



**Government of India**

# **BUDGET MANUAL**

**MINISTRY OF FINANCE  
DEPARTMENT OF ECONOMIC AFFAIRS  
BUDGET DIVISION  
NEW DELHI**

**SEPTEMBER, 2010**

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**MINISTRY OF FINANCE  
DEPARTMENT OF ECONOMIC AFFAIRS  
NEW DELHI**

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## MESSAGE

I am happy to note that the Budget Division of Department of Economic Affairs, Ministry of Finance, is bringing out a Budget Manual. This is the first time that such a manual is being brought out for Government of India. The Budget process of our country predates the independence. Budget was first introduced on 7<sup>th</sup> April, 1860, two years after the transfer of Indian administration from East-India Company to British Crown. The first Finance Member, who presented the Budget, was James Wilson. Mr Liaquat Ali Khan, Member of the interim Government presented the budget of 1947-48. After Independence, India's first Finance Minister Shri R.K. Shanmukham Chetty, presented the first Budget on 26<sup>th</sup> November, 1947. Since then, this has evolved over the past six decades to reflect the strength of our democratic processes in shaping our economy. It has emerged as a crucial tool for Public Finance Management.

I congratulate the Budget Division for taking this initiative in preparing the Union Government Budget Manual. This Manual is expected to serve as a comprehensive reference material not only to the officers involved in the Budget process but other users and interested stakeholders as well. I am sure this Budget Manual will be a valuable document in understanding the processes and nuances relating to the Union Government Budget

(Pranab Mukherjee)

## FOREWORD

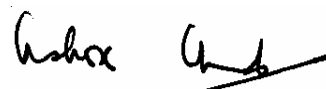
The Budget Manual is a comprehensive document which captures the content of the Union Budget as well as the procedures and activities connected with the preparation of the Annual Budget. The processes and guidelines have been simplified and put in a logical sequence for easy comprehension. The Annexes have been added wherever required for providing a more holistic perspective on related matters.

2. The Budget related instructions and guidelines were till now available in the form of executive instructions and guidelines etc. including the annual Budget Circulars. These, however, did not cover many facets of the Budget making process. There was, therefore, a felt need for a comprehensive Manual to bring together the entire Budget related features and activities. This Manual unravels the detailed processes involved in the entire gamut of Budget preparation. It is also expected to bring about greater transparency on the subject.

3. This Manual would provide deeper understanding to the officials of Ministries/Departments of their roles and responsibilities with respect to preparation of documents and statements included in the Budget. It is expected to serve as a guidebook for uniform administration of the Budgeting procedures and practices in the Government of India including the line Ministries and Departments.

4. I would like to place on record the excellent work done by the Budget Division of Department of Economic Affairs in preparing this Manual. It has evolved as a result of wide consultations through the two sub-committees appointed for the purpose comprising of past and present Budget Division officers as well as valuable suggestions and inputs provided by the Under Secretaries and Deputy Directors of Budget Division. The role of Additional Secretary (Mrs. L.M. Vas) in conceptualizing and preparing the detailed outline of the Manual and Joint Secretary Budget (Shri Shaktikanta Das) in heading the sub-committees and providing necessary guidance and support have been crucial.

5. Finally, this being the first Budget Manual of the Government of India, I would be grateful for suggestions to bring about further improvements, if any, and also for bringing to our notice any error, inaccuracy or omission for correction in the next edition.



**(Ashok Chawla)**  
Finance Secretary

New Delhi,  
September 1<sup>st</sup>, 2010

## PREFACE

Budget Manual is a compendium of general provisions and procedures relating to Budget making to be followed by all offices in the Union Government which are involved in the budgeting exercise and dealing with matters relating to Budget. This Manual is an attempt to cover the existing void faced hitherto due to the lack of a comprehensive guidebook on the subject matter of Budget process in the Central Government. An attempt has been made to incorporate all the issues related to Budget so as to make it a comprehensive one stop guidance material.

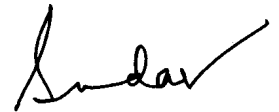
2. The purpose of this Budget Manual is to provide a guidance material and a training tool for the managerial and supervisory staff and above all to the employees dealing with the Budget and Budget related issues. It provides a comprehensive outline of the processes of budgeting, and other related issues along with various legislative and administrative policies, principles and practices which outline the budgeting system in India. The effort has been to draft this Manual in the form of a simple and usable document and as far as possible, to comprehensively outline the procedures and practices in vogue including the detailed check-lists and the mechanisms involved in its operation. The Manual attempts to outline in a linear fashion the entire chain of events leading to the presentation of Union Budget and passing of the related Appropriation Bills.

3. Chapter I is introductory in nature and brings out the meaning and importance of Budget, the important Constitutional provisions related to Budget, the various Budget documents and their composition and the recommendations of the Estimates Committee on the Form and Contents of Demands for Grants. Chapter II of the Manual deals with the Organizational aspects bringing out the roles and responsibilities of the Parliament and the Parliamentary Committees and the responsibilities of various wings of the Executive in the Budget making process. Chapter III of the Manual deals in a comprehensive manner with the Structure of Government Accounts and the classification system. This is very crucial for any budgetary process since the budgetary and accounting classifications follow a common pattern and their clear understanding is crucial for any analysis on Budget and the related provisions. A detailed analysis of the three Funds viz. the Consolidated Fund of India, the Contingency Fund of India and the Public Accounts of India has also been dealt with in this Chapter.

4. Chapters IV and V are the core of this Manual. Chapter IV brings out the entire chain of Budget preparation process right from the issue of the Annual Budget Circular. It deals in great detail with the process of estimations relating to receipts and expenditure and the consequent compilation of the Statement of Budget Estimates. All the related formats of estimation have been dealt with briefly in this Chapter in a sequential manner. Chapter IV also deals with the process of Pre-Budget meetings and the various instructions relating to furnishing of information by the Ministries/Departments for the preparation of Budget Statements. Chapter V of the Manual brings out the calendar of Budget activities and timelines including those in the Parliament. This Chapter also brings out in minutest detail the duties and responsibilities relating to various Budget documents/statements explaining alongside the process of their compilation. The checklists used

internally for the preparation of various Statements in the Budget documents have been made a part of this Chapter for easy reference and understanding by all users. This Chapter also brings out the process of Budget related security arrangements including the system of Lock-in and the processes and check-lists for the preparation of State Budgets while under President Rule.

5. Chapters VI and VII of the Manual deal with the issues relating to Budget Implementation and their Reporting and Evaluation respectively. Chapter VI apart from others outlines the role of Departments in spending and control, cash management and the much in use processes of Re-appropriations, Supplementary Demands for Grants and the related provisions in the General Financial Rules and the Delegated Financial Powers Rules. This Chapter also deals with some common Budget related irregularities which can be avoided by taking precautionary measures. The last Chapter of the Manual brings out the main Budget related Reporting and Evaluation processes including the Act provisions, guidelines and instructions relating to FRBM Statements, Outcome Budget, Mid-term Evaluation of Plan Schemes, Audit Reports of C&AG and the reviews by the Public Accounts Committee. The Manual also includes a number of Annexes wherever required for providing a more holistic perspective on the subject matters dealt with in the related Chapters.



**(Shaktikanta Das)**  
Joint Secretary- Budget

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**PART - II**  
**ANNEXURES**

**ANNEXURES**

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## GLOSSARY OF IMPORTANT BUDGET RELATED TERMS

Unless there is something averse in the subject or context, the terms defined in this section are used in this Manual in the sense here explained:

1. **'Accounts' or 'actuals' of a year.** - are the amounts of receipts and disbursements for the financial year beginning on *April 1st* and ending on *March 31st* following, as finally recorded in the Accounting authority's books (as audited by C&AG). Provisional Accounts refers to the unaudited accounts compiled by CGA.
2. **'Administrative approval' of a scheme, proposal or work.** - is the formal acceptance thereof by the competent authority for the purpose of incurring expenditure.
3. **'Annual financial statement'** – Also referred to as Budget means the statement of estimated receipts and expenditure of the Central Government for each financial year, laid before the Parliament.
4. **'Appropriation'** - means the amount authorized by the Parliament for expenditure under different primary unit of appropriation or part thereof placed at the disposal of a disbursing officer.
5. **'Appropriation Accounts'** - are the accounts prepared by the Controller General of Accounts for each grant or appropriation in which is indicated the amount of the grant/appropriation sanctioned and the amount spent under the grant/appropriation as a whole. Important variations in the expenditure and allotments, whether voted or charged, are briefly explained therein with the comments of audit.
6. **'Budget'** – It is the statement of estimated receipts and expenditure of the Central Government as per its policy for each financial year and placed before the Parliament.
7. **'Budget Division'**- means Budget Division in the Department of Economic Affairs of the Ministry of Finance in the Central Government.
8. **'Budget Estimates'** - are the detailed estimates of receipts and expenditure of a financial year.
9. **'Appropriation' (Charged)** - means sums required to meet charged expenditure as specified in the Constitution during the financial year concerned, on the services and purposes covered by 'Charged Appropriation.' It does not include provisions for voted expenditure.
10. **'Charged Expenditure' or 'Charged on the Consolidated Fund of India'** - means such expenditure as is not to be submitted to the vote of the Parliament under the provisions of the Constitution.
11. **'Comptroller & Auditor General'(C&AG)** - means the Comptroller & Auditor General of India.
12. **'Competent Authority'**- means, in respect of the power to be exercised under any of these provisions, the President or such other authority to which the power is delegated by or under the General Financial Rules, 2005, Delegation of Financial Powers Rules, 1978 or any other general or special orders issued by the Government of India.
13. **'Consolidated Fund of India'**- Under Article 266 (1) of the Constitution all revenues of the Union Government, loans raised by it and all moneys received in repayment of loans form one consolidated fund called the Consolidated Fund of India. No moneys out of this Fund can be appropriated except in accordance with the law and for the purposes and in the manner provided in the Constitution.
14. **'Constitution'** - means the Constitution of India.
15. **'Contingency Fund'** – means the Contingency Fund of India established under the Contingency Fund of India Act, 1950, in terms of Article 267 (1) of the Constitution. Contingency Fund is in the nature of an imprest the corpus of which is ` 500 crore at present. The Contingency Fund is intended to provide advances to the executive /Government to meet unforeseen expenditure arising in the course of a year pending its authorization by the Parliament. The amounts drawn from the Contingency Fund are recouped after the Parliament approves it through the Supplementary Demands.
16. **'Controller General of Accounts'**- is the principal Accounts Adviser to the Government of India and is responsible for establishing and maintaining a technically sound management accounting system. He prepares a critical analysis of expenditures, revenues, borrowings and the deficit for the Finance Minister every month. He also prepares Annual Appropriation Accounts and Union Finance Accounts for presentation to the Parliament after vetting by the C&AG.

17. **'Controlling Officer (budget)'** - means an officer entrusted by a Department of the Central Government with the responsibility of controlling the incurring of expenditure and/or the collection of revenue. The term includes the Heads of Department and also the Administrators.
18. **'Chief Controller/Controller of Accounts'** - means the Head of the Accounting Organizations in the Ministries/Departments of the Central Government, set up under the scheme of departmentalization of accounts.
19. **'Department of the Central Government'**- means a Ministry or Department of the Central Government as notified from time to time and listed in the Allocation of Business Rules. It includes the Planning Commission, the Department of Parliamentary Affairs, the President's Secretariat, the Vice-President's Secretariat, and the Cabinet Secretariat.
20. **'Departmental Estimate'** - is an estimate of income and expenditure of a department in respect of any year submitted by the head of a department or other estimating officer to the Finance Ministry as the material on which to base its estimates.
21. **'Disbursing Officer'**. – means a Head of Office and also any other Gazetted Officer so designated by a Department of the Central Government, a Head of Department or an Administrator, to draw bills and make payments on behalf of the Central Government. The term shall also include a Head of Department or an Administrator where he himself discharges such function.
22. **'Estimating Officer'** - means a departmental officer responsible for preparing a departmental estimate.
23. **'Excess Grant'** – Excess grant means the amount of expenditure over and above the provision allowed through the original/supplementary grant, that requires regularization by obtaining excess grant from the Parliament under Article 115 of the Constitution.
24. **'Finance Ministry'**- means the Ministry of Finance in the Union Government.
25. **'Head of Department'** - means an officer declared as such by Government. (A list of Heads of Departments is given in the *Delegation of Financial Powers Rules*).
26. **'Financial Adviser'**- means an officer appointed by Government in a Ministry/Department to look after the matters related to financial advice, budget/ accounts, expenditure control/ audit etc. for and on behalf of Finance Ministry.
27. **'New Service'** – As appearing in Article 115(1)(a) of the Constitution, New Service means expenditure arising out of a new policy decision, not brought to the notice of Parliament earlier, including a new activity or a new form of investment.
28. **'New Instrument of Service'**- means relatively large expenditure arising out of important expansion of an existing activity.
29. **'Parliament'**- means the Parliament of India comprising of the two Houses of Lok Sabha and Rajya Sabha.
30. **'Outcome Budget'**- is the document prepared and presented annually to the Parliament, reflecting the purposes and objectives for which funds were provisioned, the cost of various programmes and activities proposed for achieving these objectives and quantitative projection of the work performed and services rendered under each programme and activity.
31. **'Primary unit of appropriation'** – means a primary unit of appropriation referred to in Rule 8 of the Delegation of Financial Powers Rules, 1978. It is the lowest unit of classification denoting the Objects of expenditure.
32. **'Public Accounts'**- means the Public Account of India referred to in Article 266(2) of the Constitution. The receipts and disbursements such as deposits, reserve funds, remittances etc which do not form part of the Consolidated Fund of India are included in the Public Account of India. Disbursements from the Public Account are not subject to vote by the Parliament, as they are not moneys issued out of the Consolidated Fund of India.
33. **'Public Accounts Committee'** - is a Committee constituted by the Lok Sabha for the examination of the reports of the Comptroller and Auditor General of India relating to the appropriation accounts of the Central Government, the Finance accounts of the Central Government or such other accounts or financial matters as are laid before it or which the Committee deems necessary to scrutinize.
34. **'Reappropriation'** - means the transfer, by a competent authority, of savings from one unit of appropriation to meet additional expenditure under another unit within the same grant or charged appropriation.
35. **'Revised Estimate'** - is an estimate of the probable receipts or expenditure for a financial year, framed in the course of that year, with reference to the transactions already recorded and anticipation for the

remainder of the year in the light of the orders already issued or

- 36. 'Supplementary Demands for Grants'**- means the statement of supplementary demands laid before the parliament, showing the estimated amount of further expenditure necessary in respect of a financial year over and above the expenditure authorized in the Annual Financial Statement for that year. The demand for supplementary may be token, technical or substantive/cash.
- 37. 'Vote on Account'** - means a grant made in advance by the Parliament, in respect of the estimated expenditure for a part of new financial year, pending the completion of the procedure relating to the voting of the demand for grants and the passing of the Appropriation Act.
- 38. 'Voted' expenditure** - means expenditure which is subject to the vote of the Lok Sabha. It is to be distinguished from '*charged*' expenditure, which is not subject to voting, even though can be discussed in the Parliament.

# CHAPTER I

## INTRODUCTION:

'Budget System' was introduced in India on 7<sup>th</sup> April, 1860. James Wilson the first Indian Finance Member delivered the budget speech expounding the Indian financial policy as an integral whole for the first time (*Principles of Civil Government: Akshaya K. Ghosh*). Post independence, the first budget was presented on November 26, 1947 by India's first Finance Minister Sri R.K. Shanmugham Chetty. The national independence brought about budgeting reforms with the Government of India primarily through the launching of comprehensive socio-economic development through five year plans, divided into Annual Plans. A sound system of sharing of resources with the States was also established through the successive Finance Commissions. By and large the system in place at present has evolved over a period of time.

The annual exercise of budgeting is a means for detailing the roadmap for efficient use of public resources. Although the Indian Constitution does not mention the term 'Budget', it provides that the President shall in respect of every financial year cause to be laid before both the Houses of Parliament, the House of People (Lok Sabha) and the Council of States (Rajya Sabha), a statement of the estimated receipts and expenditure of the Government for that year. This statement known as the 'Annual Financial Statement' is the main fiscal or budgetary document of the Government.

The financial year for the Union and the State Governments in India is from April to March. Each financial year is, therefore, spread over two calendar years. The period of financial year as from April to March was introduced in India from 1867. Prior to that, the financial year in India used to commence on 1<sup>st</sup> May and ended on 30<sup>th</sup> April (*L.K. Jha Committee's Report of the Committee On Change in Financial Year*).

L.K. Jha Committee was appointed in May, 1984 to look into the issue of financial year. The Committee while recommending the commencement of financial year from January mainly with reference to the impact of South West monsoon on the economy, had mentioned in their Report that if for any reason, a changeover to the calendar year is not acceptable despite its many advantages, then on balance, it might be best to live with the existing financial year and avoid the problems of transition.

Government of India did not favour any change in the financial year for some of the reasons which are brought out below,-

- i. The advantages arising out of the change would only be marginal in view of the

innumerable considerations in the formulation of budget policies;

- ii. Change in the financial year would upset the collection of data and it might take a long time to return to normalcy in this regard; and
- iii. The change would create a large number of problems, as extensive amendments to tax laws and systems, financial procedures relating to expenditure authorization and other matters would become necessary and in that process the administrative machinery would get diverted to problems of transition instead of concentrating on improving the tax collection machinery.

## MEANING AND SCOPE OF THE BUDGET:

### Meaning:

A government budget is defined as a legal document that is passed by the legislature, and approved by the chief executive-or President. The two basic elements of any budget are the revenues and expenses. Unlike a pure economic budget, Government Budget is designed for optimal allocation of scarce resources taking into account larger socio-political considerations.

The main objective of Government financial management is to determine how well the financial and resource management responsibilities have been discharged. This is based amongst others, on a comparison of accomplishments against the fiscal policies and the time bound Government programmes. These fiscal policies and programmes determine the Budget of the Government, through which the amounts of revenue to be raised and the allocation of sums for the respective Government programmes and purposes are set. Budgeting therefore, involves determining for a future time period on what is to be done and achieved, the manner in which it is to be done and the resources required for the same. It requires the broad objectives of the Government to be broken down into detailed work plans for each programme and sub-programme, activity and projects for each unit of the Government organization.

The Union Budget of India, also referred as the General Budget, is presented each year on the last working day of February by the Finance Minister of India to the Parliament. Article 112 of the Constitution of India stipulates that Government should lay before the Parliament an Annual Financial Statement popularly referred to as 'Budget'. The Union Budget is currently presented through 14 documents, some of which are mandated by the Constitution while others are Explanatory documents.

Budget preparation in India is an iterative process between the Ministry of Finance/Planning Commission and the spending Ministries. It is a combination of top down approach with the Ministry of Finance and the Planning Commission issuing guidelines or communicating instructions to spending Ministries, and a bottom-up approach, wherein the spending Ministries present requests for budget allocation. Some of the salient features of Union Budget are as follows-

1. **Budget is prepared on Cash Basis:** Whatever is expected to be actually received or paid under proper sanction during a financial year (including arrears of the past years) should be budgeted in that year.
2. **Rule of Lapse:** All appropriations granted by the Parliament expire at the end of financial year and no deduction of unspent budget can be appropriated for meeting the demands in the next financial year. Thus, all unutilized funds within the year 'lapse' at the end of the financial year.
3. **Realistic Estimation:** It is essential that the provisions in the budget should be restricted to the amount required for actual expenditure. The Finance Ministry is interested in seeing that the Departments do not obtain more/less money than what they really need. If a Department is allotted funds which it does not need, it will deprive some other Department from getting the required resources.
4. **Budget to be on Gross/Net Basis:** Budget is prepared both on the gross basis and net basis. The gross figures of receipts and expenditure of the Government are reflected separately for voting by Parliament and the Departments/Ministries are normally not permitted to utilize the receipts or deduct expenditure in their budget proposals. Net basis of budgeting is done in case of some Grants e.g. Defence Ordnance Factories, and Department of Posts wherein the departmental receipts are allowed to be utilized and outlays on gross as well as net basis are reflected.
5. **Form of Estimates to Correspond to Accounts:** It is essential that the form in the budget estimates correspond to that of Government accounts as it is from these accounts, that the performance of the Government is judged and the estimation for subsequent year made. If these are prepared in different forms, financial control will also become difficult.

6. **Estimates to be on Departmental Basis:** Each Department prepares estimates for receipts and expenditure separately. Generally one Demand or Grant is allocated in respect of each Ministry/Department. In case of certain large Departments/Ministries more than one Demands for Grants is allocated in terms of General Financial Rules.

