

CHAPTER - XI

LOCAL GOVERNMENT FINANCE

SECTION 107: ESTABLISHMENT OF FUNDS AND PUBLIC ACCOUNTS.

(1) There shall be established a District Fund, a 2 Taluka Local Fund, a Town Local Fund and a Union Local Fund as the case may be for each respective Local Government.

(2) All revenues received by a Local Government shall form part of the respective Local Government Fund including:

(a) monies transferred by another Local Government under this Ordinance;

(b) grants made to or monies received by a Local Government from the Government or other sources;

(c) the proceeds of taxes or charges levied by a Local Government under this Ordinance;

(d) rents and profits payable or accruing to a Local Government from immovable property vested in or controlled or managed by it;

(e) proceeds or any other profits howsoever known or called from bank accounts, investments or commercial enterprises of a Local Government;

(f) gifts, grants or contributions to a Local Government by individuals or institutions;

(g) income accruing from markets or fairs regulated by a Local Government;

(h) fines paid with respect to offences under this Ordinance or bylaws or under any other law for the time being in force in which provision is made for the fines to be credited to the Funds established under this Ordinance;

(i) proceeds from other sources of income which are placed at the disposal of a Local Government under directions of the Government; and

(j) all monies transferred to a Local Government by the Government.

(3) All other moneys including-

(a) receipts accruing from trusts administered or managed by a Local Government;

(b) refundable deposits received by a Local Government; and

(c) deferred liabilities;

shall be credited to the Public Account of the respective Local Government.

SECTION 108: CUSTODY OF FUNDS.

Monies credited to a Fund or a Public Account shall be kept in the State Bank, government treasury, a post office or a bank in such manner as shall be specified by the Government from time to time and shall be operated through the official accounts specified under Section 114 of the concerned Local Government.

SECTION 109: APPLICATION OF FUNDS.

(1) The monies credited to a Fund shall be expended by Local Government in accordance with the annual budget and Supplementary Budget approved by its Council.

(2) A local government may transfer approved budgeted amounts to any local government, Village Council or Neighbourhood Council or Citizen Community Board, within its local area, for expenditure for carrying out a project service or activity transferred to, or managed by, the recipient local government, Village Council Neighbourhood Council or Citizen Community Board

(3) No local government shall transfer monies to a higher level of government except by way of repayment of debts contracted before the coming into force of this Ordinance.

(4) The application of a fund of Local Government shall as provided by a council be subject to budgetary constraints by ratio to be prescribed for development works and expenditure on establishment.

(5) Expenditure from a Fund of a local government on new posts or filling of existing vacant posts or total establishment expenditures as the case may be in a financial year shall not increase more than ten percent in total from the actual establishment expenditures of the previous year.

Provided that this sub-section shall not apply to a general salary increase on the existing schedule of establishment prescribed by Government.

(6) The development budget shall be prioritized in accordance with the bottom up planning system as laid down in section 119.

Provided that-

(a) not less than twenty five percent of the development budget shall be set apart for utilization in accordance with the provisions of Section 119 and

(b) the amount referred to in clause (a) which remains unspent shall be credited under the same head in the following years budget in addition to the fresh allocation under the said clause for that year.

(7) Where a new Local Government is to take over during a financial year as a result of fresh elections, the outgoing Local Government shall not spend funds or make commitments for any expenditure, under any Demand for Grant or Appropriation, in excess of eight percent per mensem of the budgeted funds for the remainder of its term in office in that financial year.

(8) In every budget a provision shall be made for payment of performance incentive bonuses

SECTION 110: CHARGE EXPENDITURE.

The following expenditure shall be treated as charged expenditure:

(a) in relation to District Fund:

(i) the budget of the Zila Council,

(ii) any sum to satisfy any judgment, decree or award against a Local Government by any Court or Tribunal,

(iii) all sums to be paid in connection with the administration of the functions of the Zila Mohtasib; and

(iv) interest payments.

(b) in relation to Taluka or Town or Union Fund:]Local[1

(i) the budget of the Taluka or Town Council or as the case may be, the Union Council,

(ii) any sum to satisfy any judgment, decree or award against a Local Government by any Court or Tribunal, and

(iii) interest payments.

SECTION 111: BUDGET PREPARATION.

(1) The annual budget for each Local Government shall contain estimates of:

(a) grants-in-aid from the Government;

(b) amounts available in the respective Fund;

(c) receipts for the next year; and

(d) expenditures to be incurred for the next year.

