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SIKKIM MUNICIPAL
FINANCIAL RULES

2018

THE SIKKIM MUNICIPAL FINANCIAL RULES, 2018

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THE SIKKIM MUNICIPAL FINANCIAL RULES, 2018

In exercise of the power conferred by section 364 (1) of the Sikkim Municipalities Act, 2007 , the Governor of Sikkim hereby makes, the following rules to provide a framework within which Municipality manages its business in a financially prudent manner and to promote simplicity and transparency in its financial system and procedures without compromising its flexibility to deal with varied situations.

CHAPTER I

INTRODUCTION

1. Short title and commencement :

- (1) These rules may be called the Sikkim Municipal Financial Rules, 2018.
- (2) They shall come into force at once.

2. Definition :

In these rules, unless the context otherwise requires -

- (i) "The Act" means The Sikkim Municipalities Act, 2007;
Note certain sections of the Act relevant to these rules are given in Appendix v
- (ii) The word "Municipality" shall have the same meaning under Section 2(49) of the Act.
- (iii) The word "Auditor" shall have same meaning under Section 60(1) of the Act.
- (iv) "Accountant General" means the head of the office of audit and accounts subordinate to the Comptroller and Auditor General of India who keeps the accounts of the state and exercises audit functions in relation to those accounts;
- (v) "Administrative approval" means the formal acceptance by the Competent Authority of the proposals for incurring any expenditure on a work initiated by or connected with the requirement of Municipality. It is, in effect, an order to execute certain specified works at a stated sum to meet the administrative needs of the Municipality requiring the work.

- (vi) “Advance payment” means
 - (a) a payment made on a running account to a contractor for work done but not measured;
 - (b) payment of other advance by the Municipality as specified in the subordinate rules;
- (vii) “Appropriation” means the assignments, to meet specified expenditure, or funds included in a primary unit of appropriation;
- (viii) “Bank” means the State Bank of Sikkim, State Co-operative Bank or any other nationalised bank carrying out operations in Sikkim;
- (ix) “Competent Authority” means the Municipality or any other authority to which the relevant powers may be delegated by the Municipality;
- (x) “Comptroller and Auditor General” means the Comptroller and Auditor General of India;
- (xi) “Drawing and Disbursing Officer” means any responsible officer declared as such by the head of office to draw bills and make payments on behalf of the Municipality;
- (xii) “Final Payment” means the last payment on a running account made to a contractor in full settlement of the account relating to his contract when the contract has been completed or determined;
- (xiii) “Financial year” means the year beginning on the 1st of April and ending on the 31st of March following;
- (xiv) “Government” means the Government of Sikkim;
- (xv) “Governor” means the Governor of Sikkim;
- (xvi) “Head of the office” means the Chief Municipal Officer under Section 2(17) of the Act;
- (xvii) “Municipal Account Committee” means a Municipal Accounts Committee constituted under Section 67 of Act.
- (xviii) “Non recurring expenditure” means expenditure sanctioned as a lump sum charge, whether the money be paid as a lump sum or by installments;

- (xix) "Public Works' means civil works including electricity and irrigation, embankment and drainage works;
 - (xx) "Re-appropriation" means the transfer of funds from one primary unit of appropriation to another such unit;
 - (xxi) "Recurring expenditure" means the expenditure which is incurred at periodical intervals for the same purpose;
 - (xxii) "Section" means the section of the Act;
3. Words and expressions used in these rules but not otherwise defined shall have the same meaning as in the Act.
4. In all matters not expressly provided for by these rules, the rules, forms, registers and returns prescribed in the Sikkim Municipal Accounting Manual, or in force for the time being under the orders of the Government or other competent authority, shall, in so far as they are consistent with these rules and with the Act, apply to the accounts of the municipality.

CHAPTER II

GENERAL SYSTEM OF FINANCIAL MANAGEMENT AND CONTROL

I. Receipt and Crediting of Money

5. (1) All moneys received by or deposited with any authorised officer of the Municipality employed in connection with the affair of the Municipality shall be brought into Municipal Account without delay and it should be credited into the bank .
- (2) Municipality may open and operate a separate bank account
- i. for grants and other financial assistance from Government for specific purposes,
 - ii. for funds raised by loans or contribution for special purpose,
 - iii. for funds received for implementation of any centrally sponsored scheme,
 - iv. for funds held as provident fund,
 - v. deposit receipts on account of security deposits from contractors and private individuals, deposits for works to be done.

6. Funds held by the Municipality as Provident Fund deposits, shall on no account be used by the Municipality for any other purpose.
7. Funds raised by loans or contributions for special purposes and grants-in-aid received for specific purposes shall not be used by the Municipality for any other purpose except with the sanction of the State Government.
8. The head of account to which such moneys shall be credited and the withdrawal of money there from shall be governed by Chart of Accounts and the Codification Structure recommended by the National Municipal Accounting Manual issued by the Government of India, Ministry of Urban Development.

II. Expenditure and Payment of Moneys

9. Essential conditions governing expenditure from Municipal funds -
No authority may incur any expenditure or enter into any liability involving expenditure or transfer of money for investment or deposit from Municipal Fund unless such expenditure or transfer, as the case may be, has been sanctioned by general or special orders of Municipality or by any authority to which power has been duly delegated in this behalf.
10. The mere inclusion of an item in the budget does not constitute an authority of incurring expenditure on the particular item. Prior specific sanction of the competent authority is necessary in each case before any expenditure is incurred or commitment of a liability is made.
11. The charge in respect of a single item of expenditure may not be split up so as to bring each part within the competence of an authority to whom powers of sanction have been delegated. Every part or instalment of the scheme requires the approval of such authority who alone may be competent to sanction the scheme as a whole, unless such powers are specifically delegated in any case.
12. Even if a particular scheme may have been approved and funds provided in the sanctioned budget, expenditure on different items of any scheme, like appointment of staff, purchase of stores, contingencies etc., can be incurred only with the specific sanction of the authority competent to sanction such appointments, purchase, contingencies etc.
13. Standards of financial propriety - Every officer incurring or authorizing expenditure from public moneys should be guided by high standard of financial propriety. Every officer should also enforce financial order and strict economy at every step and see that all relevant financial rules and regulations are observed by his own office and by subordinate disbursing officers. Among the principles on which emphasis is generally laid are the following:-

(i) Every officer is expected to exercise the same vigilance in respect of expenditure incurred from public money as a person of ordinary prudence would exercise in respect of expenditure of his own money.

(ii) The expenditure should not be prima facie more than the occasion demands.

(iii) No authority should exercise its powers of sanctioning expenditure to pass an order which will be directly or indirectly to its own advantage.

(iv) Expenditure from public money should not be incurred for the benefit of a particular person or a section of the people, unless

(1) a claim for the amount could be enforced in a court of law; or

(2) the expenditure is in pursuance of a recognised policy or custom.

(v) The amount of allowances granted to meet expenditure of a particular type should be so regulated that the allowances are not on the whole a source of profit to the recipients.

(vi) The responsibility and accountability of every authority delegated with financial powers to procure any items or service on Municipal account is total and indivisible. Municipality expects that the authority concerned will have the public interest uppermost in its mind while making a procurement decision. This responsibility is not discharged merely by the selection of the cheapest offer but must conform to the following yardsticks of financial propriety:

(1) Whether the offers have been invited in accordance with governing rules and after following a fair and reasonable procedure in the prevailing circumstances.

(2) Whether the authority is satisfied that the selected offer will adequately meet the requirement for which it is being procured.

(3) Whether the price on offer is reasonable and consistent with the quality required.

(4) Above all, whether the offer being accepted is the most appropriate one taking all relevant factors into account and in keeping with the standards of financial propriety.

(vii) Wherever called for, the concerned authority must place on record in precise terms, the considerations which weighed with it while taking the procurement decision.

14. A Head of Office shall see not only that the total expenditure is kept within the limits of the authorised grant or appropriation but also that the funds allotted to spending units are expended in the public interest and upon objects for which the money was provided.
15. In order to maintain proper control, the Head of Office should arrange to be kept informed not only of what has actually been spent from the grant or appropriation but also what commitments and liabilities have been and will be incurred against them. He must be in a position to assume before Municipality and the Municipal Accounts Committee, if necessary, complete responsibility for expenditure and to explain or to justify any instance of excess or financial irregularity that may be brought to notice as a result of audit scrutiny or otherwise.
16. In the discharge of his ultimate responsibility for the administration of a grant or appropriation, or a part thereof, placed at his disposal, Head of Office must satisfy himself not only that adequate provisions exist within his organisation for systematic internal checks calculated to prevent and detect errors and irregularities in the financial proceedings of his subordinate officers and to guard against waste and loss of public money and stores but also that the prescribed checks are effectively applied.

III. Duties as regards as maintenance of accounts

17. Every subordinate authority whose duty it is to prepare and render any accounts or returns in respect of public funds or stores shall be personally responsible for their completeness and strict accuracy and their dispatch within the prescribed date.
18. A subordinate authority who signs or countersigns a certificate shall be personally responsible for the facts certified to so far as it is his duty to know or to the extent to which he may reasonably be expected to be aware of them.
19. The fact that a certificate is printed is no justification for an officer signing it unless it represents the facts of the case. If in its printed form it does not represent the facts, it his duty to make necessary amendments which will call attention to the deviation and so to give the authority concerned the opportunity of deciding whether the amendments cover requirements.
20. Demand for information by Audit - A subordinate authority shall afford all reasonable facilities to the Accountant General and Auditor for the discharge of his functions and furnish fullest possible information required by him for the preparation of any official account or report.

21. A subordinate authority shall not withhold any information, books or other documents required by the Accountant General or Auditor.

Note:- If the information, books or other documents, or a part thereof, are of a secret nature, they should be sent by name to the Accountant General or Auditor and he will deal with them in accordance with standing instructions for handling and custody of such documents.

IV. Defalcations, Losses etc.

22. Report of losses –

(1) With the exception noted below, any loss or shortage of public money, municipal revenue or receipts, stamps, stores or other property held by, or on behalf of Municipality, caused by defalcations or otherwise including losses and shortages noticed as a result of physical verification, which is discovered in an office shall be immediately reported by the subordinate authority concerned to next higher authority as well as to the Accountant General and Auditor even when such loss has been made good by the party responsible for it.

(2) If the irregularity is detected by Audit in the first instance, the Accountant General or Auditor will report it immediately to the authority concerned.

Exception - Petty cases, that is, cases involving losses not exceeding ₹ 5000 each, need not be reported to the Accountant General and Auditor unless there are in any case, important features which merit detailed investigation and consideration.

23. The officer receiving a report submitted to him under rule 22 must forward it forthwith to head of office through usual channel with such comments as may be considered necessary. He should also submit a detailed report, after completing such investigations as may be necessary or expedient, on the causes or circumstances which led to the defalcation or loss, the step taken to prevent its recurrence and the disciplinary or any other action proposed as regards the person responsible. The mere fact that the loss has been made good by the party concerned is not enough to drop the matter or close the case.
24. Accidents - Any serious loss of immovable property, such as buildings, communications or other works, caused by fire, flood, cyclone, landslide, earthquake or any other natural cause, shall be reported at once by the officer concerned to the head of office and by the later to the Municipality. When a full enquiry as to the cause and extent of the loss has been made, the detailed report should be sent by the officer concerned to the head of office, a copy of the report being simultaneously forwarded to the Accountant General and Auditor.
- Note:-* All losses of immovable property such as buildings, communications etc, caused by fire, flood, landslide or any other natural cause, exceeding ₹ 25,000 in

value should be treated as serious. The term —value for this purpose should be interpreted as meaning the —book value. Losses not exceeding ₹ 25000 in value should, however, be reported to the head of the office; they need not be reported to the Municipality or the Accountant General and Auditor.

25. Sabotage - All cases of loss due to suspected sabotage or other criminal action endangering the security of the state shall be reported to the Police promptly irrespective of the value of the loss involved.
26. Responsibility for losses etc. –
 - (1) Every municipal employee should realize fully and clearly that he will be held personally responsible for any loss sustained by Municipality through negligence on his part in the discharge of his duties, direct or supervisory. Any fraud is also a criminal offence, liable to be dealt with accordingly.
 - (2) If, in the course of investigation any defects or deficiencies in the rules or procedures come to light, it shall be the duty of the office concerned to initiate remedial measures.

V. Contract Management

27. General principles-

- (1) No contract shall be entered into by any authority which has not been empowered to do so by the Municipality. The Municipality should be made a party to every contract of the Municipality.

- (2) The terms of contract must be precise and definite, and there must be no room for ambiguity or misconstruction therein.

- (3) Standard forms of contract should be adopted wherever possible, the terms to be subject to adequate prior scrutiny.

- (4) In cases where standard forms of contract are not used, legal and financial advice should be taken in the drafting of contracts and before they are finally entered into.

- (5) The terms of a contract once entered into should not be materially varied without the previous consent of the authority who had approved the contract who may take prior legal and financial advice.

- (6) No contract involving an uncertain or indefinite liability or any condition of an unusual character should be entered into without previous approval of the Municipality.

(7) Whenever practicable and advantageous, contracts should be placed only after tenders have been openly invited. Wherever a tender other than the lowest is to be accepted, the reasons therefore should be recorded and decisions taken only after such reasons have been accepted by the authority competent to approve the contract.

(8) In selecting the tender to be accepted the financial status of the individuals and firms tendering as also their performance in similar contracts must be taken into consideration in addition to all other relevant factors.

(9) Save in exceptional circumstances, no work of any kind should be commenced without prior execution of contract documents. Even in cases where a formal written contract is not made, no order for supplies etc., should be placed without at least a written agreement as to the price.

(10) Every contract should contain suitable penal provisions against any breach or non-fulfilment of the contract or any of its terms by the contractor. Any waiver of the prescribed penal consequences should be fully justified in writing and should have the prior approval of the authority competent to execute the contract.

(11) The question whether any tax, purchase tax, octroi and terminal taxes and other local taxes and duties are to be paid and if so, by which party, should be settled and cleared before entering into any contract involving transfer of immovable property whatever its nature.

(12) Where any material is to be supplied by Municipality for use in the contract work, the contract should contain a schedule specifying the quantities of such materials along with issue rates thereof and providing for payment, by the party concerned, of any sales or other taxes or duties that may be applicable to such supplies.

(13) Security should normally be taken for the due fulfilment of a contract exceeding certain monetary limit as may be prescribed by Municipality.

(14) No payments to contractors by way of compensation or otherwise outside the strict terms of the contract should be authorised without consultation with the Law Department and the prior approval of Municipality.

(15) Provision must be made in contracts for safeguarding Municipal property entrusted to a contractor.

(16) No relaxation of specifications agreed upon in a contract or relaxation of the terms of an agreement entered into by Municipality should be made without proper examination of the financial effect involved in such relaxation. The

interest of the public exchequer should be taken due care of before agreeing to any relaxation of agreement or contract.

(17) When a contract is likely to endure for a period of more than five years, it should wherever feasible, include a provision for unconditional power of revocation or cancellation at the discretion of the Municipality at any time after the expiry of reasonable notice to that effect. The period of notice should not normally be longer than six months.