**Scope:**

The Budget is presented to the Parliament in such form as the Finance Ministry may decide after considering the suggestions, if any, made by the Estimates Committee. Broadly the Budget documents depict information relating to receipts and expenditure for three years i.e.-

- i. Through Budget Estimates (BE) of receipts and expenditure in respect of Budget year (current financial year);
- ii. For the year preceding the Budget year (current year) through Revised Estimates (RE); and
- iii. Actuals of the second year proceeding the Budget year.

Budget thus sets forth the receipts and the expenditure of the Government for three consecutive years. The Annual Financial Statement shows the receipts and expenditure of Government in three separate parts under which Government accounts are maintained viz. (i) Consolidated Fund of India (ii) Contingency Fund of India and the (iii) Public Account.

As per Constitutional provisions (Article 112) the Annual Financial Statement has to distinguish expenditure on revenue account from other expenditure. It, therefore, comprises of (i) Revenue budget and (ii) Capital Budget. Broad break-up of expenditure on Plan and Non Plan i.e. expenditure which is part of normal activities of the Government or maintenance expenditure, sectoral allocation of Plan Outlays, details of resources transferred to States and Union Territory Governments are also reflected in the budget documents.

The expenditure of certain categories, charged on the Consolidated Fund of India and not being subject to the Vote of Parliament are also indicated separately in the Budget. The Demands for Grants show separately the revenue and capital, and the charged and voted expenditure. Similarly, estimates of receipts are classified in the tax and non-tax receipts and also those which are on revenue account and others which are on capital account.

The Union Budget is presented to Parliament in two parts i.e. Railway Budget pertaining to Railway Finance and General Budget which gives an overall



picture of financial position of the Government of India including the effect of Railway Budget.

The three Statements presented to the Parliament viz. the Macroeconomic Framework Statement, the Medium Term Fiscal Policy Statement and the Fiscal Policy Strategy Statement Under the FRBM mandate, has further enhanced the scope of Budget to provide an assessment of the growth prospects of the economy, indicate the rolling targets for specific fiscal indicators as well as outline the strategic priorities of the Government in the fiscal area for the ensuing year.

### **IMPORTANT CONSTITUTIONAL PROVISIONS RELATED TO BUDGET:**

Financial business in Parliament consists of the Budget comprising of General Budget and Railway Budget, Demands for Grant, Vote on Account, Supplementary Demands for Grant, Appropriation Bill and the Finance Bill. The salient Constitutional provisions that shape and guide the budgeting systems and process are outlined in brief as under-

#### **Article 112- Annual Financial Statement**

It provides that in respect of every financial year the President shall cause to be laid before both the Houses of Parliament a statement of the estimated receipts and expenditure of the Government of India for that year, referred to as the "annual financial statement". The estimates of expenditure shall show separately expenditure charged upon the Consolidated Fund of India; and other expenditure (voted) proposed to be made from the Consolidated Fund of India. The statement shall also distinguish expenditure on revenue account from other (capital) expenditure.

#### **Article 113- Procedure in Parliament with respect to Estimates.**

It provides that estimates relating to expenditure charged upon the Consolidated Fund of India shall not be submitted to the vote of Parliament, even though these can be discussed in either House of Parliament. The estimates relating to the 'voted' portion shall be submitted in the form of demands for grants, and the House of the People shall have power to assent, refuse or reduce the amount specified therein. No demand for a grant shall be made except on the recommendation of the President.

#### **Article 114- Appropriation Bills.**

After the passing of the demands under Article 113, Appropriation Bill is introduced in the Lok

Sabha to provide for the appropriation out of the Consolidated Fund of India to meet the requirements relating to (a) the grants so made by the House of the People; and (b) the expenditure charged on the Consolidated Fund of India but not exceeding in any case the amount shown in the statement previously laid before Parliament. Further, subject to the provisions of articles 115 and 116, no money shall be withdrawn from the Consolidated Fund of India except under appropriation made by law passed in accordance with the provisions of this article.

#### **Article 115- Supplementary, Additional or Excess Grants.**

If the amount authorized through appropriations for a particular service is found to be insufficient for the purposes of that year or when a need has arisen during the current financial year for supplementary or additional expenditure upon some new service not contemplated in the annual financial statement for that year, a supplementary demands for grants proposal shall be made before parliament. However, if any money has been spent on any service during a financial year in excess of the amount granted for that service and for that year, demand for such excess, as the case may be is to be laid before both the Houses of Parliament for authorizing (subject to the report of the Public Accounts Committee) the expenditure incurred in excess.

#### **Article 116- Vote on account, Vote of credit and Exceptional Grant.**

The House of the People shall have power relating to

(a) Vote on Account- to make any grant in advance in respect of the estimated expenditure for a part of any financial year pending the completion of the parliamentary procedure.

(b) Vote of Credit- to make a grant for meeting an unexpected demand upon the resources of India when on account of the magnitude or the indefinite character of the service the demand cannot be stated with the details ordinarily given in an annual financial statement;

(c) Exceptional Grant- to make provision for an exceptional grant that does not form part of the current service of any financial year;

Parliament shall have power to authorize by law the withdrawal of moneys from the Consolidated Fund of India for the above purposes.

#### **Article 117- Special provisions as to Financial Bills.**

A Bill or amendment making provision for any of the matters specified in sub-clauses (a) to (f) of clause (1) of article 110 shall not be introduced or moved except on the recommendation of the President and a Bill making such provision shall not be introduced in the Council of States.

**Article 265- Taxes not to be imposed save by authority of law.**

No tax shall be levied or collected except by authority of law.

**Article 266- Consolidated Funds and Public Accounts of India and of the States.**

Subject to the provisions of article 267 and to the provisions of this Chapter with respect to the assignment of the whole or part of the net proceeds of certain taxes and duties to States, all revenues received by the Government of India, all loans raised and all moneys received by that Government in repayment of loans shall form one consolidated fund to be entitled "the Consolidated Fund of India", and all revenues received by the Government of a State, all loans raised and all moneys received by that Government in repayment of loans shall form one consolidated fund to be entitled "the Consolidated Fund of the State".

All other public moneys received by or on behalf of the Government of India or the Government of a State shall be credited to the public account of India or the public account of the State, as the case may be.

No moneys out of the Consolidated Fund of India or the Consolidated Fund of a State shall be appropriated except in accordance with law and for the purposes and in the manner provided in this Constitution.

**Article 267- Contingency Fund.**

Parliament may by law establish a Contingency Fund in the nature of an imprest to be entitled "the Contingency Fund of India" into which shall be paid from time to time such sums as may be determined by such law, and the said Fund shall be placed at the disposal of the President to enable advances to be made by him out of such Fund for the purposes of meeting unforeseen expenditure pending authorization of such expenditure by Parliament by law under article 115 or article 116.

Similarly, the Legislature of a State may by law establish a Contingency Fund in the nature of an imprest to be entitled "the Contingency Fund of the State".

**Article 275- Grants from the Union to certain States.**

Such sums as Parliament may by law provide shall be charged on the Consolidated Fund of India in each year as grants-in-aid of the revenues of

such States as Parliament may determine to be in need of assistance, and different sums may be fixed for different States. Provided, that after a Finance Commission has been constituted no order shall be made under this clause by the President except after considering the recommendations of the Finance Commission.

**Article 280- Finance Commission.**

The President shall, within two years from the commencement of this Constitution and thereafter at the expiration of every fifth year or at such earlier time as the President considers necessary, by order constitute a Finance Commission. It shall be the duty of the Commission to make recommendations to the President relating to—

(a) the distribution between the Union and the States of the net proceeds of taxes which are to be, or may be, divided between them under this Chapter and the allocation between the States of the respective shares of such proceeds;

(b) the principles which should govern the grants-in-aid of the revenues of the States out of the Consolidated Fund of India;

(bb) the measures needed to augment the Consolidated Fund of a State to supplement the resources of the Panchayats in the State on the basis of the recommendations made by the Finance Commission of the State;

(c) the measures needed to augment the Consolidated Fund of a State to supplement the resources of the Municipalities in the State on the basis of the recommendations made by the Finance Commission of the State;

(d) any other matter referred to the Commission by the President in the interests of sound finance.

The Commission shall determine their procedure and shall have such powers in the performance of their functions as Parliament may by law confer on them.

**Article 281- Recommendations of the Finance Commission.**

The President shall cause every recommendation made by the Finance Commission under the provisions of this Constitution together with an explanatory memorandum as to the action taken thereon to be laid before each House of Parliament.

**Article 292- Borrowing by the Government of India.**

The executive power of the Union extends to borrowing upon the security of the Consolidated Fund of India within such limits, if any, as may from time to time be fixed by Parliament by law and to the giving

of guarantees within such limits, if any, as may be so fixed.

**Article 150- Form of accounts of the Union and of the States.**

The accounts of the Union and of the States shall be kept in such form as the President may, on the advice of the Comptroller and Auditor-General of India, prescribe.

**Article 151- Audit reports.**

The reports of the Comptroller and Auditor-General of India relating to the accounts of the Union shall be submitted to the President, who shall cause them to be laid before each House of Parliament.

**Article 109- Special procedure in respect of Money Bills.**

A Money Bill shall not be introduced in the Council of States. After a Money Bill has been passed by the House of the People it shall be transmitted to the Council of States for its recommendations and the Council of States shall within a period of fourteen days from the date of its receipt of the Bill return the Bill to the House of the People with its recommendations and the House of the People may thereupon either accept or reject all or any of the recommendations of the Council of States.

**Article 110- Definition of "Money Bills".**

A Bill shall be deemed to be a Money Bill if it contains only provisions dealing with all or any of the following matters, (a) the imposition, abolition, remission, alteration or regulation of any tax; (b) the regulation of the borrowing of money or the giving of any guarantee by the Government of India, or the amendment of the law with respect to any financial obligations undertaken or to be undertaken by the Government of India; (c) the custody of the Consolidated Fund or the Contingency Fund of India, the payment of moneys into or the withdrawal of moneys from any such Fund; (d) the appropriation of moneys out of the Consolidated Fund of India; (e) the declaring of any expenditure to be expenditure charged on the Consolidated Fund of India or the increasing of the amount of any such expenditure; (f) the receipt of money on account of the Consolidated Fund of India or the public account of India or the custody or issue of such money or the audit of the accounts of the Union or of a State; or (g) any matter incidental to any of the matters specified in sub-clauses (a) to (f).

If any question arises whether a Bill is a Money Bill or not, the decision of the Speaker of the House of the People thereon shall be final, and the certificate of the Speaker of the House of the People

signed by him that it is a Money Bill, shall be endorsed on every Money Bill when it is transmitted to the Council of States under article 109, and when it is presented to the President for assent under article 111.

The detailed original text of the above and other Budget related Constitutional provisions are at Appendix-I to Chapter-1.

**BUDGET DOCUMENTS:**

The major work undertaken in the Budget Division relates to the 'Scrutiny of Receipt and Expenditure Estimates' in the process of preparation of Budget Estimates, Revised Estimates and the related Statements, Annexes of various budget documents. The detailed estimates of receipts and expenditure are prepared by the Ministries/ Departments in the prescribed forms and furnished to the concerned Sections in the Budget Division. These estimates are scrutinized in detail and further consolidated as part of process of compilation of the Budget and related documents, which are briefly described below.

(a) *Annual Financial Statement*

Under Article 112 of the Constitution of India, a statement of the estimated receipts and expenditure of the Government of India in respect of every financial year is laid before Parliament; this is called the 'Annual Financial Statement'. The Annual Financial Statement of a year gives the budget estimate for that year, the budget estimate and the revised estimate for the preceding year and the figures of Accounts of the second preceding year. It shows the net amount of total expenditure under different Major Heads, after excluding the recoveries taken in reduction of expenditure. The form of Annual Financial Statement is prescribed by the Ministry of Finance.

Government of India have their departmental commercial undertakings (e.g. Railways, Posts, Telecom), whose transactions are reflected in the Annual Budgets of the Central Government. Similarly, Government of India has set up Public Sector Undertakings by contributing to their share capitals by debit to the Consolidated Fund of India. The proposed contribution to their share capital and /or loans proposed to be given to them in any financial year is reflected in the Annual Budget of that year. Similarly, dividends and repayment of loans (including interest) expected from them in any financial year are included in the Annual Financial Statement of that year.

The estimated expenditure included in the Annual Financial Statement shows separately-

- (i) The sums required to meet expenditure described in the Constitution of India as expenditure charged upon the Consolidated Fund of India; and

- (ii) The sums required to meet other expenditure proposed to be made from the Consolidated Fund of India.

The Annual Financial Statement also exhibits the estimated receipts and expenditure under the Public Accounts and net transactions under the Contingency Fund. The expenditure on Revenue account is distinguished in the Annual Financial Statement from that for other expenditure including expenditure on Capital account, Loans by Government and for Repayment of loans, Treasury Bills and Ways and Means Advances.

The Annual Financial Statement also includes the following statements-

**Statement I: Consolidated Fund of India:**

- (i) Revenue Account- Receipts;
- (ii) Revenue Account- Disbursements;
- (iii) Capital Account- Receipts;
- (iv) Capital Account- Disbursements;

**Statement IA: Disbursements Charged on the Consolidated Fund of India:**

This statement includes details of the disbursements 'Charged' on the Consolidated Fund of India.

**Statement II: Contingency Fund of India:**

This statement provides details on the Net position relating to the transactions under the Contingency Fund of India.

**Statement III: Public Account of India**

- (i) Receipts
- (ii) Disbursements

**Statement on Receipts and expenditure of Union Territories without Legislature:**

This is a statement giving budgetary details of tax and non tax revenues of Union Territories without legislature along with the budgeted expenditure provisions against Revenue, Capital and Loans and Advances heads.

*(b) Demands for Grants*

The estimates of expenditure from the Consolidated Fund included in the Budget Statements and required to be voted by the Lok Sabha are submitted in the form of Demands for Grants. Normally a separate demand is required to be presented for each Department or the major services under the control of a Ministry/Department. Each demand normally includes the total provisions required for a service, i.e. provisions on account of revenue expenditure, capital expenditure, grants to States and Union Territories and also loans and advances relating to that service. Estimates of

expenditure included in the Demands for grants are for gross amounts. The receipts and recoveries taken in reduction of expenditure are shown by way of below the line entries.

The estimates of expenditure in the Demands for Grants contain those amounts for which the vote of Lok Sabha is required separately, and is called 'voted' expenditure. The estimate for 'charged' expenditure under any head for which vote of the Lok Sabha is not required, are also indicated in the Demands for Grants. When there is no estimate for expenditure under any head requiring vote of Lok Sabha, then it is not called a Demand, but it is called 'Appropriation' and included as such in the list of Demands.

Keeping in view the need for clarity, the serial number of Demands for Grants and their coverage are decided by the Ministry of Finance in the Budget Division. The estimates in the Demands for Grants are shown by Major Heads, and the break-up under each Major Head shows the estimates under 'charged' and 'voted', 'Revenue' and 'Capital' and 'Plan' and 'Non-Plan'. The Demands for Grants are submitted to the Parliament along with the Annual Financial Statement.

**RECOMMENDATIONS OF THE ESTIMATES COMMITTEE ON THE FORM AND CONTENTS OF DEMANDS FOR GRANTS:**

The salient recommendations of the Estimates Committee relating to Demands for Grants in their 24<sup>th</sup> Report (1972-73) are:

- (i) The provisions relating to a service on Revenue Account as well as on Capital Account (including Grants in aid to States and UTs) may be included in one Demand including loans and advances relating to that service, subject to the condition that there should be no reappropriation of funds between Revenue and Capital;
- (ii) There should be separate Demands for Grants for organizations like Indian Council of Agricultural Research and Council of Scientific and Industrial Research etc. which are mainly financed by Government involving substantial amounts;
- (iii) The provision for Secretariat proper of the Ministry/Department may continue to be shown in a separate Demand but where due to unavoidable reasons the expenditure on Secretariat is included in a composite Demand, the expenditure on the Secretariat should be mentioned clearly and pointedly as

distinct from expenditure on activities of the Ministries/Departments;

- (iv) In the Demands for Grants, stress is laid on major programmes and activities of the Department highlighting those aspects of the Budget which are important, for an appreciation of the resource allocation at the national level. The information about the activities are covered by way of Notes;
- (v) An Annexure is appended to the Demands for Grants listing items of 'New Service'/New Instruments of Service' for which provision is included in the Budget Estimates in pursuance to the recommendations made by the Public Accounts Committee in their Eleventh Report (Third Lok Sabha). Comprehensive Notes on 'New Service'/ 'New Instruments of Service' to bring out the objectives underlying the service/activity, the financial implications thereof, the time schedule for completion and commissioning, the contribution expected to be made in the economic and industrial field etc. may be clearly set out in the Notes to be included in the Demands for Grants; and
- (vi) Full details of subsidy on food transactions, such as average cost price and sale price, actual price paid to the indigenous producer and the country from which it is imported, administrative expenditure, freight, incidental and other charges, losses in transit, handling and storage, per quintal subsidy etc should be given in the Explanatory Memorandum on the Budget.

The Detailed Demands for Grants are laid by the respective Ministries on the Table of Lok Sabha after the Demands for Grant is submitted to the Parliament, well in advance of the date of discussion fixed for that Ministry's Demands. These Demands show distinctly the programmes/activities/schemes or organization for which provision in a year is ` 1 lakh or more and in respect of schemes etc. costing ` 10 lakhs and above. The Detailed Demands for Grants show the further break-up by reflecting the 'Object' wise expenditure. Plan and Non Plan provisions are also shown distinctly. These Demands also include schedules listing grants to bodies other than State

Governments in excess of certain limits, details of number of staff for which provision is made and a schedule listing important items of Non plan expenditure. A schedule giving details of works costing ` 10 lakhs or more individually is also added in the Detailed Demands of the concerned Ministries/Departments.

(c) *Receipts Budget*

Estimates of receipts included in the "Annual Financial Statement" are further explained and analyzed in the "Receipts Budget". The document gives details of revenue receipts and capital receipts and explains the estimates. Trends of revenue receipts and capital receipts over the years and details of External Assistance received are also included.

Receipts Budget has two parts-

- (i) Part 'A'- Revenue Receipts: The estimates of Revenue receipts, both tax revenue and non-tax revenue are explained in this part. The tax revenue section includes statements on Corporation tax, Taxes on Income other than Corporation tax, Wealth tax, Customs, Union Excise Duties, Service tax and taxes of Union Territories. The non-tax revenue details include statements on Interest receipts, Dividends and Profits, Other Non Tax Revenue and Non Tax Revenue of Union Territories.
- (ii) Part 'B'- Capital Receipts: In this part, the details of capital receipts which include market loans, external assistance, small savings, Government provident funds, accretions to various deposit accounts, depreciations and reserve funds of departments like Railways, Telecom etc. are given.

The Receipts Budget also contains 12 Annexes containing details as under-

- (i) Annexure 1- State-wise distribution of share in Central taxes/duties;
- (ii) Annexure 2 -External assistance-receipts and repayments country/organization -wise;
- (iii) Annexure 3-Debt position of the Government of India, having statements on- Liabilities of the Central Government, Assets, Guarantees Given by the Government and Asset Register;
- (iv) Annexure 4-Details of current rupee loans of the Central Government;
- (v) Annexure 4A- Special securities converted into marketable securities;

- (vi) Annexure 5- Trends in Receipts;
  - (vii) Annexure 6-Trends in expenditure;
  - (viii) Annexure 7- Analysis of Tax and Non Tax Revenue Receipts included in Annex 5;
  - (ix) Annexure 8- National Small Savings Fund;
  - (x) Annexure 9- Reconciliation between estimates of Receipts shown in Annual Financial Statement and Receipts Budget ;
  - (xi) Annexure 10-Tax Revenues raised but not realized (principle taxes);
  - (xii) Annexure 11- Arrears of Non Tax Revenue; and
  - (xiii) Annexure 12- Revenue foregone under the Central Tax System
- (d) *Expenditure Budget Volume -1*

Expenditure Budget Vol. No. 1 deals with the revenue and capital disbursements and gives the estimates in respect of "Plan" and "Non-Plan" and explains the variations in the estimates of both. It also gives analysis of various types of expenditure.