(2) To enable the budget preparation by Local Government, the Government shall, sufficiently before the beginning of each financial year, notify the provisional Local Governments from the]a[shares, which may be credited to the Fund of 1 Provincial Allocable amount.

(3) Each District Government, Taluka (Town) Municipal Administration and Union Administration shall re appropriate budgetary provisions in accordance with the re appropriation powers delegated to them by the respective Council.

Provided that at the end of a financial year a full statement of all re appropriations made shall be submitted to the Council.

(4) No demand for a grant shall be made except on the recommendations of the Nazim.

(5) Conditional grants from the provincial retained amount will be shown separately in the budget and will be governed by conditions agreed therein.

(6) Before the commencement of a financial year each Local Government shall, for its Fund, prepare in the prescribed manner, a budget for that year, in conformity with the provisions of Section 119.

SECTION 112: APPROVAL OF BUDGET.

(1) Following the presentation of the Provincial budget but, before the commencement of the next financial year, each Nazim shall, present the budget for approval by the respective Council before the beginning of such financial year:

Provided that the charged expenditure may be discussed but shall not be voted upon by the Councils.

(2) When a Local Government assumes office for the first time, it may within ten weeks, present to the respective Council a budget for the remaining part of the financial year for approval.

(3) The Budget of Local Government shall, on presentation before the Council, be referred to the Finance Committee of the Council for detailed scrutiny and recommendation to the Council.

(4) The budget of a Local Government shall be approved by simple majority of the total membership of the respective Council.

5) A budget of a Local Government shall not be approved if -

(a) the sums required to meet estimated expenditures exceed the estimated receipts; and

(b) the constraints specified in section 119 have not been complied with.

(6) No other business shall be taken up by a Council during the budget session.

(7) In case a budget is not approved by a Council before the commencement of the financial year to which it relates, the concerned Local Government shall spend money under various heads in accordance with the budgetary provisions of the preceding financial year for a period not exceeding thirty days on prorate basis:

Provided that a local government shall not spend funds or make commitments for any expenditure, under any Demand for Grant or appropriation, in excess of eight percent of the amount budgeted in the preceding year within the thirty days period.

(8) In case the budget is not passed within the extended period as specified in sub-section (7) the budget shall be prepared, approved and authenticated by the Government for the full year.

(9) After approval by the Council, the respective Nazim shall authenticate by his signature a Schedule specifying the -

(a) grants made or deemed to have been made by the District, Taluka, Town or Union Council; and

(b) the several sums required to meet the expenditure charged upon the District Fund, Taluka, Town or Union Local Fund.";

(10) The Schedule so authenticated shall be laid before the Council, but shall not be open to discussion or vote thereon.

11) The Schedule so authenticated shall be communicated to the respective official accounts as specified in Section 114 of this Ordinance.

(12) At any time before the expiry of the financial year to which a budget relates, a revised budget for the year shall be prepared by a local government and approved by its Council."

SECTION 113: HONARARIA AND ALLOWNCES.

Each Local Government shall make budgetary provisions for honoraria and allowances of the Nazims, Naib Nazims, and members of the Council concerned.

SECTION 114: ACCOUNTS.

1) The accounts of the receipts and expenditure of Local Government shall be kept in such form and in accordance with such principles and methods as the Auditor General of Pakistan may, with the approval of the President prescribe:

Provided that the accounts of Receipts and Expenditure of Taluka (Town) Municipal Administration and Union Administration shall be kept in such form and in accordance with such principles and methods as the Government may prescribe, till such time that adequate capacity is developed to conform to the national accounting system prescribed by the Auditor General of Pakistan.

2) The following arrangement for maintaining of Accounts shall be followed-

(a) the District Accounts Officer (or a Treasury Officer where a DAO does not exist) shall maintain the accounts of each District Government;

(b) the Taluka or Town Accounts Officer and Union Accountant shall maintain the accounts of the Taluka or Town Municipal Administration or the Union Administration as the case may be; and

(c) the District Accounts Officer, Taluka or Town Accounts Officer and the Union Accountant shall perform pre-audit of all payments from the Funds of the District, Taluka or Town and Union, as the case may be, before approving the disbursements of monies.

- 3) The District Accounts Officer shall consolidate the district accounts with the compiled accounts of the Taluka, Town Account Office and Union Accounts Office.
- 4) A statement of monthly and annual Accounts and such other necessary statements shall be placed at a conspicuous place by the Local Government concerned for public inspection.
- 5) The respective Accounts Committees of the Councils shall hold public hearings in which:
 - (a) objections to statement of accounts (5) above may be heard and, if required, [referred to in sub-section 1 appropriate action may be taken;
 - (b) internal and external Audit Reports will be discussed for appropriate action.