(18) Copies of all contracts and agreement of value of rupees one lakh and above should be sent to the Accountant General.

28. Maintenance Contract:

Depending on the cost and nature of the goods purchased, Maintenance Contract for a period of not less than one year has to be signed between the Municipal Office and the Supplier/Manufacturer or any other competent and reliable Firm. The Maintenance Contract should be comprehensive so that the Maintenance Contract also covers the cost of spares replaced. It is to be ensured that the equipment or the machinery is to be maintained free of cost by the Manufacturer/Supplier till expiry of its Warranty Period.

29. Buy Back Offer:

The Competent Authority may accord approval to replace an existing old item(s) with a new and better version of equipment(s) in terms of Buy Back Offer received from a reputed Manufacturer of the equipment; the Municipal Office may trade the existing old item while purchasing the new one.

30. Procurement of Services:

Municipal Offices may hire external professionals, consultancy firms or consultants for a specific job which is well defined in terms of content and time frame for completion of a project or outsource certain services. The hiring of a consultant may be resorted to in situations requiring high quality services for which the requisite expertise is presently not available. Approval of the Competent Authority shall be obtained before engaging Consultants. The eligibility and prequalification criteria to be met by the Consultant shall be notified through advertisement published in local and national papers. On the basis of the responses received from the interested parties, name shall be short listed for consideration of the Competent Authority. Number of short listed consultants should not be less than 3(three) and the best shall be selected.

CHAPTER III

REVENUE AND RECEIPTS

I. General

31. (1) The head of every Municipal Office shall be responsible to ensure that all revenue, receipts or other sums due to Municipality are regularly and promptly assessed, realised and credited to Municipal account under the relevant head of account. He shall arrange to have the accounts of such receipts maintained in the prescribed forms. He shall obtain from his subordinate officers (monthly) returns detailing the dues, the realisation and the arrears, with which they are concerned, review these returns promptly and issue suitable directions to them to expedite the collections of the outstanding.
- (2) The Municipal receipts accounts should be compiled monthly from the original documents received in proof of the amount having been credited to Municipal account. Their correctness should be verified from the statements received from the bank.
- (3) Any amount due to Municipality shall not be left unrealised without sufficient reason. If any amount appears to be irrecoverable, orders of the competent authority should be obtained for enforcing or expediting the recovery or for their write off.
- (4) Every authority having the power to impose and realise a fine shall ensure that the same is realised promptly and credited to Municipal account. Proper accounts of fines levied and collected shall be maintained by the authorities concerned.
- (5) Detailed rules and procedure regarding assessment, collection, allocation, remission and abandonment of revenue shall be laid down in regulations of the Municipality responsible for the collection of revenue.

II. Remissions or abandonment of claims to revenue or other dues

32. No claims to revenue or other dues to Municipal account shall be remitted or abandoned without the sanction of the Municipality.

III. Refunds of Revenue

33. All sanctions to refund of revenue to which claimants may be entitled under the provisions of any law and/or rules made there under, or which may be made ex-

gratia, shall be regulated by the orders of the municipal authorities according to provisions of the municipal rules and orders contained in the municipal manuals etc. A copy of the sanction shall be endorsed to the Accountant General. The sanction should also be quoted in the bill.

34. The word refund will not include the cases where refund is made for excess deduction of loans from the individual's pay, refund of deposit made by individuals by way of Security Deposit, Earnest Money or refund of money which are deposited on the order of the Municipality.
35. The Establishment charges which will be deducted as per rates prescribed below will apply only in respect of refunds of wrong and irregular credits.
12 1/2 % on the first ₹ 500/-
7 1/2% on ₹ 501/- to ₹ 2,000/- and
3% above ₹ 2,000
36. Before a refund of revenue to which a claimant is either legally entitled or which is allowed ex-gratia, is made, the original demand or realisation, as the case may be, must be traced and a reference to the refund should be so recorded against the original entry in the cash book or other documents as to make a double or erroneous claim impossible. A certificate of such a note having been made must also be given in all vouchers for refund.
37. Remissions of revenue allowed before collection are to be treated as reduction of demands and not as refund.

CHAPTER IV

WITHDRAWAL OF MONEY FROM MUNICIPAL FUND

I. General Limitations

38. No money shall be drawn from the Bank unless it is required for immediate disbursement. It is not permissible to draw money from the Bank in anticipation of demands or to prevent the lapse of budget grants.

II. Mode of Withdrawal

39. Save as otherwise specifically ordered by Municipality, money may not be withdrawn from the Municipal Account except by presentation of bills.
40. When a person not in Municipal employment claims payment for work done, service rendered or articles supplied, such claims shall, unless there are express

orders to the contrary, be submitted through the responsible municipal officer under whose immediate order the service was done or equivalent was given for which payment is demanded.

41. Municipal officers may make such payments as are authorised to be paid out of permanent advances or imprests which they are permitted to hold under orders of competent authority subject to recoupment on presentation of bills.
42. General instructions regarding preparation and form of bills –
The following instructions with regard to preparation and form of bills shall be observed:-
 - (i) Printed forms of bills as far as possible in English should be adopted.
 - (ii) All bills must be filled in and signed in ink. The amount of each bill should, as far as whole rupees are concerned, be written in words as well as in figures
 - (iii) All corrections and alterations in the total of a bill whether made in words or figure, should be attested by the full signature with date of the drawing officer as many times as such corrections and alterations are made.
 - (iv) Erasures and overwriting in any bill should be avoided; if any correction be necessary, the incorrect entry should be cancelled neatly and the correct entry inserted. Each such correction or any interpolation deemed necessary should be authenticated by the drawing officer setting his full signature with date against each.
 - (v) The full accounts classification should be recorded on each bill by the drawing officer.
 - (vi) Charges against two or more heads should not be included in one bill.
 - (viii) When bills are presented on account of charges incurred under any special orders, the orders sanctioning the charges should be quoted. Copies of sanctions accompanying a bill should be duly certified by a responsible officer.
 - (ix) The space left blank either in the money column or in the columns for particulars of the bills should invariably be covered by oblique lines.
 - (x) In case of a bill passed by drawing officer but lost before payment, the officer who drew the original bill should ascertain whether the payment has not been made on it before he issues a duplicate thereof. The duplicate copy if issued must bear distinctly on its face the word duplicate written in red ink.

43. Stamps for receipt -Receipts for all sums exceeding ₹ 5000 must be stamped unless they are exempted from stamp duty.

Note: The limit of ₹ 5000 up-to which a receipt is not required to be stamped should be applied to the gross amount payable on a bill.

44. Specimen signature and other safeguards - Every officer who is authorised to draw cheques or sign or countersign bills payable at bank shall send a specimen of his signature to the bank through some superior or other officer whose specimen signature is already with the bank. When such an officer makes over charge of his office to another, he shall likewise send a specimen of the signature of the relieving officer to the bank.

III. Responsibility for Money Withdrawn

45. General - It is not sufficient that an officer's accounts should be correct to his own satisfaction. A disbursing officer has to satisfy not only himself, but also the Audit, that a claim which has been accepted is valid, that a voucher is a complete proof of the payment which it supports, and that an account is correct in all respects. It is necessary that all accounts should be so kept and the details so fully recorded as to afford the requisite means for satisfying any enquiry that may be made into the particulars of a case, even though such enquiry may be as to the economy or the bonafides of the transactions. It is further essential that the records of payment must be so clear and self-contained as to be producible as satisfactory and convincing evidence of facts, if required, in a court of law.

46. Vouchers in support of payments –

(1) A Municipal employee entrusted with the payment of money shall obtain for every payment he makes, a voucher setting forth full and clear particulars of the claim and all information necessary for its proper classification and identification in the accounts.

(2) Every voucher must bear, or have attached to it an acknowledgment of the payment signed by the person by whom, or on whose behalf, the claim is put forward. The acknowledgment should be taken at the time of payment.

(3) In all cases in which it is not possible or expedient to support a payment by a voucher or by the payee's receipt, a certificate of payment duly signed by the disbursing officer together with a note explaining the circumstances should invariably be kept on record.

Note 1 :- In the case of articles received by value-payable post, the value payable cover together with the invoice or bill showing the details of the items paid for, may be accepted as voucher. The disbursing officer should endorse a note on the

cover to the effect that the payment was made through the Post Office and this also covers the money order commission.

Note 2 :- Cash memoranda which do not contain an acknowledgment of the receipt of money from persons named therein cannot be accepted as receipt. Cash memoranda will not, therefore, be regarded as sub-vouchers unless they contain an acknowledgment of the receipts of money from the persons named therein or, in cases where this is not practicable, they are stamped —paid and initialled by the disbursing officer. The cash memoranda submitted in support of the claims for reimbursement of the cost of medicines purchased from the market under medical rules need not, however, be stamped or bear the suppliers acknowledgment.

(4) Every voucher must bear a pay order signed or initialled by the disbursing officer, specifying the amount payable, both in words and figures. All pay orders must be signed by hand and in ink.

(5) All paid vouchers must be stamped —paid so that they cannot be used a second time.

47. First payment of pay, allowances etc. - When a Municipal employee presents his pay bill for the first time or when the name of a Municipal employee servant appears for the first time in an establishment bill, the bill shall be supported by a last pay certificate in the prescribed form; or if he did not previously hold any post under the Municipality, a certificate of fitness from an appropriate medical authority in the prescribed form must accompany the bill.
48. Payment on quitting the service - The last payment of pay or allowances shall not be made to, or in respect of a Municipal employee finally quitting the service of the Municipality by retirement, resignation, dismissal, death or otherwise or placed under suspension until the disbursing officer has satisfied himself, by reference to his own records and other sources, that there are no demands outstanding against him.
49. Death of a payee - Pay and allowances can be drawn for the day of the man's death; the hour at which death takes place has no effect on the claim.

Note —Day for the purpose of this rule should mean a calendar day beginning and ending at midnight.

50. Arrear bill - Arrears of pay, fixed allowance or leave salary shall be drawn not in the ordinary monthly bill, but in a separate bill the amount claimed for each month being entered separately with quotation of the number and date together with date of encashment of the bill from which the charge was omitted or withheld or on which it was refunded by deduction, or of any special order of competent authority granting a new allowance or an increase in pay. A note of

the arrear bill shall invariably be made in the office copy of the bills for the period to which the claim pertains over the dated initial of the drawer of the arrear bill, in order to avoid the risk of the arrears being claimed over again. The drawing officer shall also record a certificate on the arrear bill under his dated signature to the effect that –

(i) *No part of the amount claimed has been drawn previously; and*

(ii) *A note of the arrear claim has been made in the office copy of the bills for the period to which the claim pertains.*

51. Disbursement of pay and allowances - acquaintance rolls –

(1) The head of an office is personally responsible for the amount drawn by him or on his behalf until he has paid it to the person entitled to receive it, and obtained a legally valid acquaintance on the copy of the bill. If, in any case, owing to the large size of an establishment or for any other reason, if it not found feasible or convenient to obtain the receipts of the payees on the office copy of the bill, the head of the office may maintain a separate acquaintance roll.

(2) If for any reason, payment cannot be made within the course of the month, the amount drawn for the payee shall be refunded by short drawal in the next bill, his pay and allowances may be drawn anew under rule 50 when the occasion for making the payment arises. If, however in the opinion of the head of the office this restriction is likely to operate inconveniently, the amount of undisbursed pay or allowances, may at his option, be retained for any period not exceeding three months, but this concession shall not be availed of unless the head of office is satisfied that proper arrangements can be made for the safe custody of the sums retained.

52. Audit objections and recoveries -Every Municipal employee must attend promptly to all objections and orders communicated to him by the Accountant General or Auditor.

53. When the Accountant General or Auditor disallows a payment as unauthorised, the disbursing officer is bound not only to recover the amount disallowed without listening to any objection or protest but to refuse to pay it in future till the Accountant General or Auditor authorises the payment to be resumed.

Note 1:- If a Municipal employee from whom a recovery is ordered is transferred to the jurisdiction of another disbursing officer, the order of recovery should be passed on to that disbursing officer without delay.

Note 2:- A disbursing officer must not, when a retrenchment is ordered, enter into any correspondence with either the Accountant General, Auditor or the

Municipal employee concerned. It is his duty simply and promptly to carry out the orders he has received and to leave to the person aggrieved to refer the case to the proper authority.

CHAPTER V

POWER OF SANCTION

I. Powers of various authorities in the matter of sanctioning expenditure

54. Powers of subordinate authorities - The financial powers of Municipality, which have not been delegated to a subordinate authority, shall vest in the Municipality.
55. Unless otherwise provided by any special rule or order, it shall be within the competence of an authority to exercise the financial powers delegated to another authority subordinate to it.
56. Municipality may by order from time to time delegate to the heads of office and other officers such financial powers as it may deem fit.
57. Subject to these rules, the various subordinate authorities shall have the power specified in Appendix I and II for incurring contingent expenditure including expenditure on the purchase of stores.. All these powers shall be exercised subject to budget provision.
58. All sanctions to expenditure shall indicate the details of the provisions in the relevant grant or appropriation wherefrom the expenditure is to be met.
59. The Municipality shall have powers to declare any responsible officer subordinate to them as head of an office for the purpose of these rules.
60. Redelelegation of Powers - Save with the approval of the Municipality, no powers delegated under these rules shall be redelegated to any other subordinate authority.
61. Every proposal for expenditure outside the delegated financial powers will, after due processing by the respective offices, be referred to the Municipality with the recommendation of the head of the initiating office, who should invariably furnish, along with his recommendations, a statement showing the following information:-
 - (i) Budget provision on account of the expenditure so far proposed.
 - (ii) Expenditure so far incurred

- (iii) Expenditure involved in the present proposal.
- (iv) Balance of funds provided for in the budget.

62. The following general conditions shall be observed in the exercise of powers to sanction expenditure:-

(i) It is primary condition of the exercise of all financial powers that municipal fund should be spent only on legitimate municipal expenditure.

(ii) A subordinate authority may sanction expenditure or advances from municipal fund in those cases only in which it is authorised to do so.

(iii) No authority to which powers are delegated shall sanction without previous consent of the Municipality expenditure which involves the introduction of a new principal or practice likely to lead to increased or recurring expenditure in future.

II. Powers in regard to certain special matters

63. Except in pursuance of the general delegation made by, or with the approval of the Municipality a subordinate authority shall not issue an order which-

(i) involves any grant of land or assignment of revenue, concession, grant , lease or license of mineral or forest rights, or right to water power or any easement or privilege in respect of such concessions; or

(ii) involves relinquishment of revenue in any way; or

(iii) involves remission of disallowances by Audit and writing off of overpayments made to municipal employee.

III. Communications of sanction

64. (1) Every sanctioning authority shall see that all sanctions and orders relating to expenditure, revision of scales, creation or abolition of appointment etc. against which audit is to be conducted are communicated to the Accountant General by the authority designated for the purpose.

(2) All financial sanctions and orders involving payment from Municipal fund should be signed by the officer concerned in ink and should not be conveyed to the Accountant General over photocopy signature. There is, however, no objection to the making out of extra copies of sanctions including signatures by photocopy process.

(3) All orders conveying sanctions to expenditure of a definite amount or upto specific limit, should express the amount of expenditure sanctioned both in words and figures.