Expenditure Budget Vol. 1 also contains information in separate Statements and Annexes, providing information relating to General Expenditure, Non Plan Expenditure, and Plan Outlay. The Statements relating to Gender Budgeting and Budget provisions for schemes for the Welfare of Children, position on Guarantees given by Central Government and outstanding, as at the end of March last are also shown in this document. The estimates of budgetary expenditure shown in this document exclude the transactions of Railways and Telecom except to the extent of Plan investments made from the General Budget. This Statement is prepared in three parts-

- (i) Part I- General
- (ii) Part II- Non Plan Expenditure
- (iii) Part III- Plan Outlay

**Part I** of the document contains the following:

- (i) Summary of Expenditure;
- (ii) Expenditure by Ministries/Departments;
- (iii) Expenditure of Union Territories without Legislature;
- (iv) Revised Estimates of the current year with brief explanations for variations between Budget Estimates and Revised Estimates, both in respect of Plan and Non plan.
- (v) Budget Estimates of ensuing year for both Plan and Non plan.

**Part II** of the Expenditure Budget Volume I briefly describes important items of Non plan expenditure and contains the following statements-

- (i) Non Plan Expenditure for ensuing financial year;
- (ii) Non Plan Expenditure by broad categories;
- (iii) Non Plan Subsidies- Interest Subsidies;

- (iv) Non plan Subsidies-Other Subsidies;
- (v) Departmental Commercial Undertakings;
- (vi) Non Plan Capital Outlay;
- (vii) Non Plan Grants and Loans to Public Enterprises;
- (viii) Non Plan Grants and Loans to State and U.T Governments; and
- (ix) Grants and Loans to Foreign Governments.

**Part III** of the Expenditure Budget Volume I describes Plan Outlay and contains the following statements-

- (x) Plan Outlay for ensuing financial year;
- (xi) Central Plan Outlay by Ministries/Departments;
- (xii) Central Plan Outlay by Heads of Development;
- (xiii) Plan Investments in Public Enterprises;
- (xiv) Resources of Public Enterprises;
- (xv) Central Assistance for State and Union Territory Plans;
- (xvi) Plan Grants and Loans to State and UT Governments;
- (xvii) Direct Transfer of Central Plan Assistance to State/District level Autonomous Bodies/ Implementing Agencies;
- (xviii) Estimates for Provision for Externally Aided Projects;
- (xix) Gender Budgeting;
- (xx) Schemes for Development of Scheduled Castes and Scheduled Tribes;
- (xxi) Budget Provisions for Schemes for the Welfare of Children.

**(Note:** The Statements and their numbers are dynamic in nature and are incorporated /amended as per requirements from time to time, by the Ministry of Finance).

The Expenditure Budget Volume I contains in addition to the above statements, six Annexes viz.-

1. Budget Provisions by Heads of Account;
2. Reconciliation between expenditure shown in Demands for Grants, Annual Financial Statement and Annex 1;
3. Trends in Expenditure;
4. Contributions to International Bodies;
5. Grants in aid to private institutions, organizations etc.; and
6. Estimated strength of Establishment and provision therefore.

(e) *Expenditure Budget Volume- 2*

To understand the objectives underlying the expenditure proposed in the Demands for Grants, a brief description of the various items of expenditure on major programmes included in the Demands together with the reasons for variation between the budget estimates and revised estimates for the previous year and the budget estimates for the current year are given in this volume.

In other words, the Expenditure Budget Volume- II incorporates the Notes on Demands for Grants also with the net provisions for the scheme/programme.

(f) *Finance Bill*

The Finance Bill is presented in fulfillment of the requirement under Article 110 (1) (a) of the Constitution, detailing the imposition, abolition, remission, alteration or regulation of taxes proposed in the Budget. It is accompanied by a Memorandum explaining the provisions included in it.

Finance Bill is a Money Bill defined in Article 110 of the Constitution and as required under Article 117 of the Constitution, introduction of the Finance Bill needs the prior recommendation of the President, except for reduction or abolition of any tax.

(g) *Memorandum Explaining the Provisions in the Finance Bill*

The purpose of this document is to facilitate understanding of the taxation proposals made in the Finance Bill, with the provisions and their implications explained.

(h) *Budget at a Glance*

This document shows in brief, receipts and disbursements along with broad details of tax/non-tax revenues and other receipts and Plan and Non-Plan expenditure, including allocation of Plan outlays by sectors as well as by Ministries/Departments and details of resources transferred by the Central Government to State and Union Territory Governments. This document also shows the revenue deficit, the gross primary deficit and the gross fiscal deficit of the Central Government.

(i) *Highlights of Budget*

The key features of the Budget indicates, inter alia, the prominent achievements in various sectors of the economy, new initiatives announced in the Budget, allocation of funds made in important areas, and a summary of tax proposals.

(j) *Status of Implementation of Announcements made in Finance Minister's Budget Speech*

This document indicates the action taken and action in progress on the announcements made in the last budget. The position reflected is updated to first week of February of the reporting year.

(k) *Fiscal Responsibility and Budget Management Act related documents:*

- (i) Macro-economic Framework Statement;
- (ii) Medium Term Fiscal Policy Statement
- (iii) Fiscal Policy Strategy Statement

Mandated under Section 2(5), 3(4), 3(3), and 3(2) of the Fiscal Responsibility and Budget Management Act, these statements reflect *inter alia*, the growth prospects of the economy with specific underlying assumptions, the strategic priorities of Government in the fiscal area for the ensuing financial year relating to taxation, expenditure, lending and investments, administered pricing, borrowing and guarantees, and sets out three-year rolling targets for four specific fiscal indicators in relation to GDP at market prices namely (i) Revenue Deficit, (ii) Fiscal Deficit, (iii) Tax to GDP Ratio and (iv) Total out-standing Debt at the end of the year.

**SOME OTHER IMPORTANT BUDGET RELATED DOCUMENTS:**

*Detailed Demands for Grants:*

The Detailed Demands for Grants are prepared by the Ministries/Departments on the basis of the provisions made in the Demands for Grants. The Detailed Demands for Grants are laid on the Table of the Lok Sabha, after the presentation of the Budget but before discussion on Demands for Grants commences. These Detailed Demands show further break-up by objects of expenditure, provisions of programmes/organizations for which the provision is rupees one lakh or more individually. The Detailed Demands also show actual expenditure by sub-heads during the previous year separately, for Plan and Non Plan. The estimates are followed by details of recoveries taken in reduction of expenditure in the accounts. In both the Demands for Grants and the Detailed Demands for Grants, totals are struck

Major Head wise and Section wise (Revenue and Capital Sections), with reference to-

- (i) Total provision;
- (ii) Charged provision; and
- (iii) Voted provision.

*Economic Survey:*

Economic Survey of any year gives a detailed analysis of the economic situation of the country and is presented to Parliament a few days before presentation of the Annual Budget for the ensuing year. It includes a Statement about the position of budgetary transactions of the Central and State Governments, and their overall surplus/deficit positions in the current year and the past trends.

In the Economic Survey, along with an analysis of the economic situation of the country, detailed analysis is given of the trends in the current year in agriculture, industry, infrastructure, employment, money supply, imports, exports, prices, foreign exchange reserves, balance of payment etc as compared to selected earlier years. This document is helpful for a better appreciation of the proposals for resource mobilization and budgetary allocation for the ensuing year, and is therefore presented to the Parliament ahead of the presentation of the Budget for the ensuing year.



## CHAPTER II

### ORGANIZATIONAL ASPECTS

#### ROLES AND RESPONSIBILITIES OF THE LEGISLATURE AND EXECUTIVE:

##### ROLE OF THE PARLIAMENT:

In India the Parliamentary control over public finances becomes operative primarily through the approval of the Annual Budget. This enormous responsibility of spending public funds falls upon the Government as well as the Parliament. While the Government is responsible for planning how public money should be spent, the Parliament's duty as the people's representative body is, to observe and scrutinize the Government's proposals and policies. For such Legislative control over the financial procedures, *Articles 265, 266 and 112 of the Indian Constitution* clearly vests "the power over the purse in the hands of chosen representatives" by providing that "no tax shall be levied or collected except by authority of law, no expenditure can be incurred except with the authorization of the Legislature; and President shall, in respect of every financial year, cause to be laid before Parliament, "Annual Financial Statement". Thus, the Indian government is accountable to the Parliament in its financial management. With the constitutional supremacy of the bicameral Parliament, especially of Lok Sabha (House of People), every single financial act is processed and passed by the representatives of the people. However, proposals for the formulation of budget levying taxes, determining government accounts and expenditures, are prepared by the Government's Ministries and consolidated in the Ministry of Finance.

The Annual Financial Statement, presented before both the Houses of Indian Parliament, constitutes the Budget of the Union Government. This statement takes into account a period of one financial year, which commences on April 1st each year. The statement embodies the estimated receipts and expenditure of the Government of India for the financial year. The Budget is conceptually divided into two sections, i.e. budget for current expenditures, known as the budget on revenue account, and a capital budget for infrastructure/investment expenditure on economic and social development etc. The estimates of expenditure included in the Budget and required to be voted by Lok Sabha are presented in the form of Demands for Grants. These Demands are arranged Ministry-wise and a separate Demand for each of the major services is presented. Each Demand contains first a statement for the total grant and then a statement of the detailed estimates divided into items. The Budget of the Indian Railways

is presented separately to the Parliament and dealt with separately, although the receipts and expenditure of the Railways form part of the Consolidated Fund of India and the figures relating to the receipts and expenditure of the Railways are included in the 'Annual Financial Statement'.

The Parliamentary procedures relating to the budgetary process are indicated in the following paragraphs.

##### PRESIDENT'S APPROVAL:

According to Article 204(1) of Rules of Procedure and Conduct of Business in Lok Sabha, the Budget is presented to the Parliament on such date as is fixed by the President. According to parliamentary custom, the Budget is presented at 11.00 am (Earlier it was 5.00 pm.) on the last working day of February i.e. about a month before the commencement of the financial year except in the year when General Elections to Lok Sabha are held. In an election year, the Budget may be presented twice, first to secure a Vote on Account for a few months and later in full.

President's approval of the date on which the budget is to be presented is obtained for the preparation of Budget by Secretary General, Lok Sabha Secretariat after the Speaker agrees to the date suggested by the Government before the commencement of the Budget Session. After the President's approval has been obtained, Members are informed of the date and time of the presentation of budget through Lok Sabha/Rajya Sabha Bulletin Part-II.

##### SUMMARY FOR THE PRESIDENT:

Before presentation of the Budget, President's recommendation is obtained under Article 117 (1) and 117 (3) for introduction and consideration in Lok Sabha of the :

- (a) Appropriation Bill (General)
- (b) Finance Bill (along with recommendation under Article 274)

President's approval for the Budget is obtained through "Summary for the President" along with the documents on (i) Annual Financial Statement, (ii) Finance Bill (iii) Demands for Grants and (iv) Statements required under the FRBM Act.

The 'Summary for the President' also includes the direct and indirect tax proposals and miscellaneous financial provisions as proposed through the Finance Bill. The summary note is approved by the Finance Minister and Prime Minister before being taken for the President's approval, normally on the morning of the Budget Day itself.

#### **SUMMARY FOR THE CABINET:**

Immediately before the presentation of the Budget in the Parliament, the Finance Minister briefs the Cabinet on the budget proposals and the Finance Bill. Budget Division prepares a 'Summary For The Cabinet' outlining in brief the Revised Estimates proposals, the Budget proposals for the ensuing year including the Plan and Non Plan provisions, the estimated Receipts and the brief on the compliance with the relevant provisions of the FRBM Act and Rules. The 'Summary for the Cabinet' also includes the direct and indirect tax proposals and miscellaneous financial provisions as proposed through the Finance Bill. The summary note is approved by the Finance Minister before being taken to the Cabinet. Immediately after the briefing of the Cabinet by the Finance Minister, the Budget is taken up for presentation in the Parliament.

#### **BUDGET PRESENTATION:**

While presenting the Budget on the scheduled day in the Lok Sabha (at 11.00 hours), the Finance Minister makes a speech giving *inter alia* details of the proposals for the new financial year regarding taxation, borrowings and expenditure plans of the Government. The Budget Speech is largely a policy document whereby the Finance Minister states the salient features of the financial administration of the year ending and the year commencing. The main purpose however is to focus attention on the policies and programmes of the Government and how far they had been already implemented and are proposed to be implemented during the forthcoming budget year.

The Budget is laid on the Table of the Rajya Sabha soon after the Finance Minister has completed his budget speech in the Lok Sabha. No discussion takes place on the day the Budget is presented. Sets of Budget papers are supplied to Members after the budget has been presented. Five copies of the Finance Minister's speech Part 'A' are supplied to the Secretary General, Lok Sabha from the Official Gallery as soon as the Finance Minister starts reading the same. Prior to 1964, 'Economic Survey' which is essentially a part of Budget Documents was circulated to the members along with the budget documents. However, in 1964, it was decided to delink it from budget documents for circulation to the members so that they are informed of the current economic situation and outlook for the coming year in advance of presentation of the General Budget.

#### **GENERAL DISCUSSIONS:**

In consultation with the Ministry of Finance, the Ministry of Parliamentary Affairs fixes the dates for General Discussions on the Budget. As per the Parliamentary Procedures, the General Discussions on Budget is held on a day appointed by the Speaker, subsequent to the day of presentation of the Budget and for such period of time as the Speaker may decide. The House is at liberty to discuss the budget as a whole or any question of principle involved therein, but no motion can be moved at the time of General Discussion nor the budget is submitted to the vote of the House after the General Discussion. The Finance Minister has a right to reply at the end of the discussions. The scope of discussion at this stage is confined to general examination of budget, policy of taxation as expressed in the Budget speech of the Finance Minister and general schemes and structure etc. Specific points or grievances can be discussed on the floor of the House when it takes up relevant Demands for Grants or the Finance Bill.

Heads of Divisions are requested to depute Officers not below the rank of Under Secretaries to cover general discussions on the 'Motion of Thanks' on General Budget and Finance Bill in both the Houses of Parliament. They shall immediately report important points to their Heads of Divisions/Heads of Departments for preparing 'Notes' thereon. It should be ensured that such Notes are prepared promptly and submitted to the Finance Minister and should in no case be deferred to the following day if the discussion is not concluded on that day. "Gist of Points" raised during the day are required to be submitted to the Finance Minister. A specimen of the form to be used for submitting 'Notes' is part of Annexure I of the Handbook of Parliamentary Procedure, issued by Ministry of Finance. The Parliament Cell arranges to send copies of verbatim record of Proceedings of both the Houses to the residence of Secretaries and Ministers on the following day.

#### **CUT- MOTIONS:**

After the General Discussion, the Demands for Grants of individual Ministries/Departments are taken up in the Lok Sabha for discussion according to a time table as decided at the meeting of Business Advisory Committee of the House and voted upon. When a Demand is taken up for discussion, any Member may seek reduction in the amount of the Demand by moving any of the following types of **Cut Motions**, a notice for which should have been given by him earlier-

- (a) **Disapproval of Policy Cut:** by moving "that the amount of the Demand be reduced to Re. 1", thus representing disapproval of the policy underlying the demand. The Member giving notice of 'Disapproval of Policy Cut' indicates in precise terms the particulars of the policy which he proposes to discuss. The

discussion is confined to the specific points mentioned in the notice and it is open to the member to advocate an alternative policy.

- (b) **Economy Cut:** by moving “that the amount of the demand be reduced by a specified amount” representing the economy that can be effected. The Member giving notice of ‘Economy Cut’ may indicate either a lump sum reduction in the Demand or omission or reduction of an item. He, briefly and precisely indicates the particular matter on which discussion is sought to be raised and his speech has to be confined to that matter as to how economy can be effected; and
- (c) **Token Cut:** by moving “that the amount of the demand be reduced by ` 100” in order to ventilate a specific grievance, which is in the sphere of the responsibility of the Government of India. The discussion is limited to a particular grievance specified in the motion.

Advance copies of Cut Motions relating to the Ministry of Finance when received are sent to the Financial Adviser for preparation of briefs thereon for the Finance Minister’s use. Normally, Notes on each and every Cut Motions are not required to be prepared. It is for the Financial Adviser to select such Motions which are important and prepare Notes thereon for the Minister’s use. Cut motions are generally replied by the Minister concerned.

#### **GUILLOTINE:**

On the last day of the days allotted for discussion on the Demands for Grants, at the time fixed in advance, the Speaker puts all the outstanding Demands for Grants to the vote of the House. This process is known as ‘Guillotine’ and is a device for bringing the debate on financial proposals to an end within a specified time with the result that several Demands have to be voted by the House without discussions. When time for applying the guillotine is reached, the Member or the Minister who is in possession of the House is asked by the Speaker to resume his seat. Cut Motions which have been moved are immediately put to vote and disposed off. The Ministry of Parliamentary Affairs ensures that Ministers concerned with the Ministries/Departments whose Demands for Grants are guillotined are present in the House so that they are available to provide material/answer on points which may be raised by Members.

#### **APPROPRIATION BILL:**

Voting of Grants by the Lok Sabha does not by itself authorize the issue of money out of the Consolidated Fund of India. The Constitution lays down that “no money shall be withdrawn from the Consolidated Fund of India except under Appropriation made by law”. This Act is the sole authority for the appropriation of money from the

Consolidated Fund. Therefore, after the Demands for Grants are voted and passed by Lok Sabha, an Appropriation Bill is introduced in the Lok Sabha seeking to “authorize payment and appropriation of the sums so voted, as well as those required for meeting the charged expenditure from and out of the Consolidated Fund of India for the services during the financial year”. After the Bill has been considered and passed by the Lok Sabha, it is transmitted to the Rajya Sabha for consideration and return. Appropriation Bill for withdrawal from the Consolidated Fund of India is introduced in the Lok Sabha with the prior approval of the President. For its introduction, consideration and passing on the same day, a special permission has to be sought from the Speaker.

The scope of debate on an Appropriation Bill relating to Demands for Grants for the financial year after remaining demands have been guillotined is restricted to important matters or administrative policy implied in the grants covered by the Bill which have not already been raised while relevant Demands for Grants were discussed in the House.

#### **FINANCE BILL:**

Finance Bill is introduced by the Finance Minister immediately after the Annual Statement of estimated receipts and expenditure of the Central Government is presented in the Lok Sabha. Being a Money Bill, it is introduced in the Lok Sabha with the President’s recommendation under clause (1) of Article 117. After passing of the Appropriation Bill, Finance Bill is considered and passed by the Parliament as a Money Bill. In the case of Finance Bill, the procedure in Rajya Sabha is the same as in the case of other Money Bills.

As the Finance Bill is a Secret Bill, copies thereof are not circulated to the Members 2 days in advance of its introduction as required under Direction 19 of ‘Directions by the Speaker’. Copies of the Bill are printed in the Budget Press along with other secret documents for circulation to the Members. Introduction of the Finance Bill cannot be opposed. Under the provisions of the Provisional Collection of Taxes Act, 1931, this Bill is required to be passed by both the Houses and receive assent of the President within 75 days of its introduction. The Speaker has held that the Finance Bill should not contain amendments to both direct and indirect tax laws if they are of a permanent nature and are not consequential upon or incidental to the taxation proposals, for that, a separate Bill i.e. Taxation Laws Amendment Bill should be brought forward.

The provisions of the Bill relating to imposition of customs and central excise duties come into force immediately on the expiry of the day on which the Bill is introduced by virtue of declaration under the Provisional Collection of Taxes Act, 1931, contained in the Bill to the effect that it is expedient in the public interest that the provisions of certain clauses of the Bill shall have immediate effect. Such

a provision has the force of law and it will have effect for 75 days or till the date of enactment of the Finance Bill, whichever is earlier.

Although there is no bar to the introduction of more than one Finance Bill containing taxation proposals in a year yet if a second Finance Bill containing supplementary taxation proposals is introduced, it has to be preceded by Demands for Grants and the connected Appropriation Bill. In other words, the sequence in regard to Budget, as provided in Articles 112 to 115 of the Constitution has to be followed.

#### **VOTE ON ACCOUNT:**

Since the whole process beginning with the presentation of the budget and ending with discussion and voting on the Demands for Grants require sufficiently long time, a provision has been made in the Constitution which empowers Lok Sabha to make any grant in advance in respect of the estimated expenditure for a part of the financial year pending completion of procedure for the voting of the Demands. The purpose of 'Vote on Account' is to keep Government functioning, pending the voting of final supply. As a convention, Vote on Account is treated as a formal affair and passed by Lok Sabha without any discussion. Generally Demands for Grants 'On Account' are voted by Lok Sabha immediately after general discussion on the budget is over and before the detailed discussion on the Demands are taken up. Budget Division in the Ministry of Finance is required to ensure that "Book for Demands for Grants on Account" is supplied to the Lok Sabha Secretariat well in time for circulation to the Members.