SECTION 115: AUDIT.

1) The Auditor General of Pakistan shall, on the basis of such audit as he may consider appropriate or necessary, certify the accounts, compiled and prepared by the respective Accounts Official of the local governments for each financial year, showing under the respective heads the annual receipts and disbursements for the purposes of each local government and shall submit the certified accounts with such notes, comments or recommendations as he may consider necessary to the respective Nazim:

Provided that the audit of the Taluka Municipal Administration, Town Municipal Administration shall be conducted by the Local Fund Audit Department in the prescribed manner till such time that adequate capacity is developed to conform to the national audit system notified by the Auditor General of Pakistan.

- (2) The Nazim shall cause the Audit Report to be submitted to the respective Council and the Council shall refer it for examination to its Accounts Committee.
- (3) The Auditor General in the case of District Government and Director Local Fund Audit in the case of Taluka, Town and Union Administration, as the case may be, shall have authority to audit and report on the accounts of stores and stock kept in any office of a local government.
- (4) The Auditor General in the case of District Government and Director Local Fund Audit in the case of Taluka, Town and Union Administration, as the case may be, shall -
 - (a) audit all expenditure from the local government Fund to ascertain whether the monies shown in the accounts as having been disbursed were legally available for, and applicable to, the service or purpose to which they have been applied or charged and whether the expenditure conforms to the authority which governs it;
 - (b) audit all transactions of a local government relating to Public Accounts.
 - (c) audit all trading, manufacturing, profit and loss accounts of a local government; and
 - (d) to audit all receipts which are payable into a local government Fund and to satisfy himself that all such receipts which are payable into a local government Fund have been properly and correctly deposited and rules and]procedures relating to such receipts have been fully observed."

(5) The Auditor General in the case of District Government and Director Local fund Audit in the case of Taluka, Town and Union Administration, as the case may be, shall have the authority:

(a) to inspect any office of accounts, under the including treasuries, and such offices]Local Government[control of a 1 responsible for the keeping of initial or subsidiary accounts;

(b) to require that any accounts, books, papers and other documents which deal with, or form, the basis of or otherwise relevant to the transactions to which his duties in respect of audit extend, shall be sent to such place as he may direct for his inspection;

(c) to enquire or make such observations as he may consider necessary, and to call for such information as he may require for the purpose of the audit; and

shall afford all facilities and]officials[(d) the 1 provide record for audit inspection and comply with requests for information in as complete a form as possible and with all reasonable expedition.

(6) Upon request of a Nazim, the Auditor General in the case of District Government and Director Local Fund Audit in the case of Taluka, Town and Union Administration, as the case may be, shall cause a special audit of that local Government's accounts to be undertaken and shall forward his report to the Nazim who shall cause the same to be submitted to respective council for necessary action.

(7) The Auditor General in the case of District Government and Director Local Fund Audit in the case of Taluka, Town and Union Administration as the case may be, shall have access to all the books and documents pertaining to the accounts and may also examine any public servant or premises of the Local Government concerned.

(8) The Auditor General in the case of District Government and Director General, Local Fund Audit in the case of Taluka, Town and Union Administration, as the case may be, shall perform functions and exercise power in relation to audit of the accounts of the companies, authorities, bodies or corporations owned or managed by a local government."

SECTION 115-A: INTERNAL AUDIT.

(1) Nazim of each District Government and Taluka or Town Municipal Administration may appoint an Internal Auditor.

(2) Internal audit shall be an independent, objective assurance and consulting activity designed to add value and improve a Local Government's operations and shall help the Local Government accomplish the objectives by bringing a systematic and disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

(3) The Internal Auditor shall serve as a principal support person to respective Nazim of District Government or Taluka or Town Municipal Administration by providing information to him and members of the respective Council on Local Government performance.

SECTION 116: TAXES OF LEVIED.

(1) A Council may levy taxes, cesses, fees, rates, rents, tolls, charge, surcharges and levies specified in the Second Schedule:

Provided that the Government shall vet the tax proposal prior to the approval by the concerned Council:

Provided further that the proposal shall be vetted within thirty days from the date of receipt of the proposal failing which it would be deemed to have been vetted by the Government."