(4) All orders conveying sanctions to the grant of additions of pay, such as special pay and compensatory allowance, should contain a brief but clear summary of the reasons for the grant of the addition as to enable the Accountant General to see that it is correctly classified as special pay or compensatory allowance as the case may be.

(5) If it is essential to issue a sanction to expenditure before funds are communicated, the sanction should specify that such expenditure is subject to funds being communicated in the budget of the year.

IV. Date of effect of sanction

65. (1) All rules, sanctions or orders shall come into force from the date of issue unless any other date from which they shall come into force is specified therein.

(2) No expenditure shall be incurred against a sanction unless funds are made available to meet the expenditure by valid appropriation or re-appropriation.

(3) Orders sanctioning the creation of a temporary post should specify the duration of the post and the date from which it is created, whether it be the date of entertainment or otherwise.

V. Retrospective Sanction

66. (1) Retrospective effect shall not be given by competent authorities to sanctions relating to revision of pay or grant of concessions to municipal employee, except in very special circumstances, without previous consent of the Municipality.

(2) No posts shall be created from a retrospective date without the prior consent of the Municipality and the appointing authorities should avoid making appointments against posts in anticipation of their creation.

VI. Lapse of Sanctions

67. A sanction for any fresh charges shall, unless it is specifically renewed, lapse if no payment in whole or in part has been made during a period of twelve months from the date of issue of the sanction:

Provided that:-

i. when the period of currency of the sanction is prescribed in the municipal regulations or is specified in the sanction itself, it shall lapse on the expiry of such period: or

ii. when there is a specific provision in a sanction that the expenditure would be met from the budget provision of a specified financial year, it shall lapse at the close of that financial year.

Explanation - The provisions in this rule are of general nature and apply to all sanctions in respect of any expenditure.

CHAPTER VI

BUDGET ESTIMATES

I. Budget

68. The Municipality shall prepare a budget estimate showing the estimated receipts and expenditure in respect of a financial year, before the commencement of that year,

II. Preparation of budget estimate

69. The Chief Municipal Officer shall prepare in each year a budget estimate separately for Revenue Account and Capital Account along with an establishment schedule of the Municipality for the ensuing year, and such budget estimate shall include :

(i) the income and the expenditure of the Municipality separately under various heads of accounts.

(ii) the rates at which various taxes, surcharges, cesses, and fees to be levied by the Municipality during the year .

(iii) the amount of money to be raised as loan during the year

70. The Chief Councillor shall present the budget estimate to the Municipality on the thirty-first day of August in each year.

71. 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.

72. The budget estimate shall also include annual statement of any changes

- (i) in the inventory of immovable property.
- (ii) on services provided at subsidized rate
- (iii) amount of investment, if any, and securities at the credit.
- (iv) on environmental status of the Municipalities

and a copy of such annual statement shall also be sent to the State Government.

III. Report on services provided at subsidized rate.

73. (1) The Chief Municipal Officer shall ,while preparing the budget estimate, also include a report indicating whether any services are provided at a subsidized rate and, if so the extent of the subsidy, the reasons thereof ,the source from which the subsidy is met ,and its beneficiaries.

(2) The Executive Authority shall examine the report and shall place it before the Municipality with its recommendations, if any.

IV. Sanction of budget estimate

74. (1) The Municipality shall consider the budget estimate and the recommendations thereon, if any, of the Executive Authority, and shall, by the thirtieth day of September in each year, adopt the budget estimate for the ensuing year with such changes therein as it may consider necessary, and shall submit the budget estimate so adopted to the State Government.

(2) The budget estimate received by the State Government shall be returned to the Municipality before the thirty-first day of March of the year immediately proceeding the year to which the budget estimate relates with or without modifications of the provisions thereof.

(3) A copy of the budget estimate as received from the State Government shall be sent to the District Planning Committee for information.

V. Power to alter Budget grant.

75. Subject to the recommendation of the Executive Authority, the Municipality may, from time to time, during a year-

(a) Increase the amount of any budget grant under any head of account,

(b) Make an additional budget grant for the purpose of meeting any special or unforeseen requirement arising during the said year,

(c) transfer the amount of any budget grant or portion thereof under one head of account to the amount of budget grant under any other head of account, subject to following conditions :

(1) Transfer of funds from one head of account to another such account shall be sanctioned by the head of office any time before the close of the financial year to which such grant or appropriation relates.

2) Transfer of funds shall be made only when it is known or anticipated that the appropriation for the head of account from which funds are to be transferred will not be utilised in full or that savings can be effected in the appropriation for the said amount.

(3) Funds shall not be transferred from a head of account with the intention of restoring the diverted appropriation to that head of account when savings become available under other head of account later in the year.

(4) Funds provided for revenue expenditure shall not be transferred to meet capital expenditure and funds provided for capital expenditure shall not be transferred to meet revenue expenditure.

(5) Funds shall not be transferred to meet expenditure on a new service not contemplated in the budget.

(6) Funds shall not be transferred to any work which has not received administrative approval and technical sanction as prescribed by rules from time to time.

(7) Funds provided under salary heads shall not be transferred to any other heads of accounts.

(d) Reduce the amount of the budget grant under any head of account.

CHAPTER VII

CONTINGENT EXPENDITURE

I. Contingencies

76. The term “Contingent charges” or “Contingencies” used in these rules means and includes all incidental and other expenses which are incurred for the management and technical functioning of the municipal office, other than those which fall under some other head of expenditure, e.g., works, stocks, tools and plant etc.
77. Responsibilities of Finance Officers: The Finance Officers are responsible for strict implementation of all Municipal Financial Rules. They shall be the Head of the Accounts of the Municipal Office and Financial Advisor to the Head of Office. Their advice is obligatory before sanctioning any expenditure in the Municipal Office.
78. Responsibility of drawing officer- The drawing officer is responsible for seeing that the rules regarding the preparation of bills are observed, that the money is required for immediate disbursement or has already been paid from the permanent advance, that the expenditure is within the available appropriation and that all steps have been taken with a view to obtaining an additional appropriation if the original appropriation has either been exceeded or is likely to be exceeded.
79. Maintenance of contingent register - A register of contingent expenditure shall be kept in each office and the initials of the drawing and disbursing officer to whom this duty has been delegated, shall be entered against the date of payment of each item.
80. As each payment is made, entries must be made in the contingent register of the date of payment, the name of the payee and the number of sub-vouchers and the amount. The progress of expenditure under each head as compared with the appropriation for it, can be watched through this register.

II. Permanent Advance

81. General –
- (1) Permanent advance of reasonable amount may be sanctioned by the head of office to any officer to enable them to make payments of a contingent nature before they can place themselves in funds by drawing money through presentation of bills.

- (2) As these advances involve permanent retention of money outside the Bank, the amount of such advances must not be larger than is absolutely necessary. All applications for the grant of permanent advance or revision of an advance already sanctioned shall be submitted to the head of office.
- (3) Permanent advances are intended to provide, on the responsibility of the officer entrusted with it, for emergent petty advances of all kinds though it is seldom that they will be needed for other than contingent charges.
- (4) The holder of a permanent advance is responsible for the safe custody of the money placed in his charge and he must at all times be ready to account for the total amount of the money.
- (5) Expenditure from the permanent advance may be recouped on the basis of properly prepared and duly passed bills which shall be marked as debit to the appropriate expenditure head. Every person holding such advances shall maintain, in a subsidiary cash book in the prescribed form, the day to day accounts for expenditure from these advances.
- (6) In the case of transfer of charges and yearly on the 15th April, each officer in whose favour the permanent advance is sanctioned shall send an acknowledgment to the Head of Office of the amount due from and accountable for by himself as on 31st March proceeding.
82. The number of permanent advances should not be multiplied unnecessarily. The head of the office shall be responsible for the proper accounting of all such advances made by him to other officers of his office.

CHAPTER VIII

STORES

I. General Rules

83. The term —stores used in this chapter applies generally to all articles and materials purchased or otherwise acquired for the use of a Municipal office including not only expendable and issue able articles in use or accumulated for specific purposes, but also articles of dead stock of the nature of plant, machinery, instruments, furniture, equipment, fixtures, etc.
84. Periodical indents should be prepared and all purchase of stores should be made in the most economical manner in accordance with the definite requirements of the public service. Care should be taken not to purchase stores much in advance of actual requirements, if such purchases are likely to prove unprofitable to

Municipality. At the same time, where materials are scarce and controlled and receipt through prescribed procedures may take an appreciable time, indents should be placed sufficiently in advance so as to ensure that developmental projects are not delayed.

85. Where scales of use or limits of stores have been laid down, the officer ordering a supply should certify on the purchase order that the prescribed scales or limits are not exceeded.
86. Purchase orders should not be split up to avoid the necessity for obtaining the sanction of the higher authority required with reference to the total amount of the orders.

II. Purchase of Stores

87. Local purchase of stores may normally be made –
 - (i) when the requirement is immediate;
 - (ii) when the requirement is of such minor magnitude and no bulk central purchase arrangement exists or is warranted; and
 - (iii) the expenditure involved does not exceed ₹ 20,000 at a time.
88. Purchases should conform to the following procedure:-
 - (i) In case of purchases costing less than ₹ 10000 at a time, after reasonable market enquiry.
 - (ii) For purchase costing ₹ 10000 to ₹ 20,000 by direct invitation of rates from a reasonable number of reliable firms or authorized dealers.
 - (iii) For purchase costing over ₹ 20,000 normally through open competitive tenders.

Note : In exceptional cases of urgency, direct purchases may be made with the specific prior approval of the Municipality.

89. When stores are purchased from the open market directly the system of open competitive tender should, as far as possible, be adopted. In the case of all purchases of stores costing more than ₹ 10,00,000/- (Rupees ten lakh) only, open tenders (through advertisement) should be invited giving wide publicity in the leading newspapers at least a month before the last date of submission of tenders. All such tenders should be opened by a Tender Selection Committee of five at a given time and place in the presence of tenderers as far as possible. Such Committee should include Finance Officer or any other officer of the Municipality dealing with accounts, one from Urban Development & Housing Department and such other members as the Municipality may decide. The tenders should be accepted only on the recommendations of the Tender Selection Committee. For other purchases costing not more than rupee ten lakh, the sealed tenders/quotation through advertisement in local papers should be invited. The

tenders/quotations should be opened at a given time and place in the presence of tenderers as far as possible, by a Municipal Purchase Committee, consisting of at least three officers appointed by the head of office concerned which should include the Finance Officer or any other officer of the Municipality dealing with accounts.

90. The detail procedure regarding the submission and opening of tenders, cost of tender forms, notice inviting tenders etc. (for item other than work tender) is specified in Appendix III.
91. For purchase of goods of value exceeding ₹ 20,000 tenderers should normally be required to furnish a security deposit of such amounts as may be considered adequate by the indenting authority with the approval of Head of Office.
92. While inviting tenders, time limits for the completion of the supplies to be ordered, should invariably be indicated.
93. Comparative statements of tenders/quotations should be prepared in all cases where tenders/quotations are called for. In addition, the following points should be observed:-
 - (i) The rates should be inclusive of packing and forwarding charges; or such charges should be quoted separately.
 - (ii) Wherever possible, rates should be F.O.R. destination.
 - (iii) The quotations or tenders should specify whether the rates are inclusive or exclusive of taxes and other levies.

Note : Ordinarily goods should be booked by rail at goods rate and for the transport by road, by the vehicles of the Sikkim Nationalised Transport. For any other mode of transport, special sanction of Head of Office will be necessary.
 - (iv) From the nearest Railway station in India, goods will invariably be carried by the Sikkim Nationalised Transport or under arrangements authorised by it.
 - (v) Transit risks to the place from delivery from suppliers outside Sikkim should be covered by insurance where ever considered necessary. Such insurance shall ordinarily be required to be taken by the supplier.
94. For purchasing high value plant, machinery, etc. of complex and technical nature, bids may be obtained in two parts as under:-

(a) Technical bid consisting of all technical details along with commercial terms and conditions; and

(b) Financial bid indicating item-wise price for the items mentioned in the technical bid.

(c) The technical bid and financial bid should be sealed by the bidder in separate covers duly superscribed and both the bids sealed in single cover duly superscribed to be opened by the Purchase Committee. Late bids received after the specified date and time fixed for receipt of the bids shall not be considered.

95. Procurement from a single source may be done in the following cases:-

(a) It is to be confirmed by the head of office that the only a particular Firm is the Manufacturer/Dealer of the goods required.

(b) In case of emergency, the required goods may be purchased from a particular source duly recording the reasons for such decision with the approval of Competent Authority.

(c) For standardized of Machinery/Equipment and to ensure that the parts purchased are compatible to the existing equipment/machinery, the required item may be purchased from the authorized dealer.

III. Acceptance of Tenders for Direct Purchases

96. The tenders/quotations for direct purchases shall be called and accepted by or under the orders of Municipality except where powers to accept them have been specifically delegated. The purchases should be made from the lowest tenderers unless there is any special reason to the contrary which should be recorded in writing. Sanctions on the basis of acceptance of tenders/quotations, as also when purchases are to be made at controlled rates or rate contract prices for identical stores, will be issued in each case by Municipality or by such authority as may be nominated by it. Such sanctions will indicate the quantity of supply, specifications, rate, prices and mode of supply, consignee, classification of expenditure, etc. When the accepted terms of supply require the payments of any amount in advance of supply, specific mention to the effect shall be made in the sanctions. Otherwise, payments shall be made only after supplies have been received in accordance with the supply orders and the goods have been accepted by the indenting authority. At the time of making payment it should be seen that the rates paid are not in excess of those entered in the contract or agreement made for the supply of stores and that suitable notes of payments are recorded against the indents and invoices concerned to prevent double payment.

IV. Receipt of Stores

97. All materials received should be examined, counted, measured or weighed as the case may be, when delivery is taken and it should be ensured that the quantities are correct and the quality according to specifications ordered. A certificate to such effect must be recorded on the relevant cash memo or invoice which is to form the documents on which the payment for the supplies will be made. The officers receiving the stores should also record a certificate that he has entered the stores in the appropriate stock register, mentioning the page number of the register in each case.

V. Custody and Accounting of Stores

98. (1) The Municipal officer entrusted with the care, use or consumption of stores of any kind are responsible for their safe custody and for keeping them in good condition. They should also arrange for the proper maintenance of accounts of the stores and take adequate steps for preventing losses through deterioration, theft, accident, fraud, etc. Any loss or damage to Municipal stores should forthwith be reported by them to their immediate superiors.

(2) An inventory of the dead stock shall be maintained in all Municipal offices showing the number or quantity received, the number or quantity disposed of (by consumption, transfer, loss, sale etc.) and the balance in hand of each kind of article. The inventory shall be priced where the value of items is to be recovered from private persons or bodies. Articles of dead stock shall be physically verified once a year and the result of verification recorded on the inventory. All discrepancies shall be investigated and brought to account immediately so that the inventory may represent the true account. Item wise list and accounts shall be maintained and accurate returns in respect of goods and materials in stock have to be maintained so that it is possible to check and confirm the actual balances with book balances at any point of time. The accounts shall be maintained separately for:-

- (i) Fixed Assets such as plant, machinery, equipment, furniture, fixtures, etc.
- (ii) Consumables such as office stationeries, chemicals, maintenance spare parts, etc.
- (iii) Library books.
- (iv) Assets of historical/artistic value.

