public Health	3100	Public Health
32	Epidemic / Prevention Control	3200	Epidemic / Prevention Control

Function Group Code		Function Group Code Description	
Function		Sub Function	
Code	Description	Code	Description
33	Family Planning	3300	Family Planning
34	Primary Health Care	3400	Primary Health Care
35	Hospital Services	3500	Hospital Services
36	Burial and Cremations	3600	Burial and Cremations
37	Vital Statistics	3700	Vital Statistics
38	Prevention of Food Adulteration	3800	Prevention of Food Adulteration
39	Ambulance / Hearse Services	3900	Ambulance / Hearse Services
	40	Sanitation and Solid Waste Management	
41	Solid Waste Management	4100	Solid Waste Management
42	Public Convenience	4200	Public Convenience
43	Veterinary Services	4300	Veterinary Services
44	Cattle Pounding	4400	Cattle Pounding
45	Slaughter Houses	4500	Slaughter Houses
	50	Civic Amenities	
51	Water Supply	5100	Water Supply
52	Sewerage	5200	Sewerage
53	Fire Services	5300	Fire Services
54	Arts & Culture	5400	Arts & Culture
55	Community / Marriage Centers	5500	Community / Marriage Centers
56	Amusement	5600	Amusement
57	Museums	5700	Museums
58	Municipal Markets	5800	Municipal Markets
	60	Urban Forestry	
61	Parks, Gardens	6100	Parks, Gardens
62	Play Grounds	6200	Play Grounds
63	Lakes and Ponds	6300	Lakes and Ponds
64	Urban Forestry	6400	Urban Forestry
65	Environment Conservation	6500	Environment Conservation
66	Zoos	6600	Zoos
	70	Urban Poverty Alleviation & Social Welfare	
71	Welfare of Women	7100	Welfare of Women
72	Welfare of Children	7200	Welfare of Children
73	Welfare of Aged	7300	Welfare of Aged
74	Welfare of Handicapped	7400	Welfare of Handicapped
75	Welfare of SC/ST/OBC	7500	Welfare of SC/ST/OBC
76	Slum Improvements	7600	Slum Improvements
77	Housing	7700	Housing
78	Urban Poverty Alleviation	7800	Urban Poverty Alleviation

Function Group Code		Function Group Code Description	
Function		Sub Function	
Code	Description	Code	Description
79	Others	7900	Others
	80	Other Services	
81	Electricity	8100	Electricity
82	Education	8201	Primary Education
83	Transportation	8300	Transportation
84	Facility for pilgrims	8400	Facility for pilgrims
	90	Revenues	
91	Property Taxes	9100	Property Taxes
92	Octroi / Entry Cess	9200	Octroi / Entry Cess
93	Advertisement Tax	9300	Advertisement Tax
94	Professional Tax	9400	Professional Tax
95	Tax on Animals	9500	Tax on Animals
96	Tax on Vehicles	9600	Tax on Vehicles
97	Toll	9700	Toll
99	Other Taxes	9900	Other Taxes

Name of the ULB _____

Budget Estimate Working Sheet

Name of the Fund: _____

Name of the Functionary: _____

Name of the Function: _____

Name of the Sub-Function _____

Budgeting Year: _____

Locality	Account Head				Budget Estimates for Next Year					
	Major	Minor	Detailed	Description	Particulars, Basis & Calculations of Estimates	Category	UOM	Quantity	Rate Rs.	Amount Rs.
1	2	3	4	5	6	7	8	9	10	11

Name of the ULB _____

Budget Estimate Working Sheet for Establishment Expenses

Name of the Fund: _____

Major Head Code 170 / 210

Name of the Functionary: _____

Minor Head

Detailed Head

Locality	Employee Name	Category	Actual for Month/ Annum Rs.	Estimated Increase % age or Rs.	Estimate for the Period Rs.	Annualize Factor	Budget Estimates Rs.
1	2	3	4	5	6	7	8

Name of the ULB _____

Budget Estimate Working Sheet for Interest/Financial Charges

Name of the Fund: _____

Major Head Code 240

Name of the Functionary: _____

Minor Head _____

Detailed Head _____

Particulars of Borrowings/Financia	Scheme/	Amount of	Period	Rate of	Budget Estimates
1	2	3	4	5	6