#### **ROLE OF THE EXECUTIVE IN THE BUDGET PROCESS:**

The executive authority of the Union Government is vested in the President of India who exercises this authority either directly or through officers in accordance with Constitutional provisions. However, the President has been placed under a firm Constitutional obligation to act in accordance with the advice tendered by the Council of Ministers headed by the Prime Minister, which is collectively responsible to the Parliament. Each Minister holding a portfolio for formulating departmental policies is individually responsible (as part of collective responsibility) to oversee the implementation and ensure the efficient working of the administrative machinery under his charge.

To enable Budget Division in the Ministry of Finance prepare the budget for the financial year, its own estimating authorities and those of other Departments/Ministries are required to prepare their detailed estimates. The estimates are prepared separately for Plan and Non plan expenditure. The detailed estimates of expenditure are prepared by the

estimating authorities according to their assessment of requirements for the ensuing year, keeping in view the actuals of the past years, trends of expenditure in the current year, arrears of previous years and the decisions already taken by the Government.

For framing the detailed estimates, the estimating authorities are expected to assess their receipts and expenditure requirements with good care. They are required to be judicious to avoid any extravagance in making provisions and under estimation of receipts, since these may lead to avoidable tax burden or exclusion of some important items of expenditure for which provision could have been otherwise made. Under estimation of expenditure or over estimation of receipts may similarly result in undesirable deficit increase.

From the detailed estimates the Demands for Grants are prepared and then the figures of receipts and net figures of estimated expenditure (after the deduction of estimated recoveries) are grouped under each Major Head of account for including in the 'Annual Financial Statement'. Before the Annual Financial Statement is finalised, new tax proposals if any are formulated and their effects included in the Statement.

The Annual Financial Statement of receipts and expenditure of the Government is required to be placed before the Parliament which, in each case, confers specific authority for raising revenue through taxation and incurring expenditure. In this regard, no tax can be levied or collected except by authority of law while, similarly, no moneys can be appropriated from the Consolidated Fund except in accordance with law and for the purposes and in the manner provided in the Constitution. The roles of the different Ministries/Departments and organizations in the budget preparation process are briefly as under.

#### **MINISTRY OF FINANCE- DEPARTMENT OF ECONOMIC AFFAIRS:**

The finances of Government have traditionally been controlled by the Ministry of Finance. With the phenomenal growth and the complexity of Government activities, several powers have been delegated to Administrative Ministries, but the Ministry of Finance continues to have the overall responsibility of co-ordination and control.

The Finance Minister, assisted inter alia by the Budget Division of the Department of Economic Affairs of the Ministry of Finance, has the responsibility for producing the Budget, in the form of the Annual Financial Statement and such supplementary budgets as may be needed during a year for the Government of India (other than for the railways), as well as the other budget documents. The Budget Division in the DEA is responsible for issuing all instructions and guidelines for the preparation of budget estimates and for monitoring the timely receipt of the same from all the Ministries

concerned. The railway budget is prepared separately and presented to the Parliament a few days in advance of the general budget. The railway budget figures (net) are, however, also incorporated in the general budget to give an overall picture of the financial position of Government. The Railway Budget is presented to Parliament by the Minister of Railways.

The Ministry of Finance has issued detailed regulations on budgetary procedures, financial management and control to be followed uniformly in the Government of India. The Secretary Department of Economic Affairs keeps a close watch on the entire budgeting process and his intervention/guidance is solicited to streamline and smoothen the budget preparation/finalization exercise.

#### **ROLE OF BUDGET DIVISION IN THE DEPARTMENT OF ECONOMIC AFFAIRS (DEA):**

The Budget Division in the DEA has the prime responsibility for the preparation and submission of Annual Budget to the Parliament (other than Railways), as well as the Supplementary Demands for Grants and the Demands for Excess Grants. The Budget, Supplementary and Excess Demands of States and Union Territories under the President's Rule are also entrusted upon the Budget Division.

Besides, Budget Division is also responsible for dealing with all issues relating to Public Debt, market loans of the Central Government and the fixation of terms & conditions of lending by the Central Government, fixing the administered interest rates and keeping a watch on the Ways and Means position of the Central Government. The Division deals with the matters relating to National Savings Organization and Small Savings Schemes; Duties, Powers and Condition of Service of the Comptroller and Auditor General of India; Accounting procedures and Classification; dealing with issues relating to National Defence Fund; Railway Convention Committee; and the Capital Restructuring Proposals. The work relating to Treasurer Charitable Endowment is also handled in the Budget Division, in pursuance of 'The Charitable Endowment Act, 1890' which provides that- where property is held or is to be applied in Trust for charitable purposes, the Central Government, if it thinks fit, may, on application made, order that the property be vested in a Treasurer Endowments on such terms as to the application of the property or the income there of as may be agreed on between the Government and the persons(s) making the application. Presently, this appointment is held by a designated Deputy Secretary/Director (Budget).

The functions of the Budget Division, as included in the Government of India (Allocation of Business Rules), 1961 are:

- i. Ways and Means.
- ii. Preparation of Central Budget other than Railway Budget including supplementary excess grants and when a proclamation by the President as to failure of Constitutional machinery is in operation in relation to a State or a Union Territory, preparation of the Budget of such State or Union Territory.
- iii. Market Borrowing Programme of Central and State Governments and Government Guaranteed Institutions.
- iv. Floatation of Market Loans by Central Government and issue and discharge of Treasury bills.
- v. Administration of the Public Debt Act, 1944 (18 of 1944).
- vi. Fixation of interest rates for Central Government's borrowings and lending.
- vii. Policy regarding Accounting and Audit procedures including classification of transactions.
- viii. Financial matters relating to Partition, Federal Financial integration and Reorganisation of States.
- ix. Contingency Fund of India and administration of the Contingency Fund of India Act, 1950 (49 of 1950).
- x. Monitoring of budgetary position of the Central Government.
- xi. Public Provident Fund Scheme.
- xii. Finance Commission.
- xiii. Resources of Five Year and Annual Plans.
- xiv. National Deposit Scheme, Special Deposit Schemes, Compulsory Deposit Scheme, Other Deposit Schemes of the Central Government.
- xv. Small Savings, including the administration of the National Savings Institute.
- xvi. Duties and Powers of the Comptroller and Auditor General.
- xvii. Laying of Audit Reports before the Parliament under article 151 of the Constitution.
- xviii. Financial emergency.

- xix. Government guarantees.
- xx. Functions of the Treasurer of Charitable Endowments for India.

### **Budget Related Functions:**

The Budget Division placed in the Department of Economic Affairs in the Ministry of Finance, functions under the supervision of Joint Secretary/Addl. Secretary (Budget) and the Finance Secretary. In addition to work of routine administrative nature and the vertical assignment of responsibilities to each section, all the sections in the Division are responsible for budgetary matters pertaining to the Demands for Grants and allied subjects of different Ministries/Departments of Central Government allocated to them. The prime responsibility of the Budget Division relates to the 'Scrutiny of Receipt and Expenditure Estimates' in the process of preparation of Budget Estimates and Revised Estimates, and related Statements/ Annexes of various budget documents.

Although the detailed estimates of receipts and expenditure are prepared by the Ministries/Departments in the prescribed forms and furnished to the concerned Sections in the Budget Division, the actual preparation of the budget and the estimates is the responsibility of Budget Division in the Ministry of Finance. On receipt of the departmental estimates, Budget Division examines the estimates item by item with due regard to the explanations furnished by the estimating officers, the recommendations if any of the administrative departments and the trends of actual expenditure/receipt during the current year. In respect of the estimates of receipts, the Finance Ministry/Budget Division takes into account the special information affecting the estimates for the forthcoming year, which it may possess and which has not already been taken into account by the estimating authorities.

In respect of the estimates of expenditure the Budget Division does a close scrutiny of the items relating to fluctuating and non-recurring charges and will not allow any increase that is not adequately explained or justified. Similar scrutiny of non-recurring charges is required to ensure that the estimates are included only after the completion of the processes of appraisals and approvals/sanctions of the competent authorities. The purpose is to reduce or eliminate from the estimates of the forthcoming year, any provision where there is no reasonable certainty that the amount estimated will be spent. Budget Division also does a detailed scrutiny and making such corrections as are necessary in the classification of receipts and expenditure under the various Major Heads, Voted/

Charged, Revenue/ Capital and Plan/ Non Plan sections. In the course of examination, Budget Division may find and take needful action wherever in respect of particular items further explanation or clarifications etc are necessary before the estimates can be settled.

After the scrutiny of each departmental estimate the Budget Division adopts figures for each item included in the estimates and cause the estimates so adopted to be compiled in the form it appears in the various budget documents. Simultaneously, Budget Division communicates to the Ministry/Department, the figures adopted in the Budget. After all the Ministry/Department's estimates are settled and the detailed estimates are completed in all respects, the Budget Division examines the estimates as a whole in order to assess the overall/consolidated position and to carry out such changes as may be found necessary, for example to meet the FRBM targets of deficits, contemplated Central assistance to States or any other financial factor affecting the estimates etc with the approval and as per the directions of higher authorities. At any stage before the Budget is presented to the Parliament, Finance Ministry may make such modifications in the estimates as may be necessitated by the emergence of factors affecting the estimates so far framed. Such action is required in order to fulfill its responsibility to present the estimates as correctly as possible. ***The detailed processes relating to the budget making exercise are dealt with separately in Chapters IV and V of this Manual.***

### **DEPARTMENT OF EXPENDITURE:**

The Department of Expenditure is concerned with expenditure related financial policies of the government covering financial rules and regulations and delegation of financial powers, financial sanctions on issues not covered by delegated powers, review of staffing of government establishments, general principles of government accounting, administration of Central Treasury Rules, State finances, plan budget, planning and development finance, capital restructuring of public sector undertakings etc.

The concept of expenditure management implies not only limiting expenditure within bounds dictated by prudence, but also ensuring proper inter-sectoral allocation and utilization of existing assets both financial and physical, including manpower resources, for the optimal benefits and impact in achieving the desired objectives.

The role of Department of Expenditure is towards a more pro-active and positive interface between the Department and the other

Ministries/Agencies of the Government. While the estimates of expenditure are furnished to Budget Division in stages, the estimates for each Ministry/Department are finalised subsequent to the discussions held by Secretary (E) with the Financial Advisers scheduled around October/November each year. The Ministries/ Departments are instructed to frame the estimates keeping note of the past performance, the stages of formulation/implementation of various schemes, the institutional capacity of the implementing agencies to implement the schemes as scheduled, constraints on spending by the spending agencies, and most importantly the quantum of Government assistance lying with the recipients unutilised etc. with a view to minimise the scope for surrenders at a later stage.

Plan Finance Divisions of the Department of Expenditure have been entrusted with the specific budget related responsibilities in addition to other functions, as indicated below.

**Plan Finance Divisions:**

The Plan Finance Division is concerned with management of expenditure in relation to Five Year Plans. The two distinct segments of the Plans viz. Central Plans and State Plans are handled in two separate division viz. Plan Finance I and II.

***Plan Finance Division – I***

The Division which initially was largely meant for releasing plan assistance to States has now the responsibility of all major aspects of the State finances, including debt and liabilities management, major non-plan schemes and fiscal reforms at State level. Hence it is often referred to as State Finance Division.

The State Finance Division has three main branches- Plan Finance branch which administers central assistance for State Plans, Finance Commission branch which implements the award of the Finance Commission as accepted by Government of India, and State Debts and Liabilities branch which is concerned with the state debts and liabilities and administers central facilities and initiatives in this regard. Another branch also exists for maintaining state finance data, analysis of trends of State Finances and for administering the Debt Consolidation and Relief Facility for the States drawn up consequent to recommendations of Twelfth Finance Commission.

Plan Finance branch is primarily concerned with administering Central assistance to State Annual Plans. The Division works closely with Planning Commission in assessment of financial resources for Five Year Plans and Annual Plans of States. This Division also acts as the disbursement division for Central assistance to States for their State Plans by way of untied Normal Central Assistance (NCA) and assistance for earmarked schemes. The division also advises Finance Minister on policy aspects of block and schematic parts of the Central assistance to State Plans.

Finance Commission branch administers grants part of the Finance Commission award comprising Non-Plan revenue deficit grants, Calamity Relief Fund (CRF), grants for local bodies, health ,education and other special purpose grants. This division also administers the releases from the National Calamity Contingency Fund.

Debt and Liabilities branch monitors the ways and means and resource position of States, and advises the States to take appropriate action whenever they face problems relating to cash management. If necessary, rescheduling, release of funds and other possible measures are planned by this division to help the States tide over their ways and means difficulties. This branch also handles the work relating to issuance of consent to States under Article 293(3) of the Constitution for raising borrowing for the plan as provided in the Annual Plans of the States and is increasingly getting involved with all issues concerning the debt and liabilities of the States including pensions.

***Plan Finance Division – II***

Plan Finance-II Division is primarily concerned with matters relating to the Central Plan. PF.II Division serves as a window within the Finance Ministry, which has an overview of the entire canvas of development activity of the Central Government, both at the project level and sectoral policy level. In respect of development schemes and projects, the focus is on improving the quality of development expenditure through better project formulation, emphasis on outputs, deliverables, impact assessment, projectisation (Mission approach) and convergence.

Guidelines for Formulation, Appraisal and Approval of Government funded Plan schemes/projects are issued/updated from time to time. Accordingly to these guidelines, Ministries/Departments are required to prepare Feasibility Report (FR) for obtaining 'in-principle' approval of Planning Commission and a Detailed Project Report (DPR) for appraisal of the scheme/project in respect of all Plan Schemes/Projects in accordance with the financial limits laid down therein.

Plan Finance-II is the Secretariat for the Public Investment Board (PIB). The PIB considers investment proposals of Central Government Ministries in regard to their Public Sector Undertakings. Under the existing guidelines, Central Sector Projects costing `200 crore and above are considered by PIB. Secretary (Expenditure) is the Chairman of the PIB and Joint Secretary (Plan Finance-II) acts as the Secretary to the Board. Plan Finance-II Division is also the focal point for delegation of financial powers to Expenditure Finance Committees (EFCs) and Standing Finance Committees (SFCs).

Plan Finance-II Division also deals with financial restructuring of Central PSUs on the recommendations of Bureau for Restructuring of Public Sector Enterprises (BRPSE). Plan Finance-II Division is also entrusted with issues relating to Food, Fertilizer and Petroleum subsidies.

#### **OFFICE OF CONTROLLER GENERAL OF ACCOUNTS (CGA) IN THE DEPARTMENT OF EXPENDITURE:**

An organisation functioning under the Controller General of Accounts (CGA) has been created in the Department of Expenditure of the Ministry of Finance, with the functions of the CGA incorporated in the (Allocation of Business) Rules, 1961. The CGA has the responsibility for establishing and maintaining a technically sound accounting system in the Departmentalised Accounts Offices. He, on behalf of the Ministries and Departments, liaises with the Budget Division and the Comptroller and Auditor General of India in accounting matters and provides necessary directions in accounting matters to the Ministries/ Departments and issues general instructions about the system and form of accounts and procedures for accounting of receipts and payments. In order to maintain the requisite technical standard of accounting in the Departmentalised Accounts Offices, CGA has the powers to inspect the offices, and is expected to ensure that accounts are maintained accurately, comprehensively, and in a correct manner. He is also required to ensure that data and information are supplied in time to the concerned Ministries. He also has a coordinating and innovating role in the introduction of Management Accounting system in the various Ministries/ Departments.

Controller General of Accounts (CGA) is the principal Accounts Adviser to the Government of India and is responsible for establishing and maintaining a technically sound management accounting system. The accounts of the Civil Ministries are compiled and maintained by the Pay and Accounts Offices, the basic accounting units. CGA prepares a critical analysis of expenditures, revenues, borrowings and the deficit for the Finance Minister every month. He also prepares annual Appropriation Accounts and Union Finance Accounts for presentation to the parliament.

One of the main functions entrusted to CGA is relating to budgetary control over the expenditure. The control is exercised through the Pay and Accounts Offices who have the authority to release payments of all claims arising out of Governments

operations. In certain cases where it is not possible to open a Pay and Accounts Office, departmental authorities at appropriate level are authorized to incur expenditure subject to the limits prescribed in the letter of assignments issued from time to time by the concerned Pay and Accounts Office. The Pay and Accounts Offices maintain line item wise accounts of all the transactions involving Consolidated Fund of India, Contingency Fund of India and Public Account of India. Various subsidiary accounts such as Loan accounts, Fund accounts etc. are also maintained by these units.

The annual accounts of the Government, comprising the Union Government Finance Accounts and the Appropriation Accounts, are also prepared by the Controller General of Accounts. These documents are presented before the Parliament after their statutory audit by the Comptroller and Auditor General of India. Preparation and submission of Appropriation Accounts to the Parliament completes the cycle of budgetary process. Through Appropriation Accounts Parliament is informed about the expenditure incurred against the appropriations made by the parliament in the previous financial year. All the expenditures are duly audited and excesses or savings in the expenditure are required to be explained in the Appropriation Accounts. The Finance Accounts show the details of receipts and expenditure for all the three funds in the form of various statements including liabilities of the government such as guarantees etc. and loans given to states, union territories and public sector undertakings. These have been dealt in detail later in this Manual.

#### **ADMINISTRATIVE MINISTRIES:**

The basic responsibility for the administration of each Department's activities is entrusted to the Head of the Department concerned, who is guided and controlled by the Administrative Ministry. In financial matters each Head of the Department is thus responsible for the collection of revenue and control of expenditure pertaining to his Department, the receipt and disbursement of which are usually effected at various places and through various persons/authorities. The Ministries also exercise financial control over Public Enterprises set up under each of them. The Secretary of each Ministry being the Chief Accounting Authority for that Ministry discharges this function through and with the assistance of the Chief Controller of Accounts and the Financial Adviser.

#### **ROLE OF FINANCIAL ADVISERS:**

In view of the volume of expenditure particularly in regard to large projects and



programmes, the system of 'Financial Advisers' has been established at the Union level. This system ensures the availability of in-house expert advice to administrative ministries and departments. For speedy and effective discharge of their functions in financial matters which include planning, programming, budgeting, internal control, monitoring and evaluation, an Integrated Financial Adviser is attached to each Administrative Ministry. The Integrated Financial Advisers as the representatives of Ministry of Finance, acts both as internal and external financial advisers in the respective Ministries/Departments. He functions as internal financial adviser in the exercise of powers delegated to the Ministries under the Delegation of Financial Power Rules, and acts as an external financial adviser on behalf of the Ministry of Finance in respect of matters outside the delegated financial powers of the Administrative Ministry. The Accounts offices/officers under the Financial Adviser of each Ministry also keep a watch over the progress of expenditure and report to the FA and the departmental head concerned immediately if there is the likelihood of any grant being exceeded. Such financial surveillance provides an additional control mechanism to enable timely action by the executive.

The *Redefined Charter for Financial Advisers* issued on 1<sup>st</sup> June, 2006, enjoins the Financial Advisers as the nodal points within their respective Ministries for all activities relating to Plan/Non Plan Budget and Programme/Project evaluations. The tasks of the Financial Advisers on the subject of Budget formulation has been described as follows-

The Financial Advisers will continue to be responsible for Budget formulation. The Financial Advisers mandate is to bring about more analytical inputs into the budget formulation process, for improved budgeting and facilitating moving from 'itemized' to 'budgetary' control of expenditure. In the present system which relies largely on previous year's programme allocations and continuing commitments, without any real evaluation and expenditure analysis, the Financial Advisers would now increasingly be required to assist the Administrative Ministries /Departments in moving towards zero based budgeting, and assist in better inter se programme prioritization/allocation within the indicated budgetary ceilings, based on analysis of expenditure profiles of each programme/sub-programme and information on cost centres/drivers; assessment of output, outcome and performance; and status of the projects/programmes. The Chief Controller of Accounts/Controller of Accounts will support them in this function. Such an analysis at the time of initial budget formulation should, over a period of time, help in hard budget constraints and reduce reliance on Supplementary. As the Financial Advisers' internal budgetary exercise becomes more rigorous, their involvement in Ministry of Finance's budgetary processes will increase. The responsibilities of the Financial Advisers relating to

the allied issues of FRBM related tasks, Expenditure and Cash Management, Project/ programme formulation, appraisal, monitoring and evaluation, screening of proposals, leveraging of non-budgetary resources for sectoral development, Non tax receipts, Tax expenditure etc have all been brought out in the *Redefined Charter For Financial Advisers*, issued by the Ministry of Finance, Department of Expenditure.