(3) When articles of dead stock e.g. tools and plant are lent to private individuals, contractors, etc. the hire and other charges as determined under prescribed rules shall be recovered regularly.

(4) Priced lists of stores, recording both quantities and value shall be maintained in cases where the stores are to be issued to contractors for use on works or the cost of stores is to be distributed over works, items or objects on which they are actually used.

VI. Issue and hiring of Stores

99. When materials are issued, a written acknowledgement should be obtained from the person to whom they are delivered. In case of stores issued to a contractor the cost of which is recoverable from him, the acknowledgment should give full particulars of the materials issued including the recovery rates and the total value chargeable to the contractor.

100. Hiring of Assets- When Assets are hired to private individuals, contractors etc. proper record of the Assets shall be maintained and the hire charges recovered regularly at rates fixed by the Competent Authority and deposited into Municipal Accounts.

VII. Transfer of Charge of Stores

101. In case of transfers, the officer-in-charge of stores shall see that the stores in his custody are made over correctly to his successor and a proper receipt taken from him.

VIII. Physical Verification

102.(1) A physical verification of all stores must be made at least once in every year by the head of the office or such other officer as may be specially authorized by him in this behalf, who should after verification record a certificate in the stock register indicating the results of such verification. The verification should not, however, in any case be entrusted to a person

(i) who is the custodian, ledger keeper or the accountant of the stores to be verified, or who is a nominee of, or is employed under, the custodian ledger keeper or the accountant; or

(ii) who is not conversant with the classification, nomenclature and technique of the particular classes of stores to be verified.

(2) The verification shall never be left to low paid subordinates and in case of large and important stores, it shall, as far as possible, be entrusted to a responsible officer who is independent of the subordinate authority in charge of the stores.

103. Verification must always be made in the presence of the officer responsible for the custody of the stores or of a responsible person deputed by him. All discrepancies noticed must be brought to account immediately, so that the stores account may represent the true state of the stores. Shortages and damages, as well as unserviceable stores should be reported simultaneously to the authority competent to write off the loss. In case of loss of books or items of a value exceeding ₹ 1,000/- (one thousand only) and rare books and items irrespective of value, shall be properly investigated and appropriate action taken with the approval of the head of office.

104.(1) In order to ensure that stores are not held unnecessarily in excess of the requirements of reasonable period, half-yearly inspections should be conducted by a responsible officer who must submit a report of surplus or obsolete stores to the authority competent to issue orders of their disposal.

(2) All stores, which may be declared as obsolete, surplus or unserviceable shall be disposed of under orders of the authority to whom powers may be delegated in this behalf. Obsolete and unserviceable material of residual value less than ₹ 10,000/- (Rupees ten thousand) the mode of disposal will be determined by the Competent Authority keeping in view the necessary to avoid accumulation of such goods and also to avoid deterioration of such goods to be disposed of. All surplus of obsolete and unserviceable material of assessed value above ₹ 10,000 shall be disposed of by obtaining bids through quotations or tenders by advertisement in the Sikkim Herald and few local papers. The bids should be supported by adequate security deposit as may be determined by the Competent Authority. If, however, any Municipal office is unable to dispose of the obsolete items in spite of two attempts for disposal through advertisements, they may dispose the same at its scrap value with the approval of the Competent Authority and if it is still unable to dispose of the items at scrap value, any other mode of disposal may be adopted in the most eco-friendly manner. A sale account of the goods disposed of shall be prepared and duly signed by the Officer who supervises the sale.

(3) All profits and losses due to revaluation, stock taking or other causes shall be duly recorded and adjusted where necessary. Formal sanction of the competent authority shall be obtained in respect of losses, even though no formal correction or adjustment in the accounts is involved.

(4) Losses shall be grouped under the following heads:-

- (i) losses due to theft or fraud;
- (ii) losses due to neglect;
- (iii) losses due to an act of God and other calamities such as fire, enemy action, etc;

- (iv) losses on account of surplus or obsolete stores or of purchase in excess or requirements;
- (v) losses due to depreciation and
- (vi) other losses due to damage, etc.

(5) Subject to delegation of powers, the previous sanction of the Municipality, shall be obtained in writing off all losses, deficiencies or depreciation in value of stores.

CHAPTER IX

WORKS

I. General Rules

105. The execution of works by the Municipality shall be regulated by Sikkim Public Works Code and Manual, 2009 and procedure applicable to them with such modifications as may be approved by Government from time to time. The following general principles shall, however, apply to the execution of all works.

106. General rules –

- (1) No work shall be commenced or liability incurred in connection with it until-
- (i) administrative approval had been obtained from the authority appropriate in each case;
 - (ii) Sanction to incur expenditure has been obtained from the competent authority;
 - (iii) a properly detailed design and estimate has been sanctioned; and
 - (iv) funds to cover the charge during the year have been provided by competent authority.

(2) If, in any case, whether on grounds of urgency or otherwise, an executive officer is required by superior authority to carry out a work or incur a liability which involves an infringement of sub-rule (1) above, the orders of such authority shall be conveyed in writing. On receipt of such written order, or in cases of emergency, on his own responsibility, the officer may proceed to carry out the necessary work subject to the condition that he immediately intimates to the said superior authority the liability he is incurring stating approximately the amount of the liability which he is likely to incur and requesting for formal sanction of the competent authority.

107. For purpose of approval and sanctions, a group of works which forms one project, should be considered as one work, and the necessity for obtaining the approval or sanction of higher authority to a project which consists of such a

group of works is not avoided by any fact that the cost of each particular work in the project is within the powers of approval or sanction of any authority subordinate thereto.

108. The sanction given to an estimate must on all occasions be looked upon as strictly limited by the precise objects for which the estimate was intended to provide. Accordingly, any anticipated or actual savings on a sanctioned estimate for a definite project should not, without special authority, be applied to carry out additional work not contemplated in the original project or fairly contingent on its actual execution.
109. Any development of a project thought necessary while a work is in progress, which is not fairly contingent on the proper execution of the work as first sanctioned, should be covered by a supplementary estimate.
110. To facilitate the preparation of estimates, as also serve as a guide in settling rates in connection with contract agreements, a schedule of rates for each kind of work commonly executed should be maintained for each locality and kept up to date. The rates entered in the estimates should generally agree with the schedule rates, but where, for any cause, these are considered insufficient or in excess, a detailed statement must be given in the report accompanying the estimate, showing the manner in which the rates used in the estimate are arrived at.

CHAPTER X

ADVANCE PAYMENT

I. Advance to contractors and suppliers

111. As a general rule, and subject to such exceptions as may be authorised by Municipality, no payment can be made to a contractor and suppliers, except for work actually done or supplies actually received. Subject to such general or special orders as may be issued by Municipality in this behalf, advances, if any, made to contractors or suppliers during the execution of a work or supply of materials shall invariably be recovered from their bills for the value of work done or supplies made before final payment is made, which must in no case be permitted without detailed measurement.
112. However it may become necessary to make some advance payment to original manufacturers of equipments, firms holding maintenance contracts with the Municipality for servicing of office equipment or part payment to be made to suppliers depending on the terms & conditions incorporated in a supply order.

In such cases, advance payment may be permitted not exceeding the following limits:-

- (i) Thirty percent of the total value of the supply order to original manufacturer of equipments.
- (ii) Fifty percent of the total value of the supply order to a State or Central Government Agency or a Public Sector Undertaking.
- (iii) Fifty percent of the total value of the Annual Maintenance Contract for maintenance of Office Equipment.

CHAPTER XI

GRANTS-IN-AID

I. General

113. The rules in this section shall be observed by all authorities competent to sanction grants-in-aid, to institutions, organisations and societies.

Note : - In cases where financial assistance is proposed to be granted to a society or an organisation likely to make profits, the feasibility of giving loans instead of grants-in-aid should be specifically considered by the sanctioning authority.

114.(1) Unless in any case, Municipality directs otherwise, every order sanctioning a grant shall indicate whether it is recurring or non-recurring in nature and specify clearly the object for which it is given and the conditions, if any, attached to the grant. In the case of non-recurring grants for specified objects, the order shall also specify the time limit within which the grant or each instalment of it is to be spent.

(2) An order for payment of a grant-in-aid should be so worded that there is a specific direction for the payment of a specified sum and should be distinguishable from orders approving a proposal for a grant-in-aid.

115. Grants should be made available, as far as possible, on the basis of specified schemes drawn up in sufficient detail and duly approved by competent authority.

116.(1) When recurring grants-in-aid are sanctioned to the same institution for the same purpose, a certificate to the effect that the unspent balance of the previous grant has either been surrendered to Municipality or has been taken into account in sanctioning the subsequent grant should be incorporated in the sanction letter in such cases.

(2) Only so much of the grant shall be paid during any financial year as is likely to be expended during that year. In the case of grants for specific works or services such as buildings or other schemes the sanctioning authority shall use its discretion in authorising payments according to the needs of the work. It should be ensured that money is not drawn in advance of requirements and that a rush of payment of these grants in March is avoided.

Note 1 : Grant-in-aid in excess of ₹ 1 lakh per annum recurring and ₹ 5 lakhs non-recurring should normally be sanctioned with the specific conditions laid down in the sanction letters that the accounts of the institution receiving the grant should be open for test check by the Comptroller and Auditor General at his discretion. The audit in pursuance of this provision will be undertaken by the Comptroller and Auditor General in consultation with the Municipality concerned which will make necessary arrangements with the institutions for the conduct of such audit.

Note 2 : The Comptroller and Auditor General may, at his discretion, approach the Municipality when in any very special case he considers that the audit of the grantee's books, even where the grant is less than the monetary limits prescribed above, is called for.

Note 3 : When an institution receiving a grant is required to submit its accounts for audit it should be ensured by the sanctioning authority that the accounts whether complete or not are rendered promptly, whenever the institution is called upon to do so.

117. Institutions or bodies receiving grants exceeding ₹ 1 lakh per annum recurring or ₹ 5 lakhs non-recurring should be required to maintain subsidiary accounts of the Municipal grants and to furnish to the Accountant General-

- (i) a copy of the audited statement of its accounts; and
- (ii) a copy of their constitution.

118. In case in which conditions are attached to the utilisation of a grant in the form of specification of particular objects or expenditure or the time within which the money must be spent, or otherwise, the sanctioning authority shall be primarily responsible for certifying to the Accountant General, where necessary, the fulfilment of the conditions attaching to the grant, unless there is any special rule or order to the contrary. This certificate should be furnished in such form and at such intervals as may be agreed between the Accountant General and the head of the office concerned. Before recording the certificate, the certifying officer should take steps to satisfy himself that the conditions on which the grant was sanctioned have been or are being fulfilled.

119.(1) Unless it is otherwise ordered by Municipality, every grant made for a specific object is subject to the implied conditions -

(i) that the grant shall be spent upon the object within a reasonable time, if no time limit has been fixed by the sanctioning authority ; and

(ii) that any portion of the amount which is not ultimately required for expenditure upon that object shall be duly surrendered to Municipality.

(2) Even in respect of unconditional grant-in-aid, Municipality reserve the right to have the accounts of the recipient body audited by the Comptroller and Auditor General on their own initiative, if and when occasion demands, to satisfy themselves regarding the manner in which the affairs of the recipient body are managed.

Note - The expression within a reasonable time used in sub-rule (i) above should ordinarily be interpreted to mean one year from the date of issue of the letter sanctioning the grant.

CHAPTER XII

LOANS AND ADVANCES

I. Loans to Municipal Employees

120.(1) A competent authority may sanction loans to a regular Municipal employees for the purpose and subject to the conditions that may be prescribed by Municipality from time to time. An order for payment of a loan should clearly specify whether it is a sanction for payment or merely an order approving a proposal for loan.

(2) In cases in which conditions are attached to the utilisation of loan, either in the shape of the specification of the particular objects on which or the time within which the money must be spent, or otherwise, the authority competent to sanction the loan shall be primarily responsible for certifying to the Accountant General and Auditor, where necessary, the fulfilment of the conditions attaching to the loan, unless there is any special rule or order to the contrary.

121.(1) In all cases of loans which the Municipality may decide to grant, the terms under which such loans are granted should be covered by a deed to be executed by the loanee and the deed shall ordinarily include –

- (i) a fixed rate of interest to be paid not less often than yearly;
- (ii) a fixed or proportionate scale of repayment in instalment not less often than yearly;
- (iii) the date from which repayment shall commence and the head of account to which the repayments shall be credited;

- (iv) hypothecation to the Municipality of security of such value as the Municipality may consider adequate; and
- (v) provision for penalties in the event of delay or default in fulfilling the terms of the loan, one of the penalties invariably being recovery through disposal of the hypothecated security.

(2) With the previous consent of the Government, Municipality may remit or write off any loan owing to their irrecoverability or otherwise.

II. Advance on the eve of important festivals

122. Powers of sanction - A head of office may sanction an advance to a Municipal employee under his administrative control on the eve of any one of the following festivals:-

- (i) Durga Puja
- (ii) Laxmi Puja
- (iii) Lossong
- (iv) Christmas and New Year
- (v) Id-UI-Fiter
- (vi) Tibetan New Years Day

Note : An application for the grant of an advance should be submitted to the head of office at least 15 days before the festival.

123. Conditions of eligibility –

(1) The advance shall be admissible to all Municipal employee. The advance shall not be admissible to a Municipal employee under suspension or on leave preparatory to retirement.

Note - The advance may also be granted to work-charged and those on contractual employees drawing salary on time scale and also to employees on daily wages.

(2) An advance under this section shall not be granted to a Municipal employee more than once in a calendar year.

(3) Where a Municipal employee is transferred from one establishment to another and applies to the latter for the grant of an advance on the eve of an important festival, he shall furnish in his application a certificate to the effect that he had not drawn any such advance prior to his transfer within the same calendar year. Such a certificate may be test checked by the head of the office where it is considered necessary.

- 124.Amount of advance - The amount of advance which may be granted to a Municipal employee shall be equal to half a month's pay subject to a minimum of ₹ 600 and a maximum of ₹ 8500.
- 125.Disbursement of advance - A drawing and disbursing officer shall draw the amount of advance sanctioned under these rules before the festival in respect of which the advance is sanctioned.
- 126.Recovery of advance - The amount of advance granted under these rules shall be recovered in six equal monthly instalments.
- 127.The recovery of the amount of advance shall commence with the issue of pay for the month following that in which such amount is disbursed.
- 128.An advance shall not be sanctioned in the following calendar year unless the advance, if any, granted earlier has been recovered in full.