Name of the ULB _____

Budget Estimation Sheet

Name of the Fund: _____

Name of the Functionary: _____

Name of the Function: _____

Name of the Sub-Function _____

Field	Head of Account – Description of Item*	Actual for the previous year Rs.	Budget Estimates for the current year Rs.	Actual for the 1 st half of Current Year Rs.	Revised Estimates for the current year Rs.	Budget Estimates Rs.
1	2	3	4	5	6	7
	REVENUES					
Ward 1	Tax Revenues					
	Property & Other Taxes					
	Water Taxes					
	” ” ” ”					
	” ” ” ”					
	” ” ” ”					
	Sub-total (Tax Revenues)					
Ward 1	Fees & User Charges					
	License Fees					
	Advertisement Taxes					
	” ” ” ”					
	” ” ” ”					
	Sub-total (Fees & User Charges)					
Ward 1	Interest Income					

Field	Head of Account – Description of Item*	Actual for the previous year Rs.	Budget Estimates for the current year Rs.	Actual for the 1 st half of Current Year Rs.	Revised Estimates for the current year Rs.	Budget Estimates Rs.
1	2	3	4	5	6	7
	Interest from Bank Deposits					
	Interest from Post Office Deposits					
	” ” ” ”					
	” ” ” ”					
	Sub-total (Interest Income)					
	TOTAL REVENUE RECEIPTS					
	<u>EXPENDITURES</u>					
	<u>Establishment Expenses</u>					
Ward 1	Salaries & Wages					
	Pension expenses					
	” ” ” ”					
	” ” ” ”					
	Sub-total (Establishment Expenses)					
	<u>Operations & Maintenance</u>					
Ward 1	Repairs & Maintenance – Roads					
	Repairs & Maintenance - Buildings					
	” ” ” ”					
	” ” ” ”					
	Sub-total (Operations & Maintenance)					
	TOTAL REVENUE EXPENDITURE					
	<u>CAPITAL RECEIPTS</u>					
Ward 1	<u>Loans</u>					
	Loans from State Govt					

Field	Head of Account – Description of Item*	Actual for the previous year Rs.	Budget Estimates for the current year Rs.	Actual for the 1 st half of Current Year Rs.	Revised Estimates for the current year Rs.	Budget Estimates Rs.
1	2	3	4	5	6	7
	” ” ” ”					
	” ” ” ”					
	Sub-total (Loans)					
	<u>Deposit works</u>					
	Deposit works received					
	Sub-total (Deposit Works)					
	<u>Deposits and Advances</u>					
	Security Deposits					
	” ” ” ”					
	” ” ” ”					
	Sub-total (Deposits)					
	TOTAL CAPITAL RECEIPTS					
	<u>CAPITAL EXPENDITURE</u>					
Ward 1	Fixed Assets					
	Purchase of Fixed Assets					
	Capital Work in progress					
	” ” ” ”					
	Sub-total (Fixed Assets)					
Ward 1	Investments					
	Investment in Government Securities					
	Investment in Non- Govt Securities					

Field	Head of Account – Description of	Actual for the	Budget Estimates for the current	Actual for the 1 st half of	Revised Estimates for the current	Budget Estimates
1	2	3	4	5	6	7
					
	Sub-total (Investments)					
Ward 1	Loans and Advances					
	Loans to Employees					
	Loans to Others					
	Miscellaneous Advances					
					
					
	Sub-total (Loans & Advances)					
	TOTAL CAPITAL EXPENDITURE					

** Similar to the above, the budget estimation shall be obtained for all the Major, Minor and detailed account heads for each of the wards, functions and functionaries.*

Name of the ULB _____

Budget Estimate Consolidation sheet

Budgeting Year: _____

Function	Functionary	Field	Head of Account – Description of Item	Actual for the previous year Rs.	Budget Estimates for the current year Rs.	Revised Estimates for the current year Rs.	Budget Estimates for the next year Rs.
1	2	3	4	5	6	7	8

Consolidation shall be made for every item of detailed heads of account.

Name of the ULB _____

Summary of Budget for the period _____

Sr. No. _____

Particulars	Actual for the previous year Rs.	Budget Estimates for the current year Rs.	Revised Estimates for the current year Rs.	Budget Estimates for the next year Rs.
1	2	3	4	5
Opening Balance*				
Add:				
Revenue Receipts				
Capital Receipts				
Less:				
Revenue expenditure				
Capital Expenditure				
Closing Balance *				

* Balances denote cash and bank balance.