#### **BUDGET RELATED CHECKS AT THE END OF FINANCIAL ADVISERS:**

*Some of the crucial budget specific tasks included in the items of work to be handled by the Financial Advisers are-*

- To ensure that the schedule for preparation of budget is adhered to by the Ministry and the Budget is drawn up according to the instructions issued by Finance Ministry from time to time (the timelines and other stipulations indicated in the Budget Circular have to be closely monitored for adherence);
- To scrutinize budget proposals thoroughly before sending them to Ministry of Finance;
- To screen the proposals for Supplementary Demands for Grants;
- To formulate the foreign exchange budget for the Ministry;
- To keep himself closely associated with the formulation of schemes and important expenditure proposals from their initial stages; and
- To associate himself with the evaluation of progress/performance in the case of projects and other continuing schemes and to see that the results of such evaluation studies are taken into account in the budget formulation.

With regard to the Budget estimates, the Financial Advisers are required to keep the following jurisdiction in purviews before sending the proposals to the Budget Division, which are also included in the Budget Circular.

1. Estimates received by the Financial Adviser are to be scrutinised in his office in regard to the correctness of accounts classification, full coverage and reasonableness of the estimates and modified (reduced, increased and/or missing items added) to the extent necessary in the judgment of the Financial Adviser.
2. Estimates of interest and Capital receipts are to be prepared in accordance with the guidelines in the Budget Circular and submitted to the Budget Division in the prescribed form.

3. Expenditure estimates should be based upon realistic assessment and after a thorough review of plans and programmes and exclusion of discontinued programmes from the estimates. For new schemes, no provision should normally be made in the Budget without completion of pre-Budget scrutiny of a project/scheme. Similarly, provisions for the North East, unless specifically exempt, should be separately indicated.
4. It is necessary to take into account the economy instructions issued from time to time by Finance Ministry, including the need to bring down subsidies through improvement of operational efficiency and effective direction of flow of subsidies to targeted groups. The estimates must conform and abide by the prescribed cuts and economy measures.
5. The Financial Advisers should review the Statement of Budget Estimates for the current year in respect of their Demands for Grants and suggest to Budget Division such modifications to them as may be required keeping in view the guidelines issued by Budget Division.
6. The estimates finally recommended by the Financial Adviser should be summarised in the form of Statement of Budget Estimates (proposed) and eighteen (18) copies thereof forwarded to the Budget Division of the Ministry of Finance.
7. After the pre-Budget meetings are over, Financial Advisers are required to prepare the Statement of Budget Estimates (Final) as per the approved ceilings for expenditure and send them to Budget Division along with the other required statements.
8. Broad guidelines for preparation of the Notes on Demands as mentioned in the Budget Circular should be followed.
9. A statement showing items of new service/new instrument of service is included in the Demands for Grants. Financial Advisers are required to ensure that these are sent as soon as SBE (Final) is forwarded to Budget Division.
10. While preparing the Detailed Demands for Grants it is important to ensure that the classification, namely, major head, minor head, etc. is as per the heads of account prescribed in the List of Major and Minor Heads of Accounts.
11. Monthly Expenditure Plan [MEP] for the Ministries selected may be drawn up keeping in view the extant guidelines relating to

release of funds, and included as an annex in the Detailed Demands for Grants.

12. Statements relating to Gender Budget, Child Budget, SC/ST Statement and Disclosure Statements under FRBM Rules should be sent immediately after the SBE is finalized.

#### **PLANNING COMMISSION:**

The Government of India has constituted a body known as the Planning Commission with the Prime Minister as its Chairman and other Members comprising eminent personalities from various fields of economics, agriculture, education, industry, social sciences and public administration. Socio-economic development planning attempted by the Commission covers the entire country including the States. The planning process takes into account- the required growth rate of the Gross Domestic Product (GDP); the growth rates for various sectors of economy; the sources of funding; and the methodology of achieving the planned goals. The Planning Commission also examines and gives its expert advice on various projects and programmes.

Planning Commission plays an important role in the budgetary process and the public finances of the country. The Planning Commission, besides formulating and monitoring development Plans, advises the Union Government regarding the desirable transfer of resources to the States, essential for development outlays. Planning Commission not only prepares the Plans but through the years over its annual scrutiny, at the time of considering the annual Plan, of overall position of resources and their application, it has played an important role every year in formulation of the Budgets of the Centre and the States.

#### **PLANNING PROCESS:**

The Planning Commission holds extensive discussions with the Central Government and the States, which submit in advance their own estimates of resources and expenditure for the Plan period. Planning Commission prepares the Five Year Plans taking into account the resources that would be available and the needs for development. (The Five Year Plans are approved by the National Development Council). The discussions in the Planning Commission with the Government takes place at two levels, viz. (i) officials interest and (ii) between Ministers and Planning Commission. At the official level the discussion takes place in two stages:

(a) Initially at the official level, the discussions are for determining the position of resources. The Adviser (Resources) of the Planning Commission discusses separately with the Finance Commissioner/Finance Secretary of each State, the position of its resources, Non-Plan commitments, scope for additional resource mobilisation etc. with a view to determine the contribution that the State

would be able to make towards its Plan. The representatives of the Ministry of Finance also take part in these discussions on projections made by each State, and which are sent in advance to the Planning Commission. Based on the outcome, agreed minutes of the discussions are drawn up and are of vital importance for the formulation of 'State Plan' and State budget during the Plan period. They show the anticipated resources from various sources, likely Non Plan commitments with necessary details, additional resources required to be mobilised as also the net resources that would be available for the Five Year Plan.

Similar discussions also take place between the Adviser (Resources) of the Planning Commission and the representatives of the Ministry of Finance for determining availability of resources for the Central Plan and Centrally Sponsored Schemes to be implemented by the States, and its likely contribution for the 'State Plans'. Usually the discussions between the Adviser (Resources) and the representatives of the Ministry of Finance precede the discussions with the Finance Commissioner/Finance Secretaries of the States. In the discussions with the officials of the Ministry of Finance, the Planning Commission also associates representatives of Life Insurance Corporation and some other financial institutions since they provide funds in the form of loans for certain specified objects, and which are taken as resources for the Plan.

(ii) Keeping in view the results of the Resource discussions, the second round of discussion takes place between the team experts of the Planning Commission headed by respective Advisers and the representatives of different Administrative Ministries for finalizing the Central Plan, including Centrally Sponsored Plan Schemes to be implemented by the States. Thereafter, the draft Plan of each State Government is discussed separately with the officials of different Departments of the State Governments for finalizing the State Plans.

On the basis of the results of the discussions mentioned above, the final round of discussion takes place in the Planning Commission headed by its Deputy Chairman separately with each Ministry of the Central Government and with each State. While the Ministers at the Centre participate in these discussions, in the case of the States the Chief Ministers usually take part in these discussions. In these meetings, the size of the Plan of each Ministry and of each State are finalized along with the determining of the contribution of the Centre for each State Plan.

Thereafter, the Planning Commission finalizes the draft Five Year Plan for the country, which is placed before the National Development Council. After approval by the Council, the Plan is placed before the Parliament.

Within the framework of the Five Year Plan, each year's Plan (Annual Plan) is separately considered and finalized through procedures as mentioned at (i) and (ii) above. The size of the Annual Plans of the Centre and the States are finalized on the basis of these discussions. The Centre's contribution in the shape of loan and grant for a State's Annual Plan is also determined.

The Annual Plans of the Centre and the State are recast within the ceilings fixed in these discussions and the necessary budget provisions made as per the Annual Plan thus finalized.

The detailed procedure as laid down in **Appendix 3-B of the GFR, 2005**, with reference to the Plan allocations for Central Government Ministries/Departments is as follows-

The Planning Commission prescribe each year the form and the manner in which proposals are required to be submitted to them for determining the Plan allocations for the ensuing year. The Financial Adviser in each Ministry / Department of the Central Government will accordingly call for requisite data from the estimating authorities, public sector and other enterprises under the control of the Ministry / Department, etc. The approved Plan allocations will be communicated by the Planning Commission to the Central Ministries / Departments, indicating the total Plan outlay approved for each scheme / organization and the extent to which it is to be met from extra-budgetary resources and from provisions in the Demands for Grants.

Subject to such directions as may be issued by the Finance Ministry from time to time, the Revised Estimates for the current year and Budget Estimates of the ensuing year, in respect of Plan provisions, are to be sent to the Finance Ministry in Form GFR 7. For furnishing these estimates, instructions for preparation and submission of Non-Plan Expenditure Estimates will apply to the extent relevant; in addition, the following points should also be borne in mind :-

(i) Such part of the approved budgetary support for Plan outlay as relates to 'works expenditure' and has been accepted by the Ministry of Urban Development for inclusion in their Demands for Grants should be excluded by the other Ministries / Departments in reporting the estimates to the Finance Ministry in Form GFR 7.

(ii) In the case of Plan, provisions for equity investments and loans to public sector and other enterprises, as well as those for grants-in aid, specific schemes, for which the outlay is provided and the extent for each of them is also to be indicated clearly.

(i) Provisions for Plan expenditure on Central and Centrally Sponsored Plan Schemes, including such expenditures in Union Territories, are to be included in the relevant demand of the Administrative Ministry / Department and not in 'Area' Demand of the concerned Union Territory.

Based upon the Gross Budgetary Support (GBS) package for the Plan schemes conveyed to the Planning Commission by the Ministry of Finance for that particular year, decisions on the allocation to various Ministries and Departments is conveyed to the concerned Ministries/Departments and the Ministry of Finance, Budget Division for inclusion in the Budget for the ensuing financial year.

#### **FINANCE COMMISSION:**

The financial relations between the Centre and the Units came up for review in connection with the drafting of a new Constitution for independent India. The financial provisions in the Draft Constitution were referred by the Constituent Assembly to an Expert Committee of three under the chairmanship of Nalini Ranjan Sarkar, with V.S. Sundaram and M.Y. Rangachari as members. The Committee recommended a pattern of Union-States division of tax resources, which was broadly adopted in the Constitution of India.

#### **As per Article 280 of the Constitution of India,**

(1) The President shall, within two years from the commencement of this Constitution and thereafter at the expiration of every fifth year or at such earlier time as the President considers necessary, by order constitute a Finance Commission which shall consist of a Chairman and four other members to be appointed by the President.

(2) Parliament may by law determine the qualifications which shall be requisite for appointment as members of the Commission and the manner in which they shall be selected.

(3) It shall be the duty of the Commission to make recommendations to the President as to-

(a) the distribution between the Union and the States of the net proceeds of taxes which are to be, or may be, divided between them under this Chapter and the allocation between the States of the respective shares of such proceeds;

(b) the principles which should govern the grants-in-aid of the revenues of the States out of the Consolidated Fund of India;

[(bb) the measures needed to augment the Consolidated Fund of a State to supplement the resources of the Panchayats in the State on the basis of the recommendations made by the Finance Commission of the State;]

[(c) the measures needed to augment the Consolidated Fund of a State to supplement the resources of the Municipalities in the State on the basis of the recommendations made by the Finance Commission of the State;]

[(d)] any other matter referred to the Commission by the President in the interests of sound finance.

(4) The Commission shall determine their procedure and shall have such powers in the performance of their functions as Parliament may by law confer on them.

The First Finance Commission was constituted under Art. 280 by a Presidential Order dated 22 November 1951, under the chairmanship of K.C. Neogy, while presently it is the Thirteenth Finance Commission that has been constituted.

**Article 281** of the Constitution further stipulates that "The President shall cause every recommendation made by the Finance Commission under the provisions of this Constitution together with an explanatory memorandum as to the action taken thereon to be laid before each House of Parliament."

Based on the recommendations of the Finance Commission from time to time, the budget provisions for a year are made after earmarking the States' share, to work out the Net Tax Revenues of the Union Government from the Gross Tax Revenues. While the Central Government provides in its Budget for the outgo from the Consolidated Fund of India on this account, each State reflects its own share of the net divisible pool as its resources in its own budget, on the basis of advance intimation received from the Central Government.

#### **RESERVE BANK OF INDIA:**

The banking system which constitutes the core of the financial sector, plays a critical role in transmitting monetary policy impulses to the entire economic system. Its efficiency and development therefore, are vital for enhancing growth and therefore influencing the financial and budgetary policies of the Government.

The Reserve Bank of India was established on April 1, 1935 in accordance with the provisions of the *Reserve Bank of India Act, 1934* as the Central Bank of the Government of India. As the Central

Bankers to the Government, it has crucial role in the Monetary and Credit Policy Measures, Government Securities Market, Strengthening of Capital, Technology and Payment System, Development of Commercial and Co-operative Banking, Financial Institutions and Non-Banking Finance Companies etc. Given the institutional arrangement however, RBI's primary objective is to maintain monetary stability. Based upon the fiscal policies of the Government, Reserve Bank of India is responsible to ensure monetary stability and manage the Government's borrowing programmes with minimum disruptions. Co-ordination between the Government and RBI is essential for the structural reforms especially when legal and institutional changes are involved as in the case of FRBM Act.

From the point of view of Budget, the Public Debt Management is the most crucial function performed by the Reserve Bank of India. As per **Rule 272 of the General Financial Rules** relating to Public Debt, "The public debt raised by Government by issue of securities shall be managed by the Reserve Bank. The Reserve Bank shall also manage securities created and issued under any other law or rule having the force of law, provided such law or rule provides specifically for their management by the Reserve Bank". The Government Securities market plays an important role in that it helps banks and financial institutions by providing collateral that could be utilized for gaining financial support and liquidity without creating a moral hazard problem. A Middle office created in the Finance Ministry for Debt Management (DMO) is expected to take over the function of Public Debt Management in due course.

The Reserve Bank, in close co-ordination with the Government of India, has been pursuing an active internal debt management policy since the fiscal year 1992-93. A number of policy initiatives have been undertaken mainly in the areas of institutional development, instrument development, market efficiency and transparency. Of late, the regulatory and legal aspects have also been pursued. Despite the high level of Government borrowing programme, the RBI as debt manager has been successfully completing the market borrowing programme over the years while pursuing its interest rate objectives, without jeopardizing external balance by taking recourse to several initiatives in terms of institutions, instruments, incentives and strategies.

The State Finances activity has also been brought into a clear focus by RBI in order to attend to the work of planning and execution of the Market Borrowing Program of the State Governments in a timely and orderly manner. This includes advising on the Market Borrowing Programme to respective State Governments on receipt of the details from the Ministry of Finance, attending to the pre-floatation arrangements and convening of State Finance Secretaries' meetings.

## ACCOUNTABILITY CHECKS ON EXECUTIVE:

### THE ROLES AND PROCEDURES RELATED TO THE STANDING COMMITTEES OF PARLIAMENT:

The Parliamentary control over public expenditure is not limited to the voting of moneys required by Government for carrying on the administration of the country but also extends to ensuring prudent expenditure on Plans and programmes approved by Parliament for the achievement of underlying objectives. Even though the Lok Sabha discusses Demands for Grants for a sufficiently long time yet it is almost impossible to scrutinize expenditure proposals effectively or minutely. As per Article 118 of the Constitution, each House of Parliament may make rules for regulating, subject to the provisions of Constitution, its procedure and the conduct of its business. Under these provisions and in order to help it to exercise effective control over public expenditure, Lok Sabha has set up three financial Committees viz. Public Accounts Committee, Estimates Committee and the Committee on Public Undertakings, apart from the Department Related Standing Committees which came later on. Parliamentary Committees figure prominently in the working of all parliamentary democracies and are increasingly serving as the principal tool of parliamentary control over Government activities.

The Financial Committees in respect of budgetary process have assumed a position of great importance in implementing the principle of accountability. The three Financial Committees of Parliament play an important role in enforcing parliamentary control over public finance viz., to keep an un-remitting vigil over Government spending and performance, and bring to light inefficiencies, waste and indiscretion in the implementation of programmes and policies approved by Parliament, thereby, making the Executive accountable to the Legislature in an effective manner. In addition to these there are the Department Related Standing Committees which is responsible for the administration and scrutiny of budgetary proposals and Bills of Ministries/Departments. The roles and functions of these Committees and some other are described in brief in the following paragraphs.

### ESTIMATES COMMITTEE:

The Estimates Committee is very important in the sense that through it the House exercises control over the administrative machinery not only on the expenditure sanctioned and incurred by various Departments of Government, but also over the general policies of the administration. As per Rule 310 of the Lok Sabha, there shall be a Committee on Estimates for the examination of such of the

estimates as may seem fit to the Committee or are specifically referred to it by the House or the Speaker. The functions of the Committee shall be:

- (a) To report what economies, improvements in organization, efficiency or administrative reform, consistent with the policy underlying the estimates may be effected;
- (b) To suggest alternative policies in order to bring about efficiency and economy in administration;
- (c) To examine whether the money is well laid out with the limits of the policy implied in the estimates; and
- (d) To suggest the form in which the estimates shall be presented to Parliament.

Provided that the Committee shall not exercise its functions in relation to such Public Undertakings as are allotted to the Committee on Public Undertakings by these rules, or by the Speaker.

The Estimates Committee may continue examination of the estimates from time to time throughout the financial year and report to the House as its examination proceeds. It shall not be incumbent on the Committee to examine the entire estimates of any one year. The Demands for Grants may be finally voted notwithstanding the fact that the Committee has made no report.

#### **COMMITTEE ON PUBLIC UNDERTAKINGS:**

The task of exercising parliamentary scrutiny over the accounts of public corporations is undertaken by the Committee on Public Undertakings. As per Rule 312-A of Lok Sabha, there shall be a Committee on Public Undertakings for the examination of the working of the Public Undertakings which are in the Fourth Schedule (See fourth schedule in the Lok Sabha Rules). The functions of the Committee shall be:

- (a) To examine the reports and the accounts of the public undertakings specified in the Fourth schedule;
- (b) To examine the Reports, if any, of the C&AG on the public undertakings;
- (c) To examine, in the context of the autonomy and efficiency of the public undertakings, whether the affairs of the public undertakings are being managed in accordance with sound business principles and prudent commercial practices; and

- (d) To exercise such other functions vested in the Committee on Public Accounts and the Estimates Committee in relation to the public undertakings specified in the Fourth schedule as are not covered by the clauses (a), (b) and (c) above as may be allotted to the Committee by the Speaker from time to time.

Provided that the Committee shall not examine and investigate any of the following, namely:

- (i) Matters of major Government policy as distinct from business or commercial functions of the public undertakings;
- (ii) Matters of day to day administration; and
- (iii) Matters for the consideration of which machinery is established by any special statute under which a particular public undertaking is established.

#### **DEPARTMENT RELATED STANDING COMMITTEES:**

In order to strengthen the parliamentary surveillance of the administration and scrutiny of budgetary proposals and Bills a full fledged Committee system was introduced in 1993. Since then, the Departmentally Related Standing Committees (DRSCs) of Parliament have been playing a very significant role in assessing the Government's policies and programmes. In this regard, the Speaker, Lok Sabha had issued a new direction 73 A in September 2004, in order to ensure that the Ministries give more attention to the recommendations contained in the Reports of DRSCs. And, the action so taken reported by the Government is laid on the Table of the House in the form of Action Taken Statement. This system not only ensures accountability of the executive to the Parliament but also enables Parliament and the people to know about the Government's final replies to the Committee's specific recommendations.

The main functions of the Committee, as laid down in rule 270 of the Rule of Procedure and Conduct of Business in the Rajya Sabha are:

- (i) to consider Demands for Grants of the related Ministries/Departments and report thereon. The report shall not suggest anything of the nature of cut motions;
- (ii) to examine Bills pertaining to the related Ministries /Departments referred to the Committee by the Chairman or the Speaker, as the case may be, and report thereon;

- (iii) to consider the annual reports of the Ministries/Departments and report thereon; and
- (iv) to consider national basic long term policy documents presented to the Houses, if referred to the Committee by the Chairman or the Speaker, as the case may be, and report thereon.

#### **RAILWAY CONVENTION COMMITTEE:**

The Railway Convention Committee is the oldest committee of Parliament which reviews the rate of dividend which is payable by the railway undertaking to the general revenues as well as other ancillary matters in connection with the Railway Finance vis a vis General Finance. It consists of 18 Members, 12 from the Lok Sabha and 6 from the Rajya Sabha.

#### **PUBLIC ACCOUNTS COMMITTEE:**

Having voted large sums of money, Parliament expects a detailed account of how the money has been spent, to satisfy itself that the money so voted were directed to intended purpose and were spend prudently and economically. It is difficult for the Parliament to examine in detail the Accounts which are complex and technical in nature, nor does it have adequate time at its disposal for such a detailed examination. The Parliament therefore constitutes the Public Accounts Committee (PAC) and entrusts it with the detailed examination of those accounts.