CHAPTER XIII

SECURITY DEPOSITS

I. General Rules

- 129.(1) Subject to any general or special instructions prescribed by Municipality in this behalf, every Municipal employee, who is entrusted with the custody of cash or stores, shall be required to furnish security for such amount as may be prescribed according to circumstances and local conditions in each case and to execute a security bond setting forth the condition under which the Municipality will hold the security and may ultimately refund or appropriate it.
- (2) In cases of officiating arrangement for not exceeding four months in place of a regular cashier or a store-keeper proceeding on leave, the head of office may grant exemption from furnishing security deposit in case of a permanent Municipal employee appointed to officiate.
- 130.The security need not be required to be furnished in cases of —
- (a) Municipal employee who are entrusted with the custody of stores which are not considerable;
 - (b) Municipal employee who are entrusted with the custody of office furniture, stationery and other articles required for office management, if there are satisfactory safeguards against loss through pilferage;
 - (c) Librarians and Library staff;

- (d) Drivers of Municipal Vehicles; and
- (e) Municipal employee entrusted with handling service postage stamps.

131.(1) Subject to any general or special instructions issued by Municipality in this behalf, a private person or a firm, contracting with the Municipality to supply stores or to execute a work shall, unless exempted by any orders issued, be required to furnish security for the due fulfilment of the contract. A suitable provision regarding security shall be incorporated in the agreement.

(2) No security need be obtained for purchases of stores upto ₹ 20,000.

II. Recognised Forms of Securities

132. Forms of security - The security to be taken from a Municipal employee or a contractor shall be in one of the following recognised forms:

Forms of security	Conditions
(1) Cash	(1) Municipality will not pay any interest on any security deposit held in the form of cash. Such security deposit may be converted at the cost of the depositor into any of the interest bearing forms of security mentioned in items (2) and (3) below, if the depositor expressly requests in writing to that effect and the acceptance of the new form or forms of security is permissible under this rule and under the terms of agreement or bond. Cash actually received or recovered may be converted into an interest bearing form of security even when it forms part of a deposit which is being paid in instalment but has not been realized in full. (2) Percentage deductions made from a contractor's bills held as security for the due fulfilment of a contract shall not be converted into any other form of security unless there is a special rule or order for such conversion.
(2) Post Office Cash Certificates, National Savings Certificates, National Plan Savings Certificates, 12 years	(1) These certificates shall be formally transferred to Municipality. The Municipal authorities authorised to

<p>National Defence Certificates and 10 years Defence Deposit Certificate.</p>	<p>accept security shall accept the same with the sanction of the Post Master at their surrender value at the time of tender.</p> <p>(2) Certificates which are not held in the name of the person furnishing the security shall not be accepted.</p>
<p>(3) Post Office Savings Bank Pass Books.</p>	<p>(1) A Pass book for a deposit made under the Post Office Savings Bank Rules may be accepted as security provided that the depositor has signed and delivered to the Post Master a letter in the prescribed form as required by these rules.</p> <p>(2) The pass book shall be sent to the post office as soon as possible after the 15th June of each year so that the necessary entries on account of interest may be made in them.</p>
<p>(4) Deposit receipts of all scheduled banks.</p>	<p>(1) The deposit receipts shall be made out in the name of the pledgee or, if it is made out in the name of the pledger, the bank shall certify on it that the deposit can be withdrawn only on the demand, or with the sanction of the pledgee. The bank shall agree that on receiving a signed challan and a withdrawal order from the pledger in respect of the deposit, or any part thereof, it will at once remit the amount specified into the nearest branch of a bank along with the challan and send the bank receipt to the pledgee.</p> <p>(2) The depositor shall agree in writing to undertake any risk involved in the investment and make good the depreciation, if any.</p> <p>(3) The depositor shall receive the interest when due, direct from the bank on a letter from the pledger, authorizing the bank to pay it to him.</p> <p>(4) The responsibility of the pledger in connection with the deposit and the interest on it will cease when he issues a final withdrawal order to the depositor and sends an intimation to the bank that</p>

	he has done so.
(5) Cheques/drafts issued by big Urban Banks whose working capital exceeds ₹ 5 cores and by A B or C Class Central Cooperative Banks/Non Scheduled State Cooperative Banks.	Cheques / drafts may be accepted as security from private contractors/suppliers. When a contractor / supplier has furnished a cheque/draft, the authorities concerned shall ensure that the cheque/draft is encashed immediately and the contract is allotted only after the encashment of cheque/draft.

133.Municipality may authorise a Municipal authority not lower than a head of office to accept security.

III. Custody of Securities

134.Custody of securities –

- (1) Post office savings pass books, deposit receipts of banks, shall be kept in the safe custody of the authority authorised to accept the security.
- (2) Post office cash certificates, national savings certificates etc. deposited as security shall be lodged for safe custody with the Bank.

135. A security deposit taken from a Municipal employee shall be retained for at least six months from the date when he vacates his post but a security bond shall be retained permanently or until it is certain that there is no further necessity for keeping it.
136. The percentage deductions from the bills of contractors held as security in connections with contracts to execute works shall not be refunded till the final bill has been prepared and passed and except in accordance with the terms of contract agreement.
137. Release of securities - Without the special orders of Municipality, no Security deposit shall be repaid or retransferred to the depositor or otherwise disposed of except in accordance with the terms of his security bond or agreement. The Municipal authority to accept security shall, while returning any security to the depositor, invariably obtain his acknowledgement duly signed and witnessed. When an interest-bearing security is returned or retransferred, the acknowledgement shall set forth full particulars of the security.

CHAPTER XIV

MISCELLELANOUS

138. Destruction of office records connected with accounts:- Subject to any general or special rules or orders applicable to municipal offices as prescribed in their Accounting Manual, no Municipal record connected with accounts shall be destroyed except in accordance with the provisions of Appendix IV.

**APPENDIX 1
Delegation of Powers
(See Rule 57)**

Part I Contingent and Miscellaneous Expenditure

Sl. No.	Item of Expenditure	Municipal Commissioner, Municipal Corporation	Municipal Executive Officer, Municipal Council	Municipal Executive Officer, Nagar Panchayats	Remarks
1	Rent for private building for office accommodation/residence/commercial complex	Full power	Full power	Full power	Subject to hiring of accommodation is approved by the Municipality and the rent fixed by the Building and Housing Department based on approved rate of the Government.

2	Electricity/ Water charges/Sewerage charges of Shopping/commercial/office Buildings	Full power	Full power	Full power	
3	Purchase of Computers/Printer/Photo Copiers/Fax machine, film projectors etc.	₹ 1.50 lakh	₹ 1.00 lakh	0.75	Purchase should be made on the basis of approved rates arrived at by inviting quotations. I.T personal will be one of the members of Purchase Committee.
4	Repair & Maintenance of Computers/Printer/Photo Copiers/Fax Machine, film projectors / Furniture & fixture etc.	₹ 0.20 lakh	₹ 0.15 lakh	₹ 0.10 lakh	Subject to maximum per annum of : ₹ 1.00 lakh for Corporation ₹ 0.75 lakh for Council: ₹ 0.50 lakh for Nagar Panchayat
5	Purchase of Survey /Scientific Instruments/ Plotter etc.	₹ 1.00 lakh	-	-	Purchase should be made on the basis of approved rates arrived at by inviting quotation or company price if purchased directly from the company.
6	Purchase of Office furniture, fixture, fittings and furnishings.	₹ 0.50 lakh	0.30	0.20	Purchase should be made on the basis of approved rates arrived at by inviting quotations. Subject to maximum per annum of ₹ 2.00 lakh for Corporation, 1.50 lakh for

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					Council 1.00 lakh for Nagar Panchayat .
7	Purchase of crockery & cutlery for office.	₹ 0.30 lakh per annum	₹ 0.15 lakh per annum	₹ 0.10 lakh per annum	Purchase should be made on the basis of approved rates arrived at by inviting quotations.
8	Purchase of books, Acts, Codes, Rules, Government Publications, Reports and books, newspaper and magazines required for Corporate Office.	0.75 lakh per annum	₹ 0.50 lakh per annum	₹ 0.25 lakh per annum	Subject to the condition that books and journals are relevant to the functioning of the Corporation.
9	Refreshment for conferences, seminars, workshop, inter-Municipality meetings, etc	Full power	Full power	Full power	Provided that the meeting is convened by the Municipality. Subject to maximum per annum of : ₹ 2.00 lakhs for Corporation ₹ 1.50 lakh for Council ₹ 1.00 lakh for Nagar Panchayat
10	Purchase of liveries and uniform for peons and drivers	₹ 0.50 lakh per annum	0.30 lakh per annum	0.20 lakh per annum	Subject to scale and norms as may be prescribed by the Municipality / Government. Purchase should be made on the basis of approved rates arrived at by

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inviting quotations.

11	Purchase of stationary articles, Xerox papers, Tonner, printer cartridge, pen drive, anti virus etc.	₹ 2.00 lakh per anum	₹ 1.00 lakh per anum	₹ 0.50 lakh per anum	Purchase should be made on the basis of approved rates arrived at by inviting quotations.
12	Printing works and purchase of forms, registers etc, from Government Press	Full power	Full power	Full power	Subject to maximum per annum of: ₹ 2.00 lakhs for Corporation ₹ 1.50 lakh for Council ₹ 1.00 lakh for Nagar Panchayat
13	Telephone Charges	Full power	Full power	Full power	
14	Postage Stamps, Telegrams	Full power	Full power	Full power	
15	Exhibition and Fairs	Full power	-	-	Subject to the participation having been approved by the Municipality.
16	Charges for Auditors (Statutory/Internal)	Full power	Full power	Full power	Subject to maximum of ₹ 1.50 lakh per annum .

17	Charges for legal service (legal retainer)	Full power	Full power	Full power	Subject to maximum per annum of : ₹ 1.00 lakhs for Corporation: ₹ 0.50 lakh for Council: ₹ 0.25 lakh for Nagar Panchayat
18	Remuneration for holding examination	Full power	Full power	Full power	Subject to norms and rates as fixed by the Government.
19	Freight Charges	Full power	Full power	Full power	Subject to rates as fixed by the State Transport Authority
20	Commission on postal M.O/ Bank Draft for official purposes	Full power	Full power	Full power	
21	Testing charges of materials in Government/ recognised laboratories and inspection wing of DGS&D	Upto ₹ 1.00 lakh	-	-	
22	Procurement of sanitary items including bamboo basket, sickle, belcha, crowbar etc.	Upto ₹ 1.00 lakh	Upto ₹ 0.50 lakh	Upto ₹ 0.25 lakh	Purchase should be made on the basis of approved rates arrived at by inviting quotations. Subject to maximum per annum of ₹ 3.00 lakhs for Corporation: ₹ 1.00 lakh for Council: ₹ 0.50 lakh for Nagar Panchayat

23	Procurement of gloves, gumboot, rain coat, mask for safaikarmachari	Upto ₹ 1.00 lakh	Upto ₹ 0.50 lakh	Upto ₹ 0.25 lakh	Purchase should be made on the basis of approved rates arrived at by inviting quotations. Subject to maximum per annum of ₹ 3.00 lakhs for Corporation: ₹ 1.00 lakh for Council: ₹ 0.50 lakh for Nagar Panchayat
24	Procurement of pesticides for compost plants	Upto ₹ 1.50 lakhs			Subject to procurement from reputed company or the authorised dealer. Subject to maximum of ₹ 3.00 lakh per annum
25	Advertising Charges	Full power	Upto ₹ 0.15 lakh	Upto ₹ 0.10 lakh	Subject to rates arrived at by inviting quotations and maximum of ₹2.50 lakh per annum for Corporation: ₹ 1.50 lakh per annum for Council: ₹1.00 lakh per annum for Nagar Panchayat:
26	Staff paid from Contingencies	Full power	Full power	Full power	Subject to the restrictions imposed on appointment of such staff by the Municipality and as per the wage rates prescribed by the Government from time to time.

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27	Other Recurring expenditure not covered above	₹ 0.25 lakhs	₹ 0.15 lakh	₹ 0.10 lakh	Subject to observation of the prescribed purchase procedure and such restrictions as may be imposed by the Municipality from time to time.
28	Other non Recurring expenditure not covered above	₹ 0.50 lakhs	₹ 0.30 lakh	₹ 0.20 lakh	Subject to observation of the prescribed purchase procedure and such restrictions as may be imposed by the Municipality from time to time.

APPENDIX II

(See Rule 57)

Maintenance and Repairs of Municipal Vehicles

1. The expenditure on repairs of Municipal vehicles shall not exceed the ceiling specified in Schedule I of this Appendix.
2. If any vehicle is certified to be road worthy after technical inspection of State Transport Department, SNT Division even after being in use beyond prescribed lifespan, maintenance cost up-to ₹ 35,000/- per annum per Petrol vehicles; ₹ 50,000/- per annum per light Diesel vehicles and ₹ 75,000/- per annum per Truck/Bus/Heavy vehicles may be incurred from the 11th year onwards. The yearly ceiling amount shall be calculated on cumulative basis so that in the event of saving within the ceiling in any previous year the same can be carried over the next year for maintenance of vehicle.

Exception:-

- (a) The Head of Office can exercise their discretion to get the vehicle repaired in private garages and sanction the expenditure if the repairs cost does not exceed ₹ 10,000/- in each case duly following the prescribed norms subject to a maximum of ₹ 30,000/- per vehicle per annum. But not in excess of the prescribed ceiling limit as per Schedule I to this Appendix. These bills need not be sent to Transport Department, SNT, for rate verification.

(b) Expenditure incurred under (a) above shall be included in the history sheet of the vehicle confining it within the cumulative ceiling limit.

(c) The Heads of Offices and Drawing and Disbursing Officers should ensure that a register of expenditure on account of Minor repairs is maintained for each vehicle and the cumulative limit of ₹ 30,000/- per year per vehicle is not exceeded and overall expenditure is within the prescribed ceiling limit.

3. Expenditure incurred on a vehicle which has met with an accident shall be determined by the Transport Department, SNT Division. This amount shall stand *excluded* from the monetary ceiling specified under Schedule I to this Appendix.

4. Heads of Offices shall have full power to sanction expenditure within the prescribed ceiling limit as per Schedule I of this Appendix.

5. The procedure for repairs of Municipal vehicles shall be as under :

(a) There will be a complete ban on getting vehicles repaired through private garages, other than those authorized by the Municipality.

(b) Vehicles requiring repairs shall first be examined by the Transport Department, SNT Division, who shall be the sole authority to examine the vehicles and certify the extent of repairs that are necessary.

(c) The repairs are to be done through authorized garages in Sikkim who are selected by the Chief Engineer, Transport Department, SNT Division on the basis of their technical competence to undertake repairs. Work order shall be issued on the basis of competitive tenders/quotations for all types of repair works from the authorized garages.

(d) No bill other than what is specified under Para 2(a) will be paid unless it is certified by the Chief Engineer, Transport Department, SNT Division.

(e) The purchase of spare parts shall be made from manufacturers, authorized dealers/agencies on the basis of competitive rates duly verified by Chief Engineer, Transport Department, SNT Division.

6. The sanction order accompanying the bill shall specifically mention, among other things, the date of purchase of the vehicle, the up-to date amount already spent on its repairs and maintenance, the amount sanctioned for the present repair, the cumulative distance covered by the vehicles on the date of repair and the allowable amount under this rule, with a certificate that the expenditure is within the prescribed ceiling, failing which the bill shall not be passed.

7.(a) No one shall be competent to sanction expenditure on account of any additional fixtures like searchlights, decorative fixture, cassette player etc. in Municipal vehicles.