Name of the ULB _____

Major Account Head Wise Budget

For the period _____

S No	Particulars	Code	Actual for the previous year Rs.	Budget Estimates for the current year Rs.	Revised Estimates for the current year Rs.	Budget Estimates for the next year Rs.
1	2	3	4	5	6	7
	REVENUE RECEIPTS					
	Tax Revenue	110				
	Assigned Revenues and Compensation	120				
	Rental Income - Municipal Properties	130				
	Fees and User Charges	140				
	Sale and Hire Charges	150				
	Revenue Grants, Contributions and Subsidies	160				
	Income from Investments	170				
	Interest Earned	171				
	Other Income	180				
	Total					
	REVENUE EXPENDITURE					
	Establishment Expenses	210				
	Administrative Expenses	220				
	Operations and Maintenance	230				
	Interest and Finance Charges	240				

S No	Particulars	Code	Actual for the previous year Rs.	Budget Estimates for the current year Rs.	Revised Estimates for the current year Rs.	Budget Estimates for the next year Rs.
1	2	3	4	5	6	7
	Programme Expenses	250				
	Revenue Grants, Contributions and Subsidies	260				
	Miscellaneous Expenses	271				
	Prior Period Item	280				
	Total					
	CAPITAL RECEIPTS					
	Grants, Contributions for Specific purposes	320				
	Secured Loans	330				
	Unsecured Loans	331				
	Deposits Received	340				
	Deposit Works	341				
	Other Liabilities	350				
	Total					
	CAPITAL EXPENDITURE					
	Fixed Assets	410				
	Capital Work in Progress	412				
	Investments – General Fund	420				
	Investments – Other Funds	421				
	Stock in hand	430				
	Prepaid Expenses	440				
	Loans, advances and deposits	460				
	Other Assets	470				
	Total					

Name of the ULB _____

Major Account Head Wise Budget

For the period _____

S No	Function Particulars	Code	Revenue Receipt Rs.	Revenue Expenses Rs.	Capital Receipts Rs.	Capital Expenditure Rs.	Net Inflow/ (Outflow) Rs.
1	2	3	4	5	6	7	8
	General & Administration	00					
	Planning & Regulations	10					
	Public Works	20					
	Health	30					
	Sanitation & Solid Waste Management	40					
	Civic Amenities	50					
	Urban Forestry	60					
	Urban Poverty Alleviation & Social Welfare	70					
	Other Services	80					
	Revenues	90					
	Total*						

*The total of columns 4 to 7 shall be tallied with those in Form BUD - 3

Name of the ULB _____

Summary of Field Wise Budget for the period _____

Sr. No. _____

S No	Function	Code	Revenue Receipt Rs.	Revenue Expenses Rs.	Capital Receipts Rs.	Capital Expenditure Rs.	Net Inflow/ (Outflow) Rs.
1	2	3	4	5	6	7	8
	Field 1						
	Field 2						
	Field 3						
						
						
	Ward n						
	Total *						

Note: Field could be lowest level at which ULB likes to budget. Ideally this should be done at the ward level.

*The total of columns 4 to 7 shall be tallied with those in Form BUD - 3.

Name of the ULB _____

**Summary of Function Wise Budget
For the period _____**

							Sr. No.
S No	Function	Code	Revenue Receipt Rs.	Revenue Expenses Rs.	Capital Receipts Rs.	Capital Expenditure Rs.	Net Inflow/ (Outflow) Rs.
1	2	3	4	5	6	7	8 (4+6)-(5+7)
1	Municipal Body	1					
2	Estate & Central Records	5					
3	Stores	6					
4						
5						
6							
7							
8							
9							
10	'' '' '' ''						
11	'' '' '' ''						
12	'' '' '' ''						
13	Others*	93					
	Total**						

*All the functions carried out by the ULBs shall be captured in the format given above.

**The total of columns 4 to 7 shall be tallied with those in Form BUD - 3.

Name of the ULB _____

Quarterly Budget Variance Report

For the period from _____ to _____

Code No.	Head of Account	Budget Estimate (Rs.)	Progressive Total at the end of each quarter Rs.				Variance Rs.	Remark
			Qtr. 1	Qtr. 2	Qtr. 3	Total		
1	2	3	4	5	6	7	8	9
	REVENUE RECEIPTS *							
110	Tax revenue							
120	Assigned Revenues & Compensation							
130	Rental income from Municipal Properties							
140	Fees & User charges							
150	Sale & Hire charges							
160	Revenue Grants, contribution & subsidies							
170	Income from Investments – General Fund							
170	Income from Investments – Other Funds							
171	Interest earned							
180	Other income							
	Any other revenue receipts [specify]							
	Sub-total							
	REVENUE EXPENDITURE *							
210	Establishment Expenses							
220	Administrative Expenses							
230	Operations & Maintenance							
240	Interest & Finance charges							
250	Programme Expenses							
260	Revenue Grants, contribution & subsidies							
271	Miscellaneous Expenses							
	Any other revenue payments [specify]							
	Sub-total							

* Similarly, the variances for Capital receipts and expenditures shall also be computed on a periodic basis.