As per Rule 308 of the Lok Sabha, (1) there shall be a Committee on Public Accounts for the examination of accounts showing the appropriation of sums granted by the House for the expenditure of the Government of India, the Annual Finance Accounts of the Government of India and such other accounts laid before the House as the Committee may think fit.

(2) In scrutinizing the Appropriation Accounts of the Government of India and the report of the Comptroller & Auditor General thereon, it shall be the duty of the Committee to satisfy itself:

- (a) That the moneys 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;
- (b) That the expenditure conforms to the authority which governs it; and
- (c) That every re-appropriation has been made in accordance with the provisions made in this behalf under rules framed by competent authority.

(3) It shall also be the duty of the Committee:

- (a) To examine the Statement of Accounts showing the income and expenditure of State Corporations, trading and manufacturing schemes, concerns and projects together with the balance sheets and statements of profit and loss accounts which the President may have required to be prepared or are prepared under the provisions of the statutory rules regulating the financing of a particular corporation, trading or manufacturing scheme or concern or project and the report of the C&AG thereon;
- (b) To examine the Statement of Accounts showing the income and expenditure of autonomous and semi autonomous bodies, the audit of which may be conducted by the Comptroller & Auditor General of India either under the directions of the President or by a statute of Parliament; and
- (c) To consider the Report of the C&AG in cases where President may have required him to conduct an audit of any receipts or to examine the accounts of stores and stocks.

(4) If any money has been spent on any service during a financial year in excess of the amount granted by the House for that purpose, the Committee shall examine with reference to the facts of each case the circumstances leading to such an excess and make such recommendation as it may deem fit;

Provided that the Committee shall not exercise its functions in relation to such undertakings as are allotted to the Committee on Public Undertakings by these rules or by the Speaker.

The Public Accounts Committee consists of members of both the Houses of Parliament, 15 from Lok Sabha and 7 from Rajya Sabha, and is in the nature of a Joint Committee of Parliament. Members of the Committee are elected every year from amongst the members of respective houses according to the principle of proportional representation by means of single transferable vote. As an instrument of legislative surveillance over the Executive, the PAC has a very effective role to perform. ***The detailed procedures relating to the working of the Public Accounts Committee are at Annexure-I of Chapter II.***

#### **II. THE ROLE OF COMPTROLLER AND AUDITOR GENERAL OF INDIA:**

The Comptroller and Auditor General of India (C&AG) plays a crucial role in parliamentary financial control. The Indian Constitution provides for a unitary and independent audit by the C&AG. The audited Appropriation and Finance Accounts are submitted along with the audit reports of the C&AG to the

President of India. These accounts and reports are then caused to be laid before the Parliament.

The primary function of the C&AG audit is to verify the accounts to ascertain-

1. Whether the moneys 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, and
2. Whether the assessment, collection and allocation of revenue have been properly done.

The Appropriation and Finance Accounts are accordingly examined under the directions of the C&AG and certified as to their correctness subject to his observations in the Reports on the Accounts submitted under Article 151 of the Constitution. The jurisdiction of the C&AG extends to the audit of Government commercial enterprises, as well as to bodies and authorities substantially financed from Government revenues. The C&AG also examines the accounts relating to grants and loans given by the Government to other bodies. There is also an enabling provision in the Act passed by the Union Parliament in 1971 to take up the audit of any other bodies or authorities with the approval of, or at the request of, the President.

The C&AG has the complete authority and discretion to make regulations on the scope of audit, within the ambit of the act approved by the Parliament. Apart from the traditional forms of audit referred to as appropriation and regularity audit, the discretionary forms of audit like the propriety audit and efficiency cum performance audit have assumed more significance of late from the viewpoint of 'accountability', as they look beyond the mere regularity of expenditure to its prudence and economy and a general examination of the efficiency and effectiveness with which an organization is discharging its financial responsibilities. The powers of C&AG to have access to documents and information in connection with audit of accounts have been enhanced under the Act of 1971, wherein the C&AG can call for any document as long as it is considered relevant to the transactions to which his auditing duties exist. Further, the Act specifically enjoins that the administration shall afford all facilities for his inspection and comply with his request for information in as complete form as possible and with all reasonable expedition.

The audit reports of the CAG, other than those relating to commercial enterprises, are considered by the Public Accounts Committee. The Committee on Public Undertakings considers the audit reports relating to commercial enterprises. These Committees examine the audit reports on a

selective basis, assisted by the C&AG or his Principal Audit Officers as follows:

- Assistance in the selection of subjects;
- Supply of background information and memorandum of important points;
- Briefing of the working groups/sub-Committees for a proper understanding of the subject;
- Briefing of the chairmen of the Committees, as and when necessary;
- Attendance at the sittings of the Committees to assist in their examination of witnesses;
- Vetting of written submissions of the witnesses for ensuring factual accuracy;
- Factual verification of the reports of the Committees;
- Assistance at the sittings of the Committees devoted to deliberation on and adoption of their reports;
- Vetting of the notes of government on action taken on the Committees' recommendations;
- Factual verification of the follow-up reports of the committees; and
- Attendance to assist the Committees at the sittings for consideration and adoption of their follow-up reports.

Informal assistance is also given to the individual members and the Secretariat of the Committees so as to enable them to have a proper understanding of the issues dealt with in the relevant audit report. The audit reports as such are not generally discussed in the Parliament, but the recommendations of the Committees are by convention considered as the recommendations of the entire Parliament. Even in regard to those issues dealt with in the audit reports which have not been taken up by the Committees for detailed oral or other examination, notes on remedial action taken by individual departments of government are required to be submitted to the Committees, after their vetting by the Audit Department.

The Public Undertakings Committee of Parliament, besides considering some of the reports of Comptroller and Auditor General, carries out its own examination of the working of the Public Sector Enterprises.

In the audit of the financial statements of commercial departments of the Government or the public sector enterprises, Generally Accepted Auditing Standards (GAAS) as applicable to comparable enterprises in private sector are observed. The C&AG has, however, the right to issue directions to the professional accountants who



conduct the primary audit of public sector companies, indicating to them the manner in which the audit of such enterprises is to be conducted. The C&AG also review the performance of such auditors.

**The main Constitutional provisions relating to the C&AG of India are at Annexure I of Chapter II.**

## CHAPTER III

### STRUCTURE OF GOVERNMENT ACCOUNTS

In accordance with Constitutional requirements Government accounts are maintained in the following three categories:

Part I Consolidated Fund

Part II Contingency Fund

Part III Public Account

#### **CONSOLIDATED FUND OF INDIA (Part-I):**

Under Article 266(1) of the Constitution of India, all revenues received by the Government of India, all loans raised by the Government by issue of treasury bills, loans or Ways and Means advances and all moneys received by the Government in repayment of loans shall form one consolidated fund to be titled the " Consolidated Fund of India".

#### **Divisions Under Consolidated Fund of India- Revenue Account, Capital Account and Debt, Loans & Advances: Expenditure and Receipts Therein:**

The Consolidated Fund of India has the following two divisions-

- i. Revenue Account
- ii. Capital Account

#### **Revenue Account- Expenditure/Receipts:**

The Revenue Account deals with the proceeds of taxation and other receipts classed as Revenue and expenditure met there from.

#### **Capital Account-Expenditure/Receipts:**

The Capital Account deals with expenditure incurred with the purpose of either increasing the concrete assets of durable nature or of reducing recurring liabilities. It is logical otherwise to meet Capital expenditure from borrowed funds, the liabilities in respect of which are spread over a number of years, as the benefits arising from Capital expenditure flow over a period of years. Capital Account also includes various types of Capital Receipts.

The Capital Account comprises of the following sections:

- a. The section 'Receipt heads (Capital Account)' deals with receipts of a Capital nature which cannot be applied as a set off to Capital Expenditure;
- b. The section 'Expenditure heads (Capital Account)' deals with expenditure incurred with the object either of increasing concrete assets of a material and permanent character

or of reducing recurring liabilities. It also includes receipts of a Capital nature intended to be applied as set off to Capital expenditure; and

- c. The sections 'Public Debt' and 'Loans and Advances', comprise of loans raised and their re-payments such as internal debt, external debt and their recoveries.

For Budgeting purposes, the distinction between Revenue expenditure and Capital expenditure is of crucial importance, for which uniform principles are followed both at the Centre and in the States. The Capital account also includes loans raised by Government and their repayments and loans and advances paid by the Government and their recoveries.

#### **CONTINGENCY FUND OF INDIA (Part-II):**

Under Article 267 of the Constitution of India, a 'Contingency Fund' may be established, by law, by Parliament into which shall be paid from time to time such sums as may be determined by such law, and the said fund shall be placed at the disposal of the President, to enable advances to be made by him out of such fund for the purposes of meeting unforeseen expenditure pending authorization of such expenditure by Parliament. Contingency Fund is in the nature of an imprest. From the financial year 2005-06 the corpus of the Contingency Fund of India has been enhanced to `500 crore. This was done under clause 115 of the (Finance) bill of 2005, by transfer of an additional amount of Rs 450 crore from the Consolidated Fund of India to the Contingency Fund of India. Out of this corpus of ` 500 crore, ` 5 crore is kept at the disposal of Ministry of Railways.

The Central Government established its Contingency Fund under the Contingency Fund of India Act, 1950 and has also framed the 'Contingency Fund of India Rules' under Section 4 of that Act. These rules prescribe the procedure for obtaining advances from this fund and their subsequent adjustment.

The corpus of the Contingency Fund is created by debit to the Consolidated Fund of India, and when expenditure is incurred out of an advance from the Contingency Fund, the expenditure is booked under the same head under the 'Contingency Fund' under which it would have been booked had the expenditure been incurred from the Consolidated Fund of India. When such an advance is paid from the Consolidated Fund of India, the corpus of the fund gets depleted. Subsequently, with the

regularization of expenditure by obtaining vote of Parliament, the amount of advance is recouped to the corpus of the Contingency Fund by debit to the Consolidated Fund of India. The expenditure is then booked under the same head under the Consolidated Fund of India, as revenue or capital expenditure, as the case may be. The Contingency Fund of India can be enhanced through a Finance Bill when the House is in session or through Ordinance if the House is not in session, in case the situation so warrants. Withdrawal from the Contingency Fund of India takes place with the approval of Secretary, Department of Economic Affairs, in terms of the Contingency Fund of India Act, 1950.

In Government accounts, Contingency Fund has a single Major Head to accommodate all transactions of the fund. The Contingency Fund of India Rules is at **Annexure I of Chapter III**.

### **PUBLIC ACCOUNT (Part-III):**

To complete the classification, Part III shows transactions relating to Debt (other than those included in Part I), 'Deposits', 'Advances', 'Remittances' and 'Suspense'. In brief, all other public moneys received by or on behalf of the Government of India are credited to the Public Account of India as empowered vide Article 266(2) of the Constitution of India. Such funds, however, remain merged in the cash balance of the Central Government, (with the Reserve Bank of India as the bankers to the Government), till payments are made to those to whom the funds pertain or are utilized for general or specific purposes as in the case of Reserve Funds, or necessary adjustments are made, for example in the case of inter-Government transactions. The net funds in the Public Account are also available for financing the expenditure of Government.

The Public Account transactions are grouped according to sectors and sub-sectors which are further sub-divided into Major Heads of Account and further down as per the accounting classification system of Government. The details of various sectors and sub sectors in the Public Account have been brought out in **Annexure II of Chapter III**.

### **UNION GOVERNMENT ACCOUNTS:**

Accounts, as elsewhere, are a systematic record of various activities and functions expressed in financial terms and maintained by activity Centres. The Constitution of India envisages the accounts of the Union and the States to be kept in such a form as the President may on the advice of the C&AG prescribe. The word 'Form' has a comprehensive meaning so as to include the prescription not only of the broad form in which the accounts are to be kept but also the appropriate heads under which certain transactions or classes of transactions have to be entered. Accordingly accounting principles and

policies/procedures have been established in rules and regulations mandated by the Union Government on the advice of the C&AG.

The Government Accounts have necessarily to comply with the budgetary structure of the country. Since budgets in India are on an annual basis, governmental transactions are also finalised in the accounts on an annual basis. However, the Government Accounts of each financial year are kept open for a certain period in the following year for adjusting transactions which took place in the previous financial year. This is considered necessary in order to allow certain inter-departmental adjustments, corrections of misclassifications, clearance of certain transitory heads (Suspense Heads), and other relevant adjustments.

### **STEPS IN THE ACCOUNTING PROCESS:**

In view of the vast size of the country and widespread activities of the Government, both at the Union and the State levels, the task of maintaining Government Accounts is indeed a formidable one. The process involves:

- a. initial recording of accounting transactions, their classification with reference to a function or activity, their correlation with the administrative ministry/department, i.e. the appropriate control centre, and their consolidation;
- b. their matching with legally approved appropriations (to enable legislative scrutiny); and
- c. the analysis and presentation of this data to serve as a management tool to the two Governments.

One of the most distinctive features of the system of Government Accounts in India is the minute elaboration of the financial transactions of Government. Both receipts and payments are differentiated and classified in detail. Further, the uniform classification of transactions enables financial comparisons between Union and State Governments.

The following three developments are worth mentioning in this context:

1. In view of major public investments by way of plan outlay, government accounts were required to reflect clearly the expenditures incurred on various schemes, programmes and projects, i.e. to conform with the plan heads of expenditure.
2. The Parliament and State Legislatures in addition to the general public, became increasingly conscious about Government accountability.

3. The Government, as a policy maker and as the manager of national finances, is more conscious about the use of government accounts as a tool for obtaining adequate and timely inputs for the purposes of evaluation, remedial action and future policy decisions.

These developments resulted in the government accounting authorities making the following responses:

- i. Preparation of aggregate accounts [Finance and Appropriation Accounts] with not only adequate financial and accounting data but (a) with a critical analysis of the financial performance of the Government, (b) highlighting deviations from the expenditure incurred in contravention of approved appropriations, and (c) verifying the veracity of explanations offered by the executing agencies; and
- ii. Greater use of EDP methods for the purposes of accelerating the process of availability of final accounts and for quick retrieval of need-based information.

The major information inputs provided by the accounting authorities to the Government are in the form of:- (a) Monthly and Annual Accounts, (b) Finance Accounts, and (c) Appropriation Accounts.

#### **ACCOUNTING SYSTEM:**

The government accounts in India are kept on a cash basis. Therefore, only actual receipts and payments during the financial year are taken into account with no outstanding liabilities or accrued income included. All cash appropriations lapse at the close of the financial year.

Although the government accounts are maintained on cash basis, a need has been felt for maintaining the relevant accounts on commercial basis (on modified accrual accounting principles) in the case of those Government Departments where functions are purely or largely of a commercial nature. For this purpose Performa accounts are kept on commercial accounting principles for those commercial units under a Ministry or Department. For the major government commercial departments-such as Railways, and Posts & Telecommunications-detailed capital and revenue accounts are prepared and presented separately. This enables the public to see the complete picture inter alia about cost of services rendered and the return from investments.

#### **CLASSIFICATION OF TRANSACTIONS:**

The conventional pattern of classification followed organisational lines, consisting mainly of the

listing of receipts by various types of taxes, and expenditures by reference to the spending department rather than to its objects or purposes. With the phenomenal growth and diversity in the functions of governments involving huge outlays, accounts acquired a new dimension. Accordingly the necessity for a more meaningful classification of transactions for presentation of government operations in terms of functions, programmes and activities became increasingly apparent. A study team subsequently established by the Government of India, with the Deputy Comptroller and Auditor General as Convener investigated the feasibility of devising a uniform classification for the budget, accounts and plan, and of presenting the objectives and purposes of government expenditure clearly in terms of functions, programmes and activities. Following the recommendations of the team, the classification of transactions on a function-cum-programme basis was introduced from 1st April, 1974.

While the functional approach to classification is now well established, the divergence between plan programmes and accounting classification increased over the years. To bring about a closer correlation between plan schemes and Accounts Heads, the Government constituted a committee which included a representative of CAG to review the existing classification and rationalise the Account Heads where required. As a result of this review in consultation with the CAG, the new accounting classification came into force from 1 April 1987. While the basic principles and broad structure of accounts were retained, certain new sub-sectors were introduced, a new coding pattern was devised and other changes initiated so that expenditure on plan programmes could be extracted directly from the accounts. The list of Major and Minor Heads of Accounts of Union and States published by the Government of India gives the relevant details.

## SIX TIER ACCOUNTING CLASSIFICATION AND WHAT EACH TIER SIGNIFIES:

The Budget of Government is linked to the accounts and Government transactions accounted for under the Consolidated Fund, Contingency Fund and the Public Account of India.

### CLASSIFICATION SYSTEM:

Each Division in the Consolidated Fund and the Public Accounts is divided into sectors, which may in some cases be further divided into sub-sectors and then into the six tiers of accounting classification. The number of classification in the Detailed Demands for Grants are not allowed to go beyond the standard six tiers indicated as under-

1. Major Head- 4 digits (Function);
2. Sub-Major Head- 2 digits (Sub-Function);
3. Minor Head- 3 digits (Programme);
4. Sub-Head- 2 digits (Scheme);
5. Detailed Head- 2 digits (Sub-Scheme);  
and
6. Object Head- 2 digits (Object Head or  
Primary Units of  
Appropriation)

### LIST OF MAJOR AND MINOR HEADS OF ACCOUNTS:

Based on the classification into Revenue and Capital divisions, the transactions are grouped into sectors which are further sub-divided into sub-sectors and Major Heads of account. The major heads normally indicate within each sector/sub-sector the broad functions of a particular department of Government.

In the four digit codes allotted to the major heads, the first digit indicates whether the major head is a Receipt head/ Revenue expenditure head/ Capital expenditure head or a Loan head. The last three digits are the same for corresponding major heads in Revenue receipts section/Revenue

expenditure section/Capital receipts/expenditure section and Loans and Advances section. The Receipt Major heads are assigned the block 0020 to 1999, Expenditure Major heads on Revenue accounts from 2011 to 3999, Expenditure Major heads on Capital accounts from 4001 to 5999 while all Capital receipts are classified under Major head 4000. Major heads under Public debt is from 6001 to 6004 and those under loans and advances/inter-state settlement and Contingency Fund from 6001 to 8000 and the Major heads under Public Account from 8001 to 8999. In the loan section Major heads have been opened with reference to functions and purposes instead of the beneficiaries.

The Sub Major heads are opened under a Major head to record those transactions which are of a distinct nature and of sufficient importance to be recorded exclusively, but at the same time allied to the function of the Major head.

The Major and Sub-Major heads are sub-divided into Minor heads. The minor heads correspond to programmes or broad groups of programmes. It is output oriented rather than organization or input oriented. The classification upto the Minor Head level are prescribed by the Controller General of Accounts in consultation with the C&AG and is common to the Central and State Governments.

The complete list of Major and Minor Heads of Account along with the Correction Slips therein are available at the website of the Controller General of Accounts (CGA) at [cga.nic.in](http://cga.nic.in).

The detailed coding pattern for the six tier classification is explained below.

### CODING PATTERN:

#### **Major Head**

A Four digit code has been allotted to the Major Head, the first digit indicating whether the Major Head is a Receipt Head or Revenue Expenditure Head, or Capital Expenditure Head or Loan Head. If the first digit is '0' or '1' the Head of Account will represent Revenue Receipt, '2' or '3' will represent Revenue Expenditure, '4' or '5' - Capital Expenditure, '6' or '7' Loan head, (4000 for Capital

Receipt) and '8' will represent Contingency Fund and Public Account.

Adding 2 to the first digit of the Revenue Receipt will give the number allotted to corresponding Revenue Expenditure Head, adding another 2 - the Capital Expenditure Head and another 2 - the Loan Head of Account, for example:

0401 Represents the Receipt Head for Crop Husbandry

2401 the Revenue Expenditure Head for Crop Husbandry

4401 Capital Outlay on Crop Husbandry

6401 Loans for Crop Husbandry

### **Sub-Major Head**

A two digit code has been allotted, the code starting from '01' under each Major Head. Where no sub major head exists it is allotted a code '00'. A standard nomenclature 'General' has been allotted code '80' so that even after further sub-major heads are introduced the code for 'General' will continue to remain the last one.

### **Minor Heads**

These have been allotted a three digit code, the codes starting from '001' under each Sub-Major/Major Head (where there is no Sub Major Head). Codes from '001' to '100' and few others like '750' to '900' have been reserved for certain standard Minor Heads. For example, Code '001' always represents Direction and Administration. Non Standard Minor Heads have been allotted Codes from '101' in the Revenue Expenditure series and '201' in the Capital and Loan series, where the description under capital/loan is the same as in the Revenue Expenditure Section, the code number for the Minor Head is the same as the one allotted in the Revenue Expenditure Section. Code numbers from '900' are always reserved for Deduct Receipt or Deduct Expenditure Heads.