This proviso will not apply for fitting required under Motor Vehicles Act and other specific regulations of the Government.

(b) The provision under (a) above will not apply to vehicles attached to the VVIPs, VIPs. The special fittings works required for these vehicles shall be as per the technical specifications of Transport Department, SNT Division. Heads of Offices will have full powers to sanction this expenditure which shall be limited to ₹ 50,000/- once in a lifetime of the vehicle. The expenditure incurred in these items shall be noted in the history sheet and relevant record of the vehicle but not included in the cumulative repair cost of the vehicle.

8. Condemnation of vehicles - Municipality shall have powers to condemn Government vehicles after observing the following criteria and procedure:-

(a) The value for this purpose shall be as assessed by Transport Department, S.N.T. Division.

(b) The life span of various types of vehicles in terms of distance run (in kilometer) and length of use (in years) shall be as mentioned in Column 3 of Schedule I of this Annexure V.

(c) The lives of Fire Service Vehicles and appliances shall be as mentioned in table below:-

TYPES OF VEHICLES		LIFE
(A)	Water Tender Type "A" & "B" Portable Pump/ Tractor Pump/ Motor Fire Engine/Dry Powder/ Multi utility vehicles /Fire Truck/CO2 Crash Tender/ Multi utility vehicles Fire Engine Trailer mounted Tanker.	5000 hrs. static operation or 10 years in service whichever is completed later (24 km. run on road is equivalent to 1 hour stationary operation.)
(B)	Other motor vehicles fitted with less than 18 HP engine whose power is not used to propelling Fire Pump.	1.50 lakhs km. run or 8 years of service whichever is completed later.

(d) All Municipal vehicles should be condemned only after certificate has been obtained from the Transport Department, S.N.T Division or any other competent authority designated by the Government to the effect that the vehicle is not fit for any further economical use. The vehicle shall be disposed off by the competent authority.

9. The condemned vehicle may be disposed off by the concerned Municipal office duly ensuring the best to the best offer to the advantage of the Municipality and in accordance with the following instructions:-

(a) Subject to any special rules or orders applicable to any particular case, report of condemned vehicle may be declared as such and ordered to be disposed off by the authority delegated in this behalf; such authority shall also specify the manner in which the vehicles are to be disposed off after inviting quotations/tenders through wide publicity.

(b) Each order declaring the condemnation shall specify the full reasons for declaring it as such and proper records of all such shall be maintained for watching disposal thereof within one month of condemnation of the vehicle.

(c) All such vehicles which may be declared fit for condemnation and ordered for disposal shall be disposed off after inviting quotations/tenders and based on the highest offer received.

(d) Head of Office or any other responsible officer deputed by him should invariably be present on the date of opening of tenders/quotations.

(e) The report of vehicle for disposal should be prepared in Form I attached to this Annexure A. This report should be signed by the Head of Office or any other responsible officer so delegated, after satisfying all formalities and approval of Competent Authority has been obtained.

(f) A sale account should be prepared in Form II attached to this Annexure A. The sale account should be signed by the officer who supervised the opening of the quotations/tenders comparing the entries made in the sales account with the report of condemnation of the vehicle.

(g) Wide publicity for disposal of the condemned vehicle shall be given.

10. Heads of Offices shall have full powers to sanction expenditure and release advance for the following items of their respective Offices.

DETAILS		REMARKS
(A)	Purchase of Motor Spirit/Diesel/Mobil oil.	Subject to such norms as may be prescribed by the Government/Municipality from time to time
(B)	Purchase of Tyres /Tubes/Battery	Purchase should be made on the basis of approved rates arrived at by inviting quotations
(C)	Motor Vehicles Tax	Subject to such norms as may be prescribed by the Government/Municipality from time to time

11.(a) There will be complete ban on purchase of Radial tyres except in respect of vehicles which are fitted with radial tyres viz. Multi utility vehicles by the Manufacturers at the time of purchase.

(b) Purchase and replacement, not exceeding four tyres and tubes at a time shall be made after coverage of kilometer as specified below:-

1. Car/Van - 20,000 Km.
2. Multi utility vehicles - 15,000 Km.

(c) The expenditure will not be included in the cumulative ceiling of expenditure under Schedule I to this Appendix but noted in the appropriate column of History sheet and relevant record of the vehicle.

12. Guarantees for repairs undertaken for the following major jobs shall be given by the Transport Department, SNT Division as indicated below:-

- (a) Engine - 2 years from the date of repair.
- (b) Gear Box - 1 year from the date of repair
- (c) Minor Engine repair - 1 year from the date of repair

13. Heads of Offices shall have full powers to sanction of servicing and furnishing of Municipal vehicles as under:-

(i) The servicing of each Municipal vehicles inclusive of lubricants will be restricted to:

- (a) Car/Van ₹ 4,000/-
- (b) Multi utility vehicles /Pickup ₹ 6,000/-

Note: Servicing shall be restricted to:

- (a) Once in 3 months for touring vehicles
- (b) Once in 4 months for local duty vehicles.

(ii) The cost of furnishing of vehicles shall be restricted to:

(a)	Rubber/Jute Foot-mats	4 nos. per vehicle at a cost not exceeding ₹ 500/-each. Replacement is allowed only after one and half year of initial purchase.
(b)	Seat cover complete including stitching charges should not exceed ₹ 5,000/-. No replacement will be allowed before one and a half year of initial purchase.	

(iii) These items shall not be included in the cumulative cost as specified in Schedule I.

(iv) The sanction order accompanying the bill shall specifically mention the date of purchase of vehicle and details of previous servicing duly signed by the Drawing & Disbursing officer.

14. Maintenance of history sheet and vehicle repair/replacement record.

- (1) History Sheet of each Municipal vehicle is to be kept as per the Booklet attached to this Appendix as Annexure A.
- (2) All the old records are to be re-entered in this new History Sheet as per the modifications on the appropriate pages and all entries are to be authenticated by the Head of Municipal Offices on yearly basis.
- (3) The copies of the History Sheet can be obtained from the Sikkim Government Press

ANNEXURE A
(See Para 14 of Appendix II)
History Register of Vehicle

NAME OF OFFICE:

VEHICLE NO:

DESCRIPTION OF THE VEHICLE

VEHICLE NO.....

MAKE/MODEL.....

ENGINE NO.....

CHASIS NO.....

DATE OF PURCHASE.....

COST OF VEHICLE.....

PAID VIDE

CHEQUE NO.....

DATE.....

ANTICIPATED LIFE.....

Signature of the D.D.O.

Tyre Record

[Not to be included in progressive total.]

Date	Tyre No.	Mileage covered on the date of purchase of tyres	Amount	Name of supplier	Bill no. and date	Remarks signature of the H.O.O, D.D.O.

Battery Record

[Not to be included in progressive total.]

Date	Battery No.	Validity of warranty period	Amount	Name of supplier	Bill no. and date	Remarks signature of the H.O.O., D.D.O.

Hood Record

[Not to be included in progressive total.]

Date of purchase	Amount	Name of supplier	Bill no. and date at page no.	Remarks signature of the H.O.O., D.D.O.

Seat Cover Record

[Not to be included in progressive total.]

Date of purchase	Amount	Name of supplier	Bill no. and date at page no.	Remarks signature of the H.O. O., D.D.O.

Service Record

[Not to be included in progressive total.]

Date of purchase	Amount	Name of supplier	Bill no. and date at page no.	Remarks signature of the H.O. O.,

				D.D.O.

History Book of Vehicle

Details of Repairs, Relacement of Parts, Maintenance and Servicing

Sl. No.	Date	Bill no. and date	Name of supplier	Particular	Quantity	Rate	Amount	Expenditure during the current financial year	Total expenditure including the present bill	Remarks Signature of H.O. O./ D.D. O.

SCHEDULE I

(See Para 1 of Appendix II)

Sl. No.	Class of vehicles	Life in Lakhs in Kms. / Life in Years	Year wise cumulative ceiling on cost of repairs (₹ In lakhs)									
			Upto 1st year	Upto 2nd year	Upto 3rd year	Upto 4th year	Upto 5th year	Upto 6th year	Upto 7th year	Upto 8th year	Upto 9th year	Upto 10th year
1	2	3	4	5	6	7	8	9	10	11	12	13
1 (A)	Non-Functional	1.50 / 10 (ten)	0.10	0.16	0.40	0.52	1.20	1.35	1.63	2.07	2.34	2.54

	Car/ Gyps y/ Maru ti Van/ Multi utilit y vehic les/L ight Petrol Vehic le											
(B)	Boler o/M ulti utilit y vehic les /Lig ht Petrol / Diese l Vehic les	1.50 / 10 (ten)	0.20	0.32	0.80	1.04	2.40	2.70	3.26	4.14	4.68	5.08
2 (A)	Func tional Multi utilit y vehic les /Tata - Mobil e Pick Up Van/ Mata dor/ Light	1.50 / 10 (ten)	0.20	0.32	0.80	1.04	2.40	2.70	3.26	4.14	4.68	5.08

	Diesel Vehicles											
(B)	Truck /Bus / Heavy Vehicle	3.00 / 10 (ten)	0.28	0.85	1.41	1.98	2.78	4.35	4.94	5.50	6.06	7.50
(C)	Motor Cycle	0.80/ 8 (eight)	0.04	0.06	0.10	0.13	0.18	0.21	0.25	0.29		
(D)	Tractors/ Heavy Diesel Vehicles	10,000 hours	0.08	0.28	0.46	0.69	0.91	1.46	1.65	1.88	2.06	2.25

FORM I

Report of Condemned Vehicles for Disposal

Vehicle No.	Particulars of vehicle	Book Value/Original purchase price	Condition and year of purchase	Valuation of vehicle by Chief Engineer Transport Department (SNT Division)	Mode of disposal	Remarks
<i>1</i>	<i>2</i>	<i>3</i>	<i>4</i>	<i>5</i>	<i>6</i>	<i>7</i>

Date:

**Signature:
Designation:**

FORM II

Sale Account of Condemned Vehicles

Vehicle No.	Particulars of vehicle	Valuation of vehicle by the Chief Engineer Transport Department (SNT Division)	Name and full address of purchaser	Highest bid accepted	Highest bid rejected	Earnest money realized	Date on which the complete amount is realized and credited into Bank	Whether the vehicles were actually handed over on the spot. If not, the actual date of Handing over the vehicle.

Date:

**Signature:
Designation**

**APPENDIX III
(See Rule 90)**

General Procedure for Tender (Other than Works Tender)

1. Cost of Tender Forms

- (a) Up to ₹ 5 lakhs ₹ 500/-
- (b) Above ₹ 5 lakhs and up to 11 lakhs ₹ 1, 000/-
- (c) Above ₹ 11 lakhs and up to 20 lakhs ₹ 2, 000/-
- (d) Above ₹ 20 lakhs and up to 50 lakhs ₹ 5, 000/-
- (e) Above ₹ 50 lakhs and up to 1 crore ₹ 10, 000/-
- (f) Above ₹ 1 Crore and up to 3 Crores ₹ 20, 000/-
- (g) Above ₹ 3 Crore and up to 10 Crores ₹ 30, 000/-
- (h) Above ₹ 10 Crore and above, if any ₹ 50, 000/-

2. Notice Inviting Tender and Tender Documents

The standard Notice Inviting Tender and Tender Documents formats to be followed by all the Municipal Offices have been enclosed as Annexure I and Annexure II, respectively.

3. Sale of Tender Documents

The Tender Forms should be sold in the concern municipal office. Tender documents will be on sale for a minimum period of 10 (ten) days and due publicity will have to be given as per existing rules.

4. Submission of Tender Forms

The tender forms duly filled in with all necessary documents including the Earnest Money at the rate of 2 ½ % by way of TDR should be submitted by hand or by post on or before the closing date of receipt of tenders. The date, time and place of opening of tenders will have to be stated in the Tender Document.

5. Opening of Tenders

The tenders should be opened by the Tender Selection Committee or Municipal Purchase Committee as the case may be and will prepare a comparative statement .The Committee will there after submit the proposal in a self contained note to the tender accepting authority within 3 days.

ANNEXURE I

_____ Municipal Office
Notice Inviting Tender

Sealed tenders are invited, on behalf of the Municipality, from reputed Manufacturers/ Authorised dealers / Stockist for the supply of the following:

Sl. No.	Tender No. & date	Brief description of items	Quantity	Cost of tender documents (Non-refundable)	Earnest money

1.					
2.					

Other Terms and Conditions :

1. The Non transferable tender documents can be purchased on payment of cost of tender documents by way of Demand Draft in favour of the _____ Municipal Office, payable at _____.
2. The tender document can also be obtained from its offices located at _____ between 10 A.M. to 2 P.M. on all working day with effect from _____ to _____.
3. The last date and time for receipt/ submission of tender document by hand or by post is on or before _____ by _____ P.M.
4. The _____ Municipal Office will not be responsible for non-receipt/late receipt or loss of tender documents/ offers in postal transit.
5. Tender opening time and date will be indicated in the tender documents to be opened in presence of such tenderers who may desire to be present.
6. Terms and conditions shall be applicable as per General Purchase Condition and the details of which will be indicated in the Tender Documents.
7. The undersigned reserves the right to reject any application without assigning any reason thereof even though the applicant may primarily satisfy the pre-qualification set in the tender notice.

(Signature and Designation)

ANNEXURE II

_____ **Municipal Office**
Tender Document

No. Date

1. Last date and time for receipt of tender documents _____ at _____.

2. Opening date and time for tender _____

3. Place _____

M/s.

Subject: Notice Inviting Tender for the Supply of

.....
 Sealed tenders in duplicate are invited on behalf of the Municipality for the supply of the following items as per the specification, terms and conditions, given below:

Sl. No.	Particulars of items with specifications	Quantity	Unit	Rate per unit

Terms and Conditions :

1. (a) Tender should be submitted along with details of rates and schedules of items with full specifications duly signed on each page by the tenderer under his seal.

(b) EARNEST MONEY: The earnest money in the shape of Demand Draft should be enclosed with the Tender Documents drawn in favour of _____ payable at _____ for ₹ _____ /- at the rate of 2.5 % of the total value of the supplies. No interest shall be paid released/refunded after completion of supply and on receipt of No Objection Certificate from the concerned Municipal Office.

2. Price

(a) Rate quoted should be F.O.R. destination _____

(b) Rate quoted by the tenderer should be expressed in figures as well as in words, overwriting and correction in the tender form will be liable for rejection.

(c) Rates quoted should be inclusive of all taxes and duties. If these are payable extra, it should be stated clearly along with the rates.

3. Specification:- The rates quoted should be strictly as per the unit and specifications mentioned in the schedule confirming to I.S.I. and equivalent standards.
4. Insurance: The rates quoted should be inclusive of the transit insurance up to the destination and it shall be at the cost of the tenderer.
5. Warranty: The items should be covered by Warranty as per the manufacturers terms and periods.
6. Validity: The rates quoted shall be valid for 90 days from the date of opening of tenders.
7. Delivery: The supply of materials should commence within _____ days from the date of receipt of the Purchase Order, failing which the Purchase Order is liable to be cancelled and the Earnest Money deposit will be forfeited as a penalty.
8. Inspection: The materials supplied shall be subject to inspection before acceptance at destination and the materials rejected will be returned back at the cost of the Supplier.