Name of the ULB _____

Name of the Section _____

Statement of Receivables for the month of _____

(To be forming part of Monthly Accounts)

Code No.	Head of Account / Item	Receivables at the start of the month	Demand raised	Actual receipts during the month	Receivables at the end of the month
1	2	3	4	5	6
431-10	<u>Property Taxes</u>				
431-10-(a)	Property Taxes				
431-10-(a)	Others*				
	Sub-total				
431-19	<u>Other Taxes</u>				
431-19-(a)	Water Supply				
431-19-(a)	Sewerage Tax				
431-19-(a)	Professional Tax [wherever on demand]				
431-19-(a)	Others*				
	Sub-total				
431-20	<u>Cess Income</u>				
431-30	<u>Fees & User Charges</u>				
431-30-(a)	License Fees				
431-30-(a)	Development Charges				
431-30-(a)	Others*				
	Sub-total				

Code No.	Head of Account / Item	Receivables at the start of the month	Demand raised	Actual receipts during the month	Receivables at the end of the month
1	2	3	4	5	6
431-40	<u>Other Sources</u>				
431-40-(a)	Rental Income				
431-40-(a)	Interest Accrued and due				
431-40-(a)	Interest Accrued and not due				
431-40-(a)	Others*				
	Sub-total				
431-50	<u>Government</u>				
431-50-(a)	Grants				
431-50-(a)	Assigned Revenues				
431-50-(a)	Others*				
	Sub-total				
	Grant Total of Receivables				

(a) Insert Detailed Head Codes of Account as applicable

* Specify tax or other revenue accounts as applicable

Name of the ULB _____

Name of the Section _____

Statement of Payables for the month of _____

(To be forming part of Monthly Accounts)

Rs.

Code No.	Head of Account / Item	Payables at the start of the month	Bills raised	Actual payments during the month	Payables at the end of the month
1	2	3	4	5	6
350-10	<u>Creditors</u>				
350-10-(a)	Suppliers				
350-10-(a)	Contractors				
350-10-(a)	Payable against Grants				
350-10-(a)	Others*				
	Sub-total				
350-11	<u>Employee Liabilities</u>				
350-11-(a)	Gross Salary				
350-11-(a)	Pension				
350-11-(a)	Others*				
	Sub-total				
350-20	<u>Recoveries Payable</u>				
350-20-(a)	TDS				
350-20-(a)	Works Tax				
350-20-(a)	Others*				
	Sub-total				
350-40	<u>Refunds Payable</u>				
350-40-(a)	Taxes				
350-40-(a)	Others*				
	Sub-total				
350-41	<u>Advance Collection Of Revenues</u>				
350-41-(a)	Taxes				
350-41-(a)	Others*				
	Sub-total				
	Grant total of Payables				

(a) Insert Detailed Head Codes of Account as applicable * Specify tax or other payable accounts as applicable

Name of the ULB _____

Ward wise Works Liability Summary Report
For the year _____

Ward No.	Opening Balance		Current year		Total		Paid during the current year		Balance		Remarks
	No. of pending bills	Amount Rs.	No. of pending bills	Amount Rs.	No. of pending bills	Amount Rs.	No. of pending bills	Amount Rs.	No. of pending bills	Amount Rs.	
1	2	3	4	5	6	7	8	9	10	11	12
1											
2											
3											
4											
Total											

Name of the ULB _____

Revenue Trend Analysis
For the year ending _____

Code No.	Revenue	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Total of the current year	Total of the previous	Absolute increase	%age increase or
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18
110	Tax revenue																
120	Assigned Revenues & Compensation																
130	Rental income from Municipal Properties																
140	Fees & User charges																
150	Sale & Hire Charges																
160	Revenue Grants, contributions & subsidies																
170	Income from Investments – General Fund																
170	Income from Investments – Other Funds																
171	Interest earned																
180	Other income																
	Total																