(2) No tax shall be levied without previous publication of the tax proposal and after inviting and hearing public objections.

(3) A Council may, subject to the provisions under sub-section (1), increase any tax.

(4) A Council may reduce, suspend, abolish or exempt a tax."

SECTION 117: RATING AREAS AND PROPERTY TAX.

(1) On commencement of this Ordinance, every Taluka and Town shall be rating areas within the meaning of the Sindh Urban Immovable Property Tax Act (W.P. Act V of 1958), 1958.

(2) The Taluka Council or Town Council as the case may be, shall subject to the provisions of section 116, determine the rate of property Tax in an area within the Taluka or Town:

Provided that in the areas within a Taluka or Town where rate has not been determined, the rate shall remain as zero

Provided further that the District Government shall retain ten percent of the proceeds as collection charges.

(3) Unless varied under sub-section (2) above, the existing rates in the areas within a Taluka and Town shall remain in force.

Explanation: For the purpose of this Section the "rate" shall mean the tax leviable under the Sindh Urban Immovable Property Tax Act (W.P. Act V of 1958), 1958.

SECTION 118: COLLECTION OF TAXES.

(1) All taxes levied under this Ordinance shall be collected as prescribed:

Provided that the Property Tax shall be collected by the District Government:

Provided further that the District Government shall retain ten percent of the total proceeds of the Property Tax collected as collection charges the transfer promptly the balance ninety percent to the respective Taluka or Town on collection basis.

(2) Failure to pay any tax and other money claimable under this Ordinance shall be an offence and the arrears shall be recovered as arrears of land revenue.

SECTION 119: BOTTOM UP PLANNING AND OWNERSHIP INCENTIVE SYSTEM.

(1) Before the beginning of the financial year the respective Local Government shall lay down and announce the classification of development schemes to be undertaken exclusively under the provisions of this Section.

(2) A Local Government may grant to the Citizen Community Boards within the local areas, up to eighty percent of an approved development scheme in the manner prescribed:

Provided that a scheme shall be deemed to be an approved scheme if:

(a) the prescribed departmental procedure for estimating the cost of the scheme has been followed;

(b) the estimating officer certifies that the scheme meets the requirements laid down by law;

(c) the Citizen Community Board has deposited its share of the cost of the development scheme with concerned local government; and

(d) the complete departmental estimates and the proof of deposit of the Citizen Community Board's contribution are attached.

(3) The grant referred to in sub-section (2) above shall be spent from the reserved twenty-five percent of the annual development budget as provided in Section 109 (6)(a). Any amount, which remains unspent, shall be credited under the same head in following year's budget in addition to the fresh allocation for that year.

(4) A cut off date for submission of all schemes proposed by the Citizen Community Boards shall be announced by the Local Government concerned before the presentation of its budget.

(5) The respective Local Government shall authorize an officer to draw up a statement] by the cut off date specified in[specifying the schemes submitted 1 sub-section (4) above by classification including the total amount of contributions for a particular classification of schemes.

(6) A second statement shall determine contributions for a particular classification of schemes as a ratio of the total contributions for all schemes submitted with a particular Local Government for that year and the statement shall be used to determine amounts of allocations for a classification of schemes from the budget reserved for the purpose.

(7) A third statement shall be drawn up which shall identify the number of schemes submitted in a particular classification, beginning with the scheme containing the highest contribution by the Citizen Community Board in a classification until all the schemes in the classification are selected or the funds allocated for the particular classification in the amount determined in subsection (6) above are exhausted.

(8) The twenty five percent funds for Citizen Community Boards under Section 109(6) shall be under sub section (5) above by the official communicated to the authorized Executive District Officer (finance and planning) for a District Government and the Taluka or Town Officer (Finance) for a Taluka or Town Municipal for one of the Union Secretaries Administration, as the case may be, and 1 Union Administration.

(9) The identified schemes shall be included in the budget before submission to the concerned Council.

(10) The statement referred to in sub-section (7) above shall be approved by a simple majority of the members in the budget session of the respective Council

(11) The schemes approved by the respective Councils shall be carried out as prescribed.

(12) Subject to sub-section (10), the Accounts Official of the respective Local Government shall release funds in the prescribed manner in accordance with the schedule of expenditure."

SECTION 120: LOCAL GOVERNMENT NOT TO INCUR DEBIT.

(1) No Local Government shall incur any debt.

(2) No monies of the Local Government shall be invested in securities other than those floated or approved by the Federal Government or Provincial Government.