The Code for 'Other Expenditure' is '800' while the codes for other grants/other schemes etc. where minor head 'Other Expenditure' also exists is kept as '600'. This has been done to ensure that the order in which the Minor Heads are codified is not disturbed when new Minor Heads are introduced.

The coding pattern for Minor Heads has been designed in such a way that in respect of certain Minor Heads having a common nomenclature under various Major/Sub-major Heads, as far as possible, the same three digit code is adopted.

Computer Cell of the CGA's organisation is required to be consulted before any new code is allotted or existing code (at whatever level) is altered.

### **Sub Head/Detailed Head/Object Head**

Sub Head represents schemes, the detailed head represents Sub-Schemes while the Object Head represents the objects/items (e.g. Pay, DA, HRA, Rewards, Gratuity, etc.) on which the expenditure is incurred. Each of these levels has been allotted a two digit code. Wherever it is not feasible to break up the objects of expenditure into such details, the codes provided for aggregates of certain items may be used instead for computer processing. For example, where it is not possible to indicate Pay, DA, HRA, CCA etc. separately, the code for salaries may be used for representing the aggregate of these items. The Object Heads have been prescribed under Government of India's Orders below Rule 8 of Delegation of Financial Power Rules. The power to amend or modify these object heads and to open new Object Heads rest with Department of Expenditure of Ministry of Finance on the advice of the Comptroller and Auditor General of India.

The Budget Heads exhibited in estimates of receipts and expenditure framed by the Government or in any appropriation order should conform to the prescribed rules of classification in accordance with Rule 74 of the General Financial Rules.

### **IMPORTANCE OF OBSERVING CORRECTNESS IN CLASSIFICATION CO-RELATING TRANSACTIONS AS CLASSIFIED IN THE BUDGET/ACCOUNTS WITH THE FUNCTIONS:**

Keeping in view the form of accounts prescribed under the Constitutional provisions under the advice of C&AG, the Detailed Demands for Grants presented by the Ministries to Parliament, should also adopt the same six tier numeric codification pattern.

However till 1973-74, Heads of Development were more often not in conformity with Heads of Account. As a result, the Budgets and Accounts till 1973-74 did not reflect in a meaningful manner the various developmental activities of the Government under the Plan. There was thus dichotomy between the Plan documents on the one hand and the Budget and Accounts on the other. In order to enable the programmes and activities of all organizations and Departments to be identified in the Budget and accounts, the Administrative Reforms Commission (ARC) recommended a review of the Classification System of Government transactions in Budget and Accounts to have a closer conformity with the Plan Heads. A Revised Classification Structure was developed in pursuance of the above

recommendations of the ARC prescribing a classification structure up to Minor Head level.

Secondly, the Accounts Heads prescribed for the classification of accounts in the General Accounts were also not always identical with those in Demands for Grants, which were adopted by the Ministry of Finance/Finance Departments of States. This dichotomy and the fact that the Plan Heads still did not fully conform to Account Heads, made it difficult for the audit to reconcile the two sets of figures and give audit certificates in respect of expenditure under different Plan Heads. A Revised Structure of Classification, effective from 1<sup>st</sup> April, 1987 was therefore prescribed, to resolve this dichotomy and has been functional ever since, with the Ministries/Departments instructed to keep in view the following:

- i. The numbers of tiers of classification should not go beyond the standard six tiers;
- ii. Standardized code numbers allotted to the Major, Sub-Major and the Minor Heads in the 'List of Major and Minor Heads of Account for the Union and States' should be followed in the Detailed Demands for Grants;
- iii. At the Object Head level also, the Standard heads and codes prescribed by the Ministry of Finance shall be adhered;
- iv. The Codes allotted by the Controller General of Accounts shall be followed for sub-heads and detailed heads; and
- v. The Ministries/Departments should disaggregate each composite item of expenditure in the Detailed Demands for Grant and show it upto Object head as indicated in the standard object heads.

**(Extracts From Rule 8 (2) of DFPR and  
GOI Decisions therein.)**

**PROCEDURE FOR OPENING NEW HEADS OF ACCOUNTS:**

As per **Rule 73 of the General Financial Rules** (Authority to open a new Head of Account), the List of Major and Minor Heads of Accounts of Union and States is maintained by the Ministry of Finance (Department of Expenditure – Controller General of Accounts) which is authorised to open a new head of account on the advice of the Comptroller and Auditor General of India under the powers flowing from Article 150 of the Constitution. It contains General Directions for opening Heads of Accounts and a complete list of the Sectors, Major,

Sub-Major and Minor Heads of Accounts (and also some Sub / Detailed Heads under some of them authorised to be so opened).

In case of certain post budget developments wherein expenditure provision is required to be made under these heads which are not already available in the Budget, the Ministries/Departments are authorized to open new Sub-Heads/ Detailed Heads and/ Object Heads as required by them in consultation with the Budget Division of the Ministry of Finance, subject to certain conditions. Normally, a new head is allowed to be opened only in cases where the Budget provision is available (for Reappropriation to the new head) or has been obtained through a Supplementary Demands for Grant. However, in exceptional circumstances Ministries/Departments may be permitted to open the heads in anticipation of obtaining the budget through Supplementary Demands. In such cases, the new heads can be operated only upon obtaining the budget through Supplementary Demands for Grants. The Principal Accounts Offices may open Sub/Detailed Heads required under the Minor Heads falling within the Public Account of India subject to the above stipulations.

**UNIFORMITY IN STRUCTURE OF ACCOUNTS OF UNION AND STATE GOVERNMENTS:**

Under Article 150 of the Constitution, the accounts of the Union and the States shall be kept in such form as the President may, on the advice of the Comptroller & Auditor General of India prescribe. Due to this constitutional provision there is uniformity in the structure of the accounts of the Government of India and the State Governments upto the first three tiers of classification of the Major Heads, Sub-Major Heads and the Minor Heads. This uniformity in the accounting classification helps in maintaining the required inter-relationship between the accounts of the Central Government and the State Governments, since there is substantial transfer of resources from the Centre to the States. The standardized code numbers allotted to Major, Sub-Major and the Minor Heads' in the 'List of Major and Minor Heads of Account for the Union and States' as maintained by the Controller General of Accounts are required to be followed in the Detailed Demands for Grants.

The bottom three tiers viz. the Sub-Head, Detailed Head and the Object Head have been delegated to the State Governments and Ministries/Departments to be opened through their Budget and as may be needed to suit the requirement of each State Government or the Ministry/Department. However, the sub-heads should not be multiplied unnecessarily and new ones are advised to be opened only when really necessary.

## ECONOMIC AND FUNCTIONAL CLASSIFICATION OF THE BUDGET:

Apart from the Accounting Classification System, the Budget documents also indicate the Economic Classification i.e. (i) General Services (1), (ii) Social Services (2), (iii) Economic Services (3), and (iv) Un-allocable (4), i.e. those which cannot be related to specific purposes. The figures (1,2,3 and 4) indicated against each category are prefixed to the concerned Major Heads under the Accounting Classification system to provide for an easy co-relation between the two systems of classification.

An economic classification of Budget is necessary to make it useful for economic analysis and to determine how these transactions influence the behaviour of other sectors of the economy. For this purpose, Government transactions (both receipts and expenditure) are arranged under significant economic categories so that these can be related to important categories of transactions influencing the behaviour of other sectors of economy.

The methodology adopted by the Central Statistical Organization in computing National Income is used in making economic classification of Budget. In the Centre, the economic classification of each year's budget is done by the Economic Division of the Department of Economic Affairs in the Ministry of Finance. For the purpose of comparison, the figures of accounts of the preceding years, Revised Estimates of the current year and Budget Estimates of the ensuing year are re-classified under the relevant economic categories. These re-classified figures are published by the Reserve Bank of India in its Reports on Currency and Finance. With the re-classified figures mentioned above, six sets of accounts are prepared, viz. (i) Transactions in commodities and services and transfers: *Current Account of Government Administration*, (ii) Transactions in commodities and services and transfers: *Current Account of Departmental Commercial Undertakings*; (iii) Transactions in commodities and services and transfers: *Capital Account of Government Administration and Departmental Commercial Undertakings*; (iv) Changes in Financial Assets: *Capital Account of Government Administration and Departmental Commercial Undertakings*; (v) Changes in Financial Liabilities: *Capital Account of Government Administration and Departmental Commercial Undertaking*; and (vi) Cash and Capital Reconciliation Account of Government Administration and Departmental Commercial Undertakings. From these six sets of accounts, the following figures of economic significance are derived, through an accounting analysis.

- i. The Central Government's Total Expenditure;
- ii. The Central Government's Final Outlays;

- iii. Capital Formation out of the Budgetary Resources of Central Government;
- iv. Net Capital Formation and Savings of the Central Government;
- v. The various measures of Deficit in the Central Government's Budgetary Transactions; and
- vi. Income Generation by the Central Government.

## FINANCE ACCOUNTS:

The Finance Accounts is an audited (C&AG Audit) presentation of the general accounts of the Government to Parliament, comprising of the accounts of the Central Government as a whole, including the Ministry of Railways or the respective State legislatures in case of the State Governments. It presents the accounts of receipts and outflows of the Central Government for the year together with the financial results disclosed by different accounts and other data coming under examination. These accounts include the Revenue and Capital Account, Public Debt account and other liabilities and assets worked out from the balances in the accounts.

The Finance Accounts comprises of two parts- Part I and Part II. Part I presents the summarized statements in respect of Revenue, Capital, Debt, Deposit, Suspense and Remittances transactions and Contingency Fund, while Part II has detailed statements in respect of these transactions, along with other related statements. Part II of the Finance Accounts is further subdivided into two sections 'A' & 'B'. While section 'A' comprises of detailed accounts and statements relating to Receipts and Expenditure on Revenue and Capital accounts, section "B" has detailed accounts and statements relating to Debt, Deposit, Suspense & Remittances transactions and Contingency Fund.

The Finance Accounts Section in the office of Controller General of Accounts issues a circular by the end of March every year, prescribing the time schedule for closing of Union Government accounts. Circulars are also issued by this section detailing guidelines relating to the preparation of Statement of Central Transactions and other materials for the Finance Accounts.

After the preparation of the Finance Accounts along with the statements, a certificate is recorded on Finance Accounts by the Controller General of Accounts, which is countersigned by the Secretary Expenditure, Ministry of Finance. The Comptroller and Auditor General of India thereafter record the audit certificate and present it to Government, for placing before the Parliament.



After obtaining approval of the President, copies of the publication are supplied to Budget Division in the Ministry of Finance and the Parliament Secretariat, in advance of their presentation to the Lok Sabha and Rajya Sabha, with the clear stipulation that they are to be treated as 'Secret', until their presentation to the Parliament.

**(The details relating to the material of Finance Accounts, the procedures for its compilation and various Statements therein are at Annexure III of Chapter III).**

#### **APPROPRIATION ACCOUNTS:**

These are accounts of the expenditure, voted and charged, of the Government for each financial year compared with the amounts of the voted grants and appropriations charged for different purposes as specified in the schedules appended to the Appropriation Acts. These accounts are complementary to the above accounts of the annual receipts and disbursements of Government (Finance Accounts).

The Appropriation Accounts of the Union Government are submitted to Parliament under the provisions of Article 151 of the Constitution, and are intended to disclose-

- (a) That the expenditure conforms to the authority governing it (exceptions are listed); and
- (b) The effects of re-appropriations ordered by the Ministry/Department.

If any expenditure in a financial year is incurred in excess of the amounts of voted grants or charged appropriations, the circumstances leading to it will be disclosed through these accounts. It is disclosed separately under the Revenue and Capital sections to enable the Parliament to regularize it or take other suitable action. The regularization of excess expenditure for the year is made through 'Excess Grants' submitted to Parliament under Article 115 of the Constitution after receiving the recommendations of the Public Accounts Committee.

The Union Government Appropriation Accounts (Civil) are a supplement to the Union Government Finance Accounts. Since the Finance Accounts are prepared on net basis reflecting the gross expenditure minus recoveries, the relationship between the two is arranged by below the line recoveries indicated in the form of Note at the time of reconciliation. This Note is shown below Expenditure

Budget Volume II, indicating net expenditure and minor head wise details of Major Heads/grants and/or appropriations in Part II of Demands for Grants.

Each Principal Accounts Office is required to prepare Head wise Appropriation Accounts for each grant/appropriation of the Ministry/Department in the prescribed form, strictly in accordance with the given nomenclature/lettering up to sub-head level. That is, it should be prepared in 11 digit codes comprising of 4 digits for Major Head, 2 digits for Sub-Major Head, 3 digits for Minor Head and 2 digits for sub-head. If there is no Sub-Major Head, "00" is taken as the Sub-Major Head digits for uniformity of coding provisions.

Head wise Appropriation Accounts is based on the Budget Estimates as per Detailed Demands for Grants and the Supplementary Estimates, if any, and prepared in thousands of rupees. The 'Statement of Recoveries' supporting the account, reflect the recoveries adjusted in accounts in reduction of expenditure. The Principal Accounts Offices are required to ensure the following:

1. Major Head totals in the Head wise Appropriation Accounts and the provisions of recoveries shown as reduction of expenditure are strictly in conformity with the Major Head totals shown in the Gross Budget Estimates and the recoveries in the Main Demands for Grants presented to Parliament by Ministry of Finance, respectively. If any discrepancy is observed in the two sets of documents viz. Main Demands for Grants and Detailed Demands for Grants, it should invariably be brought to the notice of Administrative Ministry/Department for issue of necessary corrigendum by Budget Division, Ministry of Finance. Corrections which lead to opening of heads of accounts will require prior approval of Budget Division. Other routine corrections may be made by the administrative Ministries/Departments with the approval of the Financial Adviser of the Ministry.

2. Supplementary Demands for Grants makes provision only up to Major Head level. The distribution up to sub-head level should therefore, be furnished as received from Administrative Ministries/Departments. This is to verify the authenticity of supplementary provisions depicted in the Grant Statement/Head wise Appropriation Accounts.

The Secretary of each Ministry/Department acts as the Chief Accounting Authority under the departmentalized system of accounting and is finally responsible to approve and sign the Head wise Appropriation Accounts of the Grants/Appropriations, administered by his Ministry/Department. The

Financial Adviser/Pr. Chief Controller/Chief Controller/Controller assist him in the preparation of these accounts. However, for Ministries with independent Secretary for different Departments, each Secretary will function as Chief Accounting Authority for the respective Department. However, there are certain exceptions in this regard for example, the Accounts of Union Territories without legislature, President and Vice President's Secretariats, Lok Sabha and Rajya Sabha Secretariats, Union Public Service Commission, Comptroller & Auditor General of India, Supreme Court of India and Election Commission etc are signed by separate designated authorities.

**(The various stages and the processes involved in the preparation of Appropriation Accounts is at Annexure IV of Chapter III).**

## CHAPTER IV

### THE BUDGET PROCESS

#### **BUDGET PREPARATION:**

The Budget Cycle normally starts towards the end of September of the current year and lasts till May of the next financial year. On the presumption that Budget shall be presented at 11:00 hours on the 28<sup>th</sup>/29<sup>th</sup> of February of a year (last working Day of February), the Budget Division prepares a comprehensive Schedule for carrying out the budget preparation activities. In the year in which General Elections to the Lok Sabha are held, the interim Budget is presented to Parliament on any given day convenient to Government. After the General Elections are over and assumption of office by the new Government, the Regular Budget is presented to Parliament on any date convenient to Government or as decided by the new Government. The Budget Schedule is constantly reviewed by the senior officers to watch the progress since budget span leaves no scope for slippages. The Schedule clearly indicates the Division/Organization/ Ministry/Department responsible for various tasks/activities along with the timeframe therein.

Budget for a year is prepared by the Budget Division in the Ministry of Finance broadly on the basis of detailed estimates of expenditure and receipts received from various Departments/Ministries of Government of India and its own subordinate estimating authorities. The General Financial Rules also prescribe the broad guidelines, procedures and forms for the preparation of budget estimates of receipts and expenditure by the Ministries. The estimates of expenditure are prepared separately for Capital and Revenue as a constitutional requirement and Plan and Non Plan in keeping with the existing classification system. The estimates of Plan expenditure are made on the basis of the approved plan allocations intimated by the Planning Commission.

The detailed estimates of expenditure are prepared by the estimating authorities according to their assessments of requirements for the ensuing year, keeping in view the actual requirements in the past, current year's trends of expenditure, the decisions taken by the Government which will have a bearing on the funding requirements etc. The following paragraphs bring out broadly the process of estimation and their collation which leads to the preparation of Budget Estimates..

#### **BUDGET CIRCULAR:**

The commencement of Budget Process takes place with the issue of the Budget Circular , normally issued in the month of September each year. The Budget Circular is issued with the purpose of providing guidance to Ministries/Departments in

framing their Revised Estimates for the current year and the Budget Estimates for the ensuing financial year, for further rendition to the Budget Division. This circular gives detailed instructions on the preparation of estimates of various types of receipts and expenditure, including the formats and statements in which the estimates are required to be furnished. The Budget Circular also outlines the processes that are

to be followed with reference to various estimating requirements and the scheduled dates by which the information in the prescribed formats are required to be made available to Budget Division.

The detailed procedures for the preparation of each of these Budget estimates are brought out in the following paragraphs.

#### ***ESTIMATES OF RECEIPTS:***

##### **REVENUE RECEIPTS:**

Estimates of Central taxes and duties administered by the Central Board of Direct Taxes (CBDT) and Central Board of Excise and Customs (CBEC) as also the estimates of cess collection as levied by Government from time to time are required to be furnished separately by CBEC and CBDT to Budget Division as per the prescribed timelines. The details relating to commodity-wise estimates of manufacture/imports, duty rates and foreign exchange rate assumptions and projected rates form the main basis of the estimating indirect tax collections. The tax rates decisions and growth assumptions are primarily the basis for making Direct tax estimates. These estimates are made available to the Budget Division in the required format through the Tax Research Unit (TRU) on the CBEC side and Tax Policy Legislation (TPL) Division of CBDT. The format largely requires the estimates to be provided under the broad items of taxation along with the estimates provided separately for cess and surcharge.

For the purpose of preparing receipts estimates, all other items of revenue receipts are divided into the following categories:

- (i) Taxes, duties and receipts in relation to Union territories without legislature;
- (ii) Interest receipts in respect of loans and advances sanctioned by Ministries/ Departments to State and Union territory Governments, foreign Governments, public sector enterprises and others including Government servants, interest charged to

working expenses of departmental commercial undertakings, etc.;

(iii) Estimates of Revenue receipts adjustable under Major Head '1605 - External Grant Assistance' and '1606-Aid Material and Equipment'; and

(iv) All other Revenue receipts including estimates of cess, but excluding the cess collected by the Central Board of Excise and Customs and Central Board of Direct Taxes.

Receipt estimates, *except for items at sub-para (ii) and (iii) above*, is to be furnished to the Budget Division in the form prescribed in Appendix-I of the Budget Circular. This form is also to be used for Capital receipts except certain other Capital Receipts for which specific formats have been prescribed. Estimates of taxes, duties and other revenue receipts in relation to Union territory administrations is required to be furnished to Finance Ministry by Director of Accounts, Andaman and Nicobar Islands Administration and Director of Accounts, Daman and Diu Administration, and for the other Union Territories, by the concerned Accountants General, in the same form as prescribed in Appendix-I.

**Revenue/Capital Receipts****APPENDIX-I  
REVENUE/CAPITAL RECEIPTS**

Ministry/Department/Union Territory:  
Major Head:

*(in crores of Rupees)*

|                          |                 | <b>FIRST MONTHS</b>    |                     | <b>LAST MONTHS</b>  |                     |                     |                      | <b>Total</b>            |
|--------------------------|-----------------|------------------------|---------------------|---------------------|---------------------|---------------------|----------------------|-------------------------|
|                          |                 | Seven                  | Eight               | Five                | Four                |                     |                      |                         |
| <b>ACCOUNTS</b>          |                 |                        |                     |                     |                     |                     |                      |                         |
| Preceding Year-III       |                 |                        |                     |                     |                     |                     |                      |                         |
| <b>ESTIMATES</b>         |                 |                        |                     |                     |                     |                     |                      |                         |
| Current Year Budget      |                 |                        |                     |                     |                     |                     |                      |                         |
| Current Year Revised     |                 |                        |                     |                     |                     |                     |                      |                         |
| Ensuing Year Budget      |                 |                        |                     |                     |                     |                     |                      |                         |
| <b>Accounts 7 months</b> |                 | <b>Minor<br/>Heads</b> | <b>Accounts</b>     |                     |                     | <b>Current Year</b> |                      | <b>Ensuing<br/>Year</b> |
| Preceding<br>Year        | Current<br>Year |                        | Preceding<br>Year-3 | Preceding<br>Year-2 | Preceding<br>Year-1 | Budget<br>Estimates | Revised<br>Estimates | Budget<br>Estimates     |
|                          |                 |                        |                     |                     |                     |                     |                      |                         |
|                          |                 |                        |                     |                     |                     |                     |                      |                         |
|                          |                 |                        |                     |                     |                     |                     |                      |                         |

A separate note on Minor head-wise explanation for increase/decrease is required to be given with details for example of types of cess and the Act under which it has been levied, rate of cess, date of last revision, collecting agency, and actual/budgeted collection.