APPENDIX IV

(See Rule 138)

Weeding of Office Records Connected with Accounts

The weeding of records (including correspondence) shall be governed by the following rules and such other subsidiary rules consistent therewith as may be prescribed by Municipality in this behalf with the concurrence of the Accountant General.

1. The following shall on no account be weeded :-
 - i) Records connected with expenditure which is within the period of limitation fixed by law.
 - ii) Records connected with expenditure on projects, schemes or works not completed, although beyond the period of limitation.
 - iii) Records connected with claims to service and personal matters affecting persons in the service except as indicated in the Annexure to this appendix.
 - iv) Orders and sanction of a permanent character until revised.
 - v) If record is required in connection with disposal of another record the former will not be weeded out until after all the issues in the later have been decided even though the retention period marked on the former may have expired in the meantime. In fact, the retention periods initially marked on such records should be reviewed from time to time and where necessary revised suitably.

2. Full detail shall be maintained permanently in each office, of the records destroyed from time to time.

ANNEXURE

The following shall be preserved for not less than the periods specified against them.

Sl. No.	Description Records	Retention Period
1	Acquaintance Rolls	Three years or one year after completion of audit whichever is later.
2	Advance Register: (a) for long term advance (b)for short term advances	Three years after all the advance recorded in the register have been fully recovered: mortgage deeds and other agreements executed shall, however, be kept in safe custody for the period they are valid. One year after all the advances recorded in the register are fully recovered.
3	Allotment Register.	Three years.
4	Attendance Register	One year
5	Audit files and inspection Reports.	Till the objections are cleared by the Accountant General.
6	Bank Pass Book	Three years or one year after completion of audit which ever is later.
7	Bill Register	Five years or one year after completion of audit whichever is early.
8	Board Sheet of G.P.Fund.	Six years after the close of the year to which it pertains. However, the Broad Sheets which have not been proved and balances in which have not been agreed with those in the P.F. ledger could continue to be preserved even after six years and weeded out only after the proving and agreement has been effected and discrepancies and difference, if any fully settled.
9	Budget Estimates	Five years
10		

	Cash Book	Twenty years
11	Casual Leave Register	One year
12	Cheque Counterfoils	Five years (in cases where counter foils are required to be preserved in connection with settlement of some enquiry etc. those should not be destroyed unless otherwise advised by the authority conducting the enquiry).
13	Circulars	To be retained permanently
14	Confidential sheets / reports etc. relating to retired or dismissed or deceased employees	Five years after retirement or dismissal or resignation of the municipal employee
15	Contingent Bills.	Three years or one year after completion of audit whichever is later
16	Contingent Registers	Three years or one year after completion of audit whichever is later
17	Dispatch register	Five years
18	Expenditure sanction not covered by paragraph 1, (including sanction relating to grant-in-aids).	Three years or one year after completion of audit whichever is later.
19	Expenditure statements and correspondence.	Five years
20	Files, papers and documents relating to contracts, agreements etc.	

		Three years after the contract/agreement is fulfilled or terminated. In cases where Audit Objections have been raised, the relevant files and documents shall not under any circumstances be allowed to be destroyed till such time as the objections have been cleared to the satisfaction of the Audit authorities or have been removed by the Public Accounts Committee.
21	General Provident Fund Schedules.	Three years or one year after completion of audit whichever is later.
22	Imprest Accounts	Four years
23	Indent for stationary forms etc.	Three years
24	Muster Rolls.	Three years or one after completion of audit whichever is later.
25	Pay Bill Registers	Thirty five years
26	Pay Bills.	Six years or one year after completion of audit whichever is later.
27	Postage Stamp registers	Three years
28	Provident Fund Ledgers	Thirty five years
29	Receipt Registers.	To be retained permanently
30	Receipt Books	Three years or one year after the completion of audit whichever is later.
31	Rules and Orders	Permanent in case of municipal office issuing the rules, order and instructions;

		other municipal office need keep only rules and standing orders, weeding out the superseded ones as and when they become obsolete.
32	Service Books and Leave Accounts of- (a) Officials entitled to retirement benefits. (b) Other employees	Three years after issue of pension/ gratuity payment orders. Three years after they have ceased to be in service
33	Stock Register	Five years or one year after the completion of audit whichever is later
34	T.A.Bills	Three years or one year after the completion of audit whichever is later.
35	Bills Received Registers	Three years
36	Bills Transit registers.	Three years
37	Registers of Bills Returned	Three years
38	Register of Cheques Drawn.	Five years
39	Register of Cheques Delivered	Five years
40	Stock Register of Cheques Books	Five years or one year after completion of audit whichever is later
41	Allotment Check Register	Three years
42	Salary Pre-Check Registers	Three years
43	Letters of Authority for cheques delivered	Five years (in case these letters of authority are required to be preserved in connection with settlement of some enquiry etc. these should not be destroyed unless otherwise advised by the authorities conducting the enquiry).

APPENDIX V
(See Rule 2(i))
Certain Section of the Sikkim Municipality Act, 2007

Chapter IV
Municipal Authorities and Executive Authority

Municipal
authorities
and
Executive
Authority

20. (1) The municipal authorities for the purpose of giving effect to the provisions of this Act shall be,
- (a) in the case of a larger urban area, -
 - (i) the Municipal Corporation,
 - (ii) the Executive Authority, and
 - (iii) the Mayor;
 - (b) in the case of a smaller urban area, -
 - (i) the Municipal Council,
 - (ii) the Executive Authority, and
 - (iii) the Municipal Chairperson;
 - (c) in the case of a transitional area, -
 - (i) the Nagar Panchayat,
 - (ii) the Executive Authority, and
 - (iii) the Municipal President.
- (2) The presiding officer of the Municipality shall be, in the case of -
 - (a) the Municipal Corporation, the Mayor,
 - (b) the Municipal Council, the Municipal Chairperson, and
 - (c) the Nagar Panchayat, the Municipal President.
- (3) The Executive Authority of every Municipality shall consist of -
 - (a) the Chief Councillor,
 - (b) the Deputy Chief Councillor, and
 - (c) such other Councillor as may be elected by the Councillors.
- (4) The Chief Councillor and the Deputy Chief Councillor shall be entitled to such remuneration and perquisites as may be determined by the State Government.

Executive
and financial
powers of
Municipality
to be
exercised by
Executive
Authority

21. (1) Subject to the provisions of this Act and the rules, and the regulations, made there under, the executive and financial powers of a Municipality shall be exercised by the Executive Authority.
- (2) All executive actions of the Executive Authority shall be expressed to be taken in the name of the Municipality.

Execution of
works,
sanction of
estimates,
and
contracts.

22. (1) The Executive Authority may determine, either generally or for any class of cases or specially for any particular case, whether the Chief Municipal Officer shall execute any work by a contract or otherwise.

- (2) (a) When a project is framed for the execution of any work or series of works, the Chief Municipal Officer shall cause a detailed report to be prepared stating the scope of the project, its techno-economic viability, and its social benefits, and shall prepare an estimate.
- (b) In the case of a Municipal Corporation, the sanctioning authority in respect of such estimate shall be –
- (i) the Chief Municipal Officer, if the amount does not exceed five lakhs of rupees,
 - (ii) the Executive Authority, if the amount exceeds five lakhs of rupees but does not exceed one crore of rupees, and
 - (iii) the Municipal Corporation, if the amount exceeds one crore of rupees.
- (c) In the case of a Municipal Council or a Nagar Panchayat, the State Government may specify different limits in respect of such estimate.
- (d) In respect of an estimate for any other item of expenditure, the Chief Municipal officer, the Executive Authority, and the Municipality shall respectively be the sanctioning authority in respect of the amount mentioned in sub-clause (i), sub-clause (ii), and sub-clause (iii), of clause (b).
- (3) (a) Subject to the other provisions of this Act, the Municipality may enter into and execute all such contracts as it may consider necessary or expedient under, or for any of the purposes of, this Act.
- (b) Every contract under clause (a) shall be subject to the following provisions:-
- (i) every contract shall be executed on behalf of the Municipality by the Chief Municipal Officer or such other officer of the Municipality as the Executive Authority may direct or authorize from time to time,
 - (ii) no such contract as cannot, under any provision of this Act, be entered into without the approval or sanction of any authority or officer under this Act shall be entered into by any officer referred to in sub-clause (i) until and unless such approval or sanction has been duly obtained,
 - (iii) no contract involving an expenditure exceeding ten

thousand rupees or such higher amount as the Executive Authority may fix shall be entered into by any officer referred to in sub-clause (i) unless the same has been previously approved by the Executive Authority, and

(iv) every contract involving an expenditure exceeding two thousand rupees but not exceeding ten thousand rupees or such higher amount as may be fixed under sub-clause (iii), entered into by an officer referred to in sub-clause (i), shall be reported by such officer to the Executive Authority within one month of such contract.

(4) (a) The manner of execution of contracts under this Act shall be determined by regulations.

(b) No contract which is not entered into in accordance with the provisions of this Act or any regulation made thereunder shall be binding on the Municipality.

Chapter IX Municipal Fund

Municipal Fund

39. (1) There shall be a fund to be called the Municipal Fund which shall be held by the Municipality in trust for the purposes of this Act, and all moneys realized or realizable under this Act and all moneys otherwise received by the Municipality shall be credited thereto.

(2) Subject to such directions as the State Government may give in this behalf, and keeping in view the classification of municipal areas under section 7, the receipts and expenditure of the Municipality shall be kept under the following heads of accounts :-

- (a) the Water Supply, Sewerage and Drainage Account,
- (b) the Solid Waste Management Account,
- (c) the Road Development and Maintenance Account,
- (d) the Slum Services Account,
- (e) the Commercial Projects Account, and
- (f) the General Administration Account.

Explanation. -For the purposes of this section, "commercial projects" shall include *bazars*, *bazar* development projects, property development projects, and such other projects of a commercial nature as may be specified by the Municipality from time to time.

Grants and other financial assistance from State Government

40. (1) The State Government may, from time to time, give grants or other financial assistance to a Municipality with directions, if any, as to the manner in which such grants or other financial assistance shall be applied.

(2) The Municipality shall maintain separate accounts for each such grant or other financial assistance.

Revenue Account and Capital Account to be maintained separately

41. Every head of account specified in sub-section (2) of section 39 shall be split up into revenue account and capital account and all items of receipts and expenditure shall be kept appropriately under such revenue account or capital account, as the case may be.

Application of Municipal Fund.

42. The moneys credited to the Municipal Fund from time to time shall be applied for payment of all sums, charges and costs necessary for carrying out the purposes of this Act and the rules and the regulations made there under and for payment of all sums payable out of the Municipal Fund under any other law for the time being in force.

Payments not to be made out of Municipal Fund unless covered by budget grant.

43. No payment of any sum out of the Municipal Fund shall be made unless such expenditure is covered by a current budget grant and a sufficient balance of such budget grant is available, notwithstanding any reduction or transfer thereof under any provision of this Act:

Provided that this section shall not apply to any payment in the following cases :-

- (a) refund of taxes and other moneys which are authorized by this Act,
- (b) repayment of moneys belonging to contractors or other persons and held in deposit and all moneys collected by the Municipality or credited to the Municipal Fund by mistake,
- (c) temporary payment for works urgently required by the State Government in the public interest,
- (d) expenses incurred by the Municipality on special measures on the outbreak of dangerous diseases, or for dealing effectively with natural or technological hazards, or in any other emergent case,
- (e) sums payable as compensation under this Act or the rules or the regulations made there under,
- (f) sums payable –

(i) under the orders of the State Government on failure of the Municipality to take any action required by the State Government under any provision of this Act, or

(ii) under any other law for the time being in force, or

(iii) under the decree or order of a civil or criminal court against the Municipality, or

(iv) under a compromise of any claim, suit or other legal proceeding, or

(v) on account of the cost incurred in taking immediate action by any of the municipal authorities referred to in section 20 to avert a sudden threat or danger to the property of the Municipality or to human life, and

(g) such other cases as may be determined by regulations.

Procedure when money, not covered by budget grant, is paid

44. Whenever any sum is paid in any of the cases referred to in the proviso to section 42, the Chief Municipal Officer shall forthwith communicate to the Executive Authority, the circumstances of such payment, and, thereupon, the Executive Authority may take, or recommend to the Municipality to take, such action under the provisions of this Act as may appear to the Executive Authority to be feasible and expedient for covering the amount of such payment.

Temporary payment from Municipal Fund for works urgently required in the public interest.

45. (1) On a requisition, in writing, by the State Government, the Chief Councillor may, at any time, require the Chief Municipal Officer to undertake the execution of any work certified by the State Government to be urgently required in the public interest and, for this purpose, to make payment for such work from the Municipal Fund in so far as such payment may be made without unduly interfering with the regular work of the Municipality.

(2) The cost of any work so executed, and the proportionate establishment charges for executing such work, shall be paid by the State Government and credited to the Municipal Fund.

(3) The Chief Councillor shall, on receipt of a requisition under subsection (1), forthwith forward a copy thereof to the Municipality together with a report of the steps taken in pursuance of the said requisition.

Power to incur expenditure beyond the limits of Municipality.

46. Notwithstanding anything contained elsewhere in this chapter, the Municipality may, with the approval of the State Government, authorize expenditure to be incurred beyond the limits of the municipal area for creation of physical assets and for maintenance thereof for providing the core municipal services.

Exclusive use of
Municipal Fund for
particular purpose.

47. (1) Notwithstanding anything contained elsewhere in this chapter, the State Government may, by order, require the Municipality to earmark a particular portion of the Municipal Fund, or a particular grant or a part thereof, or any item of receipt under any head of account or any percentage thereof, or any share of tax receivable by the Municipality other than taxes, duties and fines assigned to the Municipality under this Act or any part thereof, to be utilized exclusively for such purpose related to municipal functions as may be specified by the State Government in the order, and it shall be the duty of the Municipality to act accordingly.

(2) The State Government may, for carrying out the purposes of sub-section (1), make rules for different classes of Municipalities.

Operation of accounts

48. Subject to the other provisions of this Act, payment from the Municipal Fund shall be made in such manner as may be determined by regulations, and the heads of accounts referred to in section 39 shall be operated by such officers of the Municipality as may be authorized by the Executive Authority.

Investment
of surplus
moneys.

49. (1) Surplus moneys standing at the credit of any of the heads of accounts referred to in section 39, which are not required, either immediately or at any date in the near future, to be applied for the purposes of this Act by the Municipality, may, in accordance with such rules as may be made by the State Government in this behalf, be transferred by the Municipality, either in whole or in part, to any other head of account:

Provided that no such money shall be transferred permanently from any head of account to any other head of account without the previous approval of the Municipality:

Provided further that such surplus moneys standing at the credit of the Commercial Projects Account shall not be transferred to the General Administration Account.

(2) Surplus moneys, which are not transferred under sub-section (1), may be invested in public securities or small savings schemes, approved by the Municipality, or deposited at interest with such nationalized bank as may be determined by the Executive Authority.

(3) Profit or loss, if any, arising from the investment under sub-section (2) shall be credited or debited, as the case may be, to the account to which such profit or loss relates.

Chapter XI
Accounts and Audit

- Maintenance of accounts. 55. The Chief Municipal Officer shall prepare and maintain, in such manner as may be prescribed, accounts of receipts and expenditure of the Municipality separately under revenue account and capital account on the basis of accrual.
- Preparation of Municipal Accounting Manual. 56. The State Government shall prepare and maintain a Manual to be called the Municipal Accounting Manual containing details of all financial matters, and procedures relating thereto, in respect of the Municipality.
- Financial statement 57. (1) The Chief Municipal Officer shall, within four months of the close of a year, cause to be prepared under revenue account and capital account a financial statement containing an account of income and expenditure and an account of receipts and payments for the preceding year in respect of the Municipality.
- (2) The Form of the financial statement, and the manner in which the financial statement shall be prepared, shall be such as may be prescribed.
- Balance sheet. 58. (1) The Chief Municipal Officer shall, within three months of the close of a year, cause to be prepared a balance sheet of assets and liabilities of the Municipality for the preceding year.
- (2) The Form of the balance sheet, and the manner in which the balance sheet shall be prepared, shall be such as may be prescribed.
- Submission of financial statement and balance sheet to Auditor. 59. The financial statement prepared under section 56 and the balance sheet of assets and liabilities prepared under section 57 shall be placed by the Chief Municipal Officer before the Chief Councillor, who shall, after examination of the said financial statement and the balance sheet, adopt them, and shall remit them to the Auditor as may be appointed by the State Government in this behalf.
- Power of Auditor. 60. (1) The municipal accounts as contained in the financial statement, including the accounts of special funds, if any, and the balance sheet shall be examined and audited by the Director, by whatever name called, or any other person of equivalent rank, as may be appointed by the State Government or an Auditor appointed by the Municipality from the panel of professional Chartered Accountants prepared in that behalf by that Government.

(2)(a) The Comptroller and Auditor-General of India shall provide technical guidance to, and supervision over, the proper maintenance of accounts of the Municipalities and audit thereof.

Explanation. -The technical guidance to, and supervision over, the proper maintenance of accounts of the Municipalities by the Comptroller and Auditor-General of India shall include providing guidance regarding maintenance of accounts, standard of audit, guidelines of certification, training for capacity building, comments on accounts, and test audit of Municipalities selected as a representative sample.

(b) The Comptroller and Auditor-General of India shall prepare an Annual Technical Inspection Report based on technical guidance to, and supervision and test check of accounts of, Municipalities, to be placed before the Executive Authority.

(c) The Comptroller and Auditor-General of India may, at his discretion, exercise the right to report to the State Legislature the results of such test check of accounts.

(3) The Chief Municipal Officer shall submit such further accounts to the Auditor and the Comptroller and Auditor-General of India, as may be required.

(4) The Auditor appointed under sub-section (1) may-

(a) require, by a notice, in writing, the production before him, or before any officer subordinate to him, of any document which he considers necessary for the proper conduct of the audit,

(b) require, by a notice, in writing, any person accountable for, or having the custody or control of, any document, cash or article, to appear in person before him or before any officer subordinate to him,

(c) require any person so appearing before him, or before any officer subordinate to him, to make or sign a declaration with respect to such document, cash or article, or to answer any question, or to prepare, and to submit, any statement, and

(d) cause physical verification of any stock of articles in course of examination of accounts.

(5) The Auditor, or the officer subordinate to him, may report to the Executive Authority any item of accounts contrary to the provisions of this Act.

(6) The Executive Authority shall consider the report of the Auditor along with the report of the results of the test check of accounts of the Comptroller and Auditor-General of India, as early as possible, and shall, if necessary, take prompt action thereon, and shall also, if necessary, surcharge the amount of any illegal payment on the person making or authorizing such payment, and shall charge against any person the amount of any deficiency or loss incurred by the negligence or misconduct of such person or any amount which ought to have been, but is not, brought into account by such person, and shall, in every such case, certify the amount due from such person.

(7) Any person who willfully neglects, or refuses to comply with, the requisition made by an Auditor, or an officer subordinate to him, shall, on conviction by a court of competent jurisdiction, be punishable with such fine as may be prescribed.

Audit report.

61. (1) As soon as practicable after the completion of audit of the accounts of the Municipality, but not later than the thirtieth day of September each year, the Auditor shall prepare a report of the accounts audited and examined and shall send such report along with the report of the results of the test check of accounts of the Comptroller and Auditor-General of India to the Chief Municipal Officer.

(2) The Auditor shall include in the report as aforesaid a statement showing

- (a) every payment which appears to the Auditor to be contrary to law,
- (b) the account of any deficiency or loss, which appears to have been caused by gross negligence or misconduct of any person,
- (c) the account of any sum received which ought to have been, but has not been, brought into account by any person, and
- (d) any other material impropriety or irregularity in the accounts.

Placing of audited accounts before Municipality.

62. (1) The Chief Municipal Officer shall place the audited financial statement, the balance sheet and the report of the Auditor and his comments along with the report of the results of the test check of accounts of the Comptroller and Auditor-General of India before the Executive Authority who, after the examination thereof, shall place them before the Municipality with its comments, if any.

(2) The Chief Municipal Officer shall remedy any defect that has been pointed out by the Auditor in his report.

Submission of audited accounts

63. (1) After adoption of the financial statement and the balance sheet and the report of the Auditor along with the report of the results of the test check of accounts of the Comptroller and Auditor-General of India by the Municipality, the Chief Municipal Officer shall, forward the same to the State Government together with a report of the action taken thereon by the Municipality and shall also send copies thereof to the Auditor and the Comptroller and Auditor - General of India.

(2) If there is any difference of opinion between the Auditor and the Municipality or if the Municipality does not remedy the defects or the irregularities mentioned in the report of the Auditor within such period as may be prescribed, the Auditor shall refer the matter to the State Government whose decision thereon shall be final and binding.

Power of State Government to enforce order upon audit report.

64. If any order made by the State Government under this chapter is not complied with, it shall be lawful for that Government to take such steps as it thinks fit to secure the compliance of the order and to direct that all expenses therefore shall be defrayed from the Municipal Fund.

Special audit.

65. In addition to the audit of annual accounts, the State Government or the Municipality may, if it thinks fit, appoint an Auditor to conduct special audit pertaining to a specified item or series of items requiring thorough examination, and the procedure relating to audit shall apply *mutatis mutandis* to such special audit.

Internal audit.

66. The State Government or the Municipality may provide for internal audit of the day to day accounts of the Municipality in the manner prescribed.

Municipal Accounts Committee.

67. (1) A Municipal Corporation shall, at its first meeting in each year or as soon as may be at any meeting subsequent thereto, constitute a Municipal Accounts Committee.

(2) The Municipal Accounts Committee shall consist of-

(a) three members, not being the members of the Executive Authority, to be elected by the Councillors, from amongst themselves, and

(b) such number of persons, not exceeding two and not being Councillors, or officers or other employees of the Municipal Corporation, having knowledge and experience in financial matters, as may be nominated by the Municipal Corporation.

(3) The members of the Municipal Accounts Committee shall elect from amongst themselves one member to be its Chairperson.

(4) Subject to the other provisions of this Act, the members of the Municipal Accounts Committee shall hold office until a new Municipal Accounts Committee is constituted.

(5) The manner of submission of resignation by the Chairperson, or any other member, and the manner of filling up of a casual vacancy in the office of a member, of the Municipal Accounts Committee shall be such as may be prescribed.

(6) Subject to the provisions of this Act and the rules and the regulations made thereunder, it shall be the duty of the Municipal Accounts Committee-

(a) to examine the accounts of the Municipal Corporation showing the appropriation of sums granted by the Municipal Corporation for its expenditure and the annual financial accounts of the Municipal Corporation,

(b) to examine and scrutinize the report on the accounts of the Municipal Corporation by the Auditor appointed under section 58 and to satisfy itself that the moneys shown in the accounts as having been disbursed were available for, and applicable to, the services or purposes to which they were applied or charged and the expenditure was incurred in accordance with the authority governing such expenditure,

(c) to submit report to the Municipal Corporation every year and from time to time on such examination and scrutiny,

(d) to consider the report of the Auditor appointed under section 64 in cases where the State Government or the Municipal Corporation requires him to conduct a special audit of any receipt or expenditure of the Municipal Corporation or to examine the accounts of stores and stocks of the Municipal Corporation or to check the inventory of the properties of the Municipal Corporation including land holdings and buildings of the Municipal Corporation, and

(e) to discharge such other functions as may be prescribed.

(7) The Municipal Accounts Committee may call for any book or Document if, in its opinion, such book or document is necessary for its work and may send for such officers of the Municipal Corporation as it may consider necessary for explaining any matter in connection with its work.

(8) The manner of transaction of business of the Municipal Accounts Committee shall be such as may be prescribed:

Provided that the persons nominated under clause (b) of subsection (2) shall not have the right to vote at the meeting of the Municipal Accounts Committee.

(9) In the case of a Municipal Council or a Nagar Panchayat, the duty of the Municipal Accounts Committee under sub-section (6) shall be performed by the Executive Authority.

Chapter XII Borrowings

Power of
Municipality
to raise loan.

68. (1) Subject to the approval of the State Government, the Municipality may, from time to time, by a resolution in this behalf passed at a meeting of the Municipality, raise a loan by the issue of debentures or otherwise, on the security of the property tax or all or any of the other taxes, surcharges, cesses, fees, and dues under this Act or both the property tax and all or any of the other taxes, surcharges, cesses, fees, and dues under this Act, or on the guarantee provided by the State Government for any sum of money which may be required for the purpose of –
- (a) construction of works under this Act, or
 - (b) acquisition of lands and buildings required under this Act, or
 - (c) paying off any debt due to the State Government, or
 - (d) repayment of a loan raised under this Act, or
 - (e) acquisition of a concern of public utility which renders such services as the Municipality is authorized to render under this Act, or
 - (f) purchase of vehicles, locomotive engines, boilers and machinery necessary for implementing the provisions of this Act, or for any other purpose for which the Municipality is,

by or under this Act or any other law for the time being in force, authorized to borrow:

Provided that in addition to the loan as aforesaid, the Municipality may also take loan from the State Government or any statutory body or public sector corporation.

(2) When any loan has been raised under sub-section (I), -

(a) no portion thereof shall, without the previous sanction of the State Government, be applied to any purpose other than the purpose for which it has been raised, and

(b) no portion of any loan raised for any of the purposes referred to in that sub-section shall be applied to the payment of salaries or allowances to any officer or other employee of the Municipality, other than those who are exclusively employed for the purpose for which the loan has been raised.

Explanation. -The expression "dues under this Act" in sub-section (1) shall, or the purpose of clause (e) of that sub-section, be deemed to include the income derivable from the concern of public utility referred to in that clause.

Power of Municipality to open credit account with bank.

69. Notwithstanding anything contained in section 67, the Municipality may, instead of raising a loan under that section, take, on such terms as may be approved by the State Government, credit from any nationalized bank, to be kept in a cash account bearing the name of the Municipality to the extent of such credit and, with the sanction of the State Government, may grant mortgage of all or any of the properties vested in the Municipality by way of securing the repayment of the amount of such credit or of the sums advanced from time to time on such cash account with interest.

Power of Municipality to raise short-term loan.

70. Notwithstanding anything contained in this chapter, the Municipality may, from time to time, take a short-term loan repayable within such period, not exceeding twelve months, from any other nationalized bank for such purpose, not being a purpose referred to in sub-section (1) of section 67, on such terms, and on furnishing such security for the repayment of such loan, as may be approved by the State Government.

Power of Municipality to reserve for investment a portion of debentures issued for raising loan.

71. (1) For the purpose of investment of any portion of the Municipal Fund in the debentures issued by the Municipality for raising a loan, the Municipality may reserve and set apart any portion of such debentures for issue on a par therewith in the name of the

Municipality, provided that the intention so to reserve and set apart such debentures shall have been notified as a condition of raising the loan.

(2) The issue of any debentures by the Municipality under subsection (1) shall not operate to extinguish or cancel such debentures, but every such debenture shall be valid in all respects as if it were issued to, and in the name of, any other person.

(3) The purchase by, or the transfer, assignment, or endorsement to, the Municipality of any debenture issued by it shall not operate to extinguish or cancel such debenture, and every such debenture shall be valid and negotiable in the same manner and to the same extent as if it were held by, or transferred, assigned, or endorsed to, any other person.

Manner of repayment of loans.

72. Every loan raised by the Municipality under section 67 shall be repaid within such period as may be sanctioned by the State Government.

Form and effect of debentures

73. All debentures issued under this chapter shall be in such Form, and shall be transferable in such manner, as the Municipality may, by regulations, determine, and the right to sue in respect of the moneys secured by any of such debentures shall vest in the holders thereof for the time being without any preference being given to one debenture over another by reason of one being prior to the other in so far as the dates of the debentures are concerned.

Annual statement.

74. (1) The Chief Municipal Officer shall, at the end of every year, prepare, and submit to the Municipality, an annual statement showing –

(a) the last date of investment, if any, made during the year, and

(b) the aggregate amount of the securities at the credit of the Municipality at the end of the year.

(2) A copy of every such annual statement shall be submitted to the State Government by the Chief Municipal Officer.

Issue of Municipal Bonds for development of urban infrastructure.

75. Subject to such guidelines and procedure as the Central Government may lay down from time to time and with the previous approval of the State Government, the Municipality may issue tax-free Municipal Bonds for financing of projects for development of urban infrastructure.

- Credit rating of Municipal Bonds.
76. (1) A Municipality shall, if and when required for the purpose of raising funds through a Municipal Bond, arrange to have a credit rating of the Municipal Bonds by a Credit Rating Agency, duly approved by the Central Government or the State Government, as the case may be.
- (2) The Municipality shall provide to the Credit Rating Agency such information as it may require.
- Pledging of municipal assets as security for Municipal Bonds.
77. The Municipality may pledge its movable and immovable assets including lands, buildings, and revenues from tax in special escrow accounts as security for the Municipal Bonds issued for development of urban infrastructure.
- Debt Service Reserve Fund
78. The Municipality may set up a Debt Service Reserve Fund by providing special grants from its surplus revenue or through capitalization of proceeds from Municipal Bonds to service bondholders in case of default in payment of principal and interest for a period not exceeding two years.
- Limit to encumbrances through future debt.
79. If and when required, the Municipality may, for the purpose of issuing Municipal Bonds, limit its future debt encumbrances by adoption of suitable debt service coverage ratio as a minimum ratio in relation to its future cash flow projections.
- Use of proceeds from Municipal Bonds.
80. The fund to be raised from the Municipal Bonds shall be used for the purpose of –
- (a) capital investment for development of urban infrastructure in the spheres of water-supply, sewerage, drainage, solid waste management, *bazars*, roads, bridges, traffic engineering schemes, and urban transport,
 - (b) reforming and improving the efficiency of existing systems of municipal administration, and
 - (c) repayment of loans raised through earlier issues of municipal bonds or otherwise for any of the purposes as aforesaid.