Signature  
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Date  
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The estimates are required to be based on past and current trends and policy decisions and other relevant developments and supported by cogent explanations for any large variations as well as broad particulars wherever the estimates under a minor head exceed `10 lakhs which is particularly essential for major items like import/export receipts, licence fees, CGHS contributions, house rent receipts, mint and currency receipts, receipts of thermal/nuclear power stations, dividends from Government investments etc.

Estimates received by the Financial Adviser are required to be scrutinised with regard to the correctness of accounts classification, full coverage and reasonableness of the estimates and modified (reduced, increased and/or missing items added) to the extent necessary in the judgment of the Financial Adviser. Thereafter, the Chief Controller of Accounts is required to furnish the Receipt estimates as finally approved by the Financial Adviser to the Budget Division, by the prescribed date. Other details relating modalities to be followed with certain specific types of Receipts are mentioned in the Budget Circular and should be referred to at the time of preparing the Receipt Estimates.

**Dividend Receipts**

For providing the estimates of *Dividend Receipts* the Ministries/Departments are required to furnish the following statement as prescribed in Appendix-IA of Budget Circular, indicating company wise details of estimates.

**APPENDIX-IA  
REVENUE RECEIPTS - DIVIDENDS**

Ministry/Department/Union Territory:  
Major Head: 0050-Dividends & Profits

*(in thousands of Rupees)*

**ESTIMATES**

Current Year Budget  
Current Year Revised  
Ensuing Year Budget

| Accounts 7 months |              | Minor Heads | Accounts    |             |             | PAT Pre-ceeding Year-I | Equity as on March 31 of current Year | Equity holding of GOI on March 31 of current Year | Current Year | Ensuing Year |
|-------------------|--------------|-------------|-------------|-------------|-------------|------------------------|---------------------------------------|---|--------------|--------------|
| Preceding         | Current Year |             | Pre-ceeding | Pre-ceeding | Pre-ceeding |                        |                                       | Budget  | Rev-ised     | Budget       |
|                   |              |             |             |             |             |                        |                                       |   |              |              |
|                   |              |             |             |             |             |                        |                                       |   |              |              |
|                   |              |             |             |             |             |                        |                                       |   |              |              |
|                   |              |             |             |             |             |                        |                                       |   |              |              |

\* PAT - Profit after Tax.  
Minor head wise explanation for increase/decrease is required to be indicated along with the name and estimated amount against each PSU. Details of interim dividend paid in Preceding Year /payable in Current Year in Respect of each PSU is also required to be furnished separately.

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Designation  
Date  
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Estimates of dividend receipts is required to be furnished company-wise along with the details of total paid up capital, Government equity and profit after tax, in the format prescribed in Appendix I-A. These estimates on dividend receipts should be in conformity with circulars issued on dividend payout by the Ministry of Finance. Keeping in view the fact that the explanations furnished with this Statement are also the base material for the preparation of the Explanatory Notes on the Receipts Budget, adequacy and accuracy of the explanations are very important.

In addition to the information sought in Appendix-IA of the Budget Circular, the specific information as sought in Appendix-IAA of the Budget Circular is also required to be furnished for all profit making PSUs.

**APPENDIX-IAA  
REVENUE RECEIPTS - DIVIDENDS**

Ministry/Department/Union Territory:  
Major Head: 0050-Dividends & Profits

*(in thousands of Rupees)*

| S. No. | Name of the Company | Total Paid Capital as on 31st March of current year | Government Share in Paid capital as on 31st March of Current Year | Profit After tax for Preceding Year | Dividend Paid to Government for Preceding Year | Total dividend paid for preceding year (sum of column) a+b | Interim dividend for current year paid/ to be paid in Current Year | Cash/Free Reserves as on 31st March, of Current Year |
|--------|---------------------|---|---|-------------------------------------|--|--|--|--|
|        |                     |   |   |                                     | Interim Dividend Paid in Preceding Year (a)    | Final Dividend paid/to be paid in current Year (b)         |  |  |
|        |                     |   |   |                                     |  |  |  |  |
|        |                     |   |   |                                     |  |  |  |  |
|        |                     |   |   |                                     |  |  |  |  |
|        |                     |   |   |                                     |  |  |  |  |
|        |                     |   |   |                                     |  |  |  |  |
|        |                     |   |   |                                     |  |  |  |  |
|        |                     |   |   |                                     |  |  |  |  |
|        |                     |   |   |                                     |  |  |  |  |
|        |                     |   |   |                                     |  |  |  |  |
|        |                     |   |   |                                     |  |  |  |  |
|        |                     |   |   |                                     |  |  |  |  |
|        |                     |   |   |                                     |  |  |  |  |
|        |                     |   |   |                                     |  |  |  |  |
|        |                     |   |   |                                     |  |  |  |  |
|        |                     |   |   |                                     |  |  |  |  |
|        |                     |   |   |                                     |  |  |  |  |
|        |                     |   |   |                                     |  |  |  |  |

The Loss making PSUs are required to be listed out separately and in case there are no PSUs under the control of the Ministry/Department, a nil report is required to be sent to the Nodal officer in the Budget Division.

Signature  
Designation  
Date  
Telephone No.

**Estimates of Revenue Receipts for External Assistance**

Estimates of revenue receipts, adjustable under the Major heads '1605-External Grant Assistance' and '1606-Aid Material and Equipment', representing foreign aid receipts in the form of cash grant and commodity grant respectively, are required to be furnished by the Ministries/Departments in the following format as prescribed in Appendix 'I-B' of Budget Circular, to the Controller of Aid Accounts and Audit, Department of Economic Affairs. The Controller of Aid Accounts and Audit is required to process these estimates in accordance with the procedure separately prescribed and render the consolidated estimates to Budget Division.

**Revenue Receipts**

**APPENDIX-I-B**

**Estimates of Foreign Grants concerning the Ministry/Department of.....**

| Name of the grantor country/body | Date of aid agreement | Particulars of assistance to be received | Total assistance expected | Amounts to be provided in |                   |                   | Budget Estimates (Manner of Utilization of Aid)* |                   |
|----------------------------------|-----------------------|--|---------------------------|---------------------------|-------------------|-------------------|--|-------------------|
|                                  |                       |  |                           | Receipts Major Head       | Current Year B.E. | Current Year R.E. |  | Ensuing Year B.E. |
| 1                                | 2                     | 3  | 4                         | 5                         | 6                 | 7                 | 8  | 9                 |

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 -----  
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Signature  
 Designation  
 Date  
 Telephone No.

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**Note:** Cash grants and assistance in the form of material and equipment should be indicated separately in columns 3 to 8.



A brief note is also required to be added to provide brief description of the project on which the aid is to be utilized. In case of aid received in the form of materials and equipments the relevant Grant Details and Heads of Accounts of expenditure under which (i) utilization of material by Central Government Departments/Projects, (ii) transfer of material to States, Union Territories and other Bodies will be adjusted and whether the utilization on transfer will be on Plan (State/UT/Centrally Sponsored or Central) or Non-Plan Schemes should also be indicated. In those cases where the aid material is proposed to be sold, the Receipt Major Head under which the proceeds will be credited must be indicated.

For the sake of convenience the prescribed form in Appendix II covers both interest receipts as well as loan repayments.

#### **ESTIMATES OF INTEREST RECEIPTS:**

The estimates of Interest Receipts are required to be prepared in the following groups:

- (a) Interest receipts from State and Union Territory Governments;
- (b) Interest receipts from foreign governments;
- (c) Interest receipts from public sector financial institutions;
- (d) Interest receipts from industrial and commercial enterprises, both in the public and private sectors;
- (e) Interest receipts from statutory bodies (municipalities, port trusts, etc.);
- (f) Interest receipts from departmental commercial undertakings;
- (g) Interest receipts from other borrowers (excluding Government servants) e.g. dock labour boards, cooperative societies, educational institutions, etc;
- (h) Interest on advances to Government servants; and
- (i) Other interest receipts e.g. premium on loans floated, interest on Cash Balance Investment Account - these would mainly pertain to the Department of Economic Affairs.

The Chief Controllers of Accounts is responsible for preparing estimates of interest receipts with reference to loans outstanding against borrowers in their books including loans expected to be sanctioned during the ensuing financial year. The estimates are required to be furnished after obtaining the approval of the Financial Adviser. These Statements should be furnished in duplicate to the Budget Division in the form prescribed in Appendix-II of the Budget Circular and within the date prescribed. In case of 'nil' proposal also, the same is required to be submitted to Budget Division in writing without fail.

**Revenue/Capital Receipts**

**APPENDIX-II  
Estimates of Interest Receipts and Loan Repayments**

Ministry/Department: \_\_\_\_\_

|   | Interest                |                         |                         | Repayments              |                         |                         |
|---|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
|   | B.E.<br>Current<br>Year | R.E.<br>Current<br>Year | B.E.<br>Ensuing<br>Year | B.E.<br>Current<br>Year | R.E.<br>Current<br>Year | B.E.<br>Ensuing<br>Year |
| 1. State Governments*   |                         |                         |                         |                         |                         |                         |
| 2. Union Territory Government*  |                         |                         |                         |                         |                         |                         |
| 3. Interest on Capital Outlay in Departmental Commercial Undertakings**   |                         |                         |                         |                         |                         |                         |
| 4. Foreign Governments*   |                         |                         |                         |                         |                         |                         |
| 5. Industrial/Commercial/Financial Undertakings<br>(Undertaking-wise details to be given as in Appendix II-A) (a) Public Sector Undertakings<br>(b) Private Sector Undertakings |                         |                         |                         |                         |                         |                         |
| 6. Statutory Bodies (Port Trusts, Municipalities, KVIC, Tea/Coffee Boards etc.)*  |                         |                         |                         |                         |                         |                         |
| 7. Railways   |                         |                         |                         |                         |                         |                         |
| 8. Other Parties (Cooperatives, Educational Institutions, displaced persons and other Individual loanees excluding Government Servants)*  |                         |                         |                         |                         |                         |                         |
| 9. Government Servants***   |                         |                         |                         |                         |                         |                         |
| <b>TOTAL</b>  |                         |                         |                         |                         |                         |                         |

| No. | Ministry/Department | Signature<br>Designation<br>Date<br>Telephone No. |
|-----|---------------------|---|
|-----|---------------------|---|

\* Estimates for each State/Union Territory/Foreign Government, Statutory Body or institution should be separately appended to the Annexure.

\*\* Value of capital outlay and interest rates applicable should be given.

\*\*\* Estimates of interest receipts from Government servants will only be included in this Statement. Estimates of repayment of loans by Government servants are to be furnished separately in the form prescribed in Appendix VII.

For the industrial and commercial undertakings in the Public Sector/other parties, the estimates are required to be invariably supported by details as indicated in the form prescribed in Appendix-II-A of the Budget Circular, furnishing the details relating to each such undertaking/party. Wherever the estimated interest receipt is notional (being either matched by subsidy provision or by grant of loans to meet the interest liability), this fact is required to be specifically indicated in the 'Remarks' column.

No column in Appendix-II-A of the Budget Circular should be left blank, especially details relating to Defaults in respect of dues upto the end of last financial year.

**APPENDIX-II-A**  
**Estimates of Loan/Interest Repayment by Central PSUs/Other Parties**

Ministry/Department:

Name of the Undertaking/Other Party

*(in crores of Rupees)*  
 Paid up Capital as on 31<sup>st</sup> March  
 of Current Year

1. Central loans outstanding as on 31<sup>st</sup> March of Current Year
2. Defaults in respect of dues upto 31<sup>st</sup> March of Current Year, if any:
 

|  | Principal | Interest |
|--|-----------|----------|
|--|-----------|----------|
3. Recoveries during Current Year (upto October):
  - (a) Current dues
  - (b) Defaulted dues
4. Estimates
 

|  | B.E.    | R.E.    | B.E.    | B.E.    | R.E.    | B.E.    |
|--|---------|---------|---------|---------|---------|---------|
|  | Current | Current | Ensuing | Current | Current | Ensuing |
|  | Year    | Year    | Year    | Year    | Year    | Year    |
| (a) from internal resources                |         |         |         |         |         |         |
| (b) from budgetary support:                |         |         |         |         |         |         |
| (i) Plan*                                  |         |         |         |         |         |         |
| (ii) Non-Plan*                             |         |         |         |         |         |         |
| (iii) Conversion of past loans into equity |         |         |         |         |         |         |
| <b>Total (a) and (b)</b>                   |         |         |         |         |         |         |
5. Details of proposals under consideration, if any, for providing relief to PSU, which would have impact on repayments/interest payments by it.

Signature of Controller of Accounts

Date

Telephone No.

Please indicate the type of budgetary support – loans or subsidy (towards interest or interest differential) and enter estimates for each separately; moratorium on loan repayment/ holiday should be mentioned specifically.

---

A realistic assessment should be made of interest due from Public Sector Undertakings and other loan recipients as also of loan repayments by them, taking into account the need to ensure that they fully discharge their current interest obligations and also clear their outstanding dues within a practical timeframe.

The estimates of interest receipts and recoveries of loans and advances from Public Sector Enterprises including financial institutions must be framed on the basis of the departmental records and the Loan Register maintained by the Pay and Accounts Office and not on what is proposed by the companies or financial institutions. Accordingly, information given in Appendix II-A, should reflect the position as per departmental records. The estimates should show (i) company-wise defaults in repayment of interest upto the end of last financial year, (ii) BE of last year and (iii) RE of last year & BE for the ensuing financial year, on the basis of current dues as per the loan registers.

Separately in a footnote as approved by Financial Adviser, assessment of the prospects of recovery of dues may also be given in 'Remarks column'. The amount due for recovery as interest & loan repayment during the current and ensuing fiscal or financial year should be shown distinctly for each Public Sector Undertaking.

Estimates relating to interest charged on Capital Outlay of the Departmental Commercial Undertakings should correspond to the expenditure provisions and the Chief Controllers of Accounts while framing these estimates must ensure that this correspondence is maintained. The average rate of interest to be adopted for this purpose is advised separately by the Ministry of Finance.

Reliefs and concessions provided to various PSUs in the form of write off of loans, waiver of interest/guarantee fee are required to be reflected in Expenditure Budget as distinct items of expenditure with equivalent receipts assumed thereunder. Even though these are all non-cash expenditure, the receipts so assumed in such cases should also be included while furnishing receipts estimates to Budget Division.

#### **CAPITAL RECEIPTS:**

Estimates of Capital receipts from Ministries/Departments will include receipts by way of loan repayments, disinvestment of equity holdings in Public Sector Enterprises, issue of bonus shares by the PSEs in favour of Central Government, and net receipts under Public Account transactions.

Estimates of receipts by way of loan repayments along with estimates of interest receipts is also required to be furnished in the forms prescribed in Appendix II and II-A of the Budget Circular. In cases where such receipts are notional, for example due to write off of loans or re-financing through fresh loans

or conversion into equity, the fact should be highlighted in the 'Remarks' column. Likewise, any modification in the terms of repayment, like extension of period of moratorium and/or repayment should also be clearly mentioned. The estimates should fully reflect the endeavours to realize the amounts due from the various bodies.

Estimates of receipts in respect of bonus shares, issued by Government companies in favour of the Central Government, classifiable under Major Head '4000-Miscellaneous Capital Receipts' is required to be furnished by the Chief Controller of Accounts in form prescribed in Appendix-I of the Budget Circular, with Company-wise estimates. These estimates should correspond with the provisions for related investments included on the expenditure side.

The estimates of disinvestment of equity holdings in Public Sector Enterprises are required to be furnished by Department of Disinvestment in a centralized manner.

#### **PUBLIC ACCOUNT:**

The estimates of transactions relating to the Public Account of India are required to be furnished by the Chief Controllers of Accounts and the concerned Accounts Officers of Union Territory Governments/Administrations both with legislatures and without legislatures in the form prescribed in Appendix-III of the Budget Circular.

## APPENDIX-III

Estimates of transactions relating to the Public Account of India for inclusion  
In the Budget for Ensuing Year

## RECEIPTS/OUTGOINGS

*(in crores of Rupees)*

| Major, Minor<br>Sub-head etc. | Accounts<br>Preceding<br>Year | Balance as<br>at end of<br>Preceding<br>Year | B.E.<br>Current<br>Year | Adjustments<br>upto 1st week<br>of November of<br>Current Year | R.E.<br>Current<br>Year | B.E.<br>Current<br>Year | Remarks |
|-------------------------------|-------------------------------|--|-------------------------|--|-------------------------|-------------------------|---------|
| 1                             | 2                             | 3  | 4                       | 5  | 6                       | 7                       | 8       |
|                               |                               |  |                         |  |                         |                         |         |

Signature of Controller of Accounts  
Date  
Telephone No.

*N.B.: The estimates of receipts and disbursements should be prepared on separate sheets.*

The concerned Accounting organizations should prepare the estimates on the basis of a detailed review of the Public Account transactions that are accounted for in their books and should be worked out on the basis of the past trends and other information available that would impact the estimates. The estimates of receipts and estimated disbursements should be prepared on separate sheets and should reach Budget Division by the date prescribed in the Budget Circular. *The estimates relating to Group Insurance Scheme for Central Government and Union Territory employees are not required to be included in this Statement by Ministries/Departments since these are furnished by the Chief Controller of Accounts, Ministry of Finance in a consolidated manner for the Central Government Employees and by the UT Cell of Ministry of Home Affairs for the Union Territory Government Employees.*

The estimates relating to Public Account transactions should have footnotes explaining the nature of the transactions and should provide adequate explanation for any major variation in budget estimates with reference to actual receipts in the past year. The estimates should be furnished to Budget Division after getting it approved by the concerned Financial Adviser, in a consolidated manner for the Ministry/ Department as a whole (Demand-wise) and should be complete in all respects.

Ministry of Railways (Railway Board), Ministry of Defence (Finance Division) and Department of Telecommunications are required to furnish the estimates of Public Account transactions in their Cash Requirement Estimates. Normally Ministries/Departments should not have any large transactions in Public Account except in areas like Provident Funds and approved Special Deposits. There should not ideally be any Net debit or credit in a year in the Public Account transactions and, therefore, will not be accepted except with full justification for such instances.

## **ESTIMATES OF EXPENDITURE:**

The estimates of expenditure are required to be furnished to Budget Division in stages. The estimates are finalised after Secretary (Exp.) has held discussions with the Financial Advisers of the Ministries/Departments. These discussions are normally scheduled to commence around end of October/November and are held to decide the Net Budgetary ceilings of each Ministry/ Department- that is, Expenditure- less dedicated revenue receipts and capital receipts which are netted.

The following aspects are required to be kept in view by the Ministries/Departments while formulating the expenditure estimates:

It is necessary to review the existing Expenditure Budget in the first instance, to prioritize the activities and schemes, both on the Plan and Non-Plan side and identify those activities and schemes, which can be eliminated or reduced in size or merged with any other scheme. All Ministries/Departments are expected to take up the exercise of review/evaluation of all ongoing schemes/programmes to determine their continued relevance as stipulated vide O.M. No. 7(5)/E-Coord/2004 dated 24.09.2004 issued by Secretary Expenditure (Annex – A of the Budget Circular). Departments should ensure that all schemes that have been discontinued, do not find mention in Revised Estimates of the current year. Similarly schemes that are not to continue beyond the current year should not be included for Budget Estimates of ensuing year. A mention of the schemes discontinued or merged should be made in the notes below the Statement of Budget Estimates. Under the standing instructions of this Ministry, no provision should normally be made in the Budget without completion of pre-Budget scrutiny of a project/scheme. Where, however, provision has been made without the necessary scrutiny, such scrutiny should be completed and appropriate approvals obtained before the commencement of the financial year and passing of Budget by the Parliament.

While framing the estimates due note may also be taken of the past performance, the stages of formulation/implementation of the various schemes, the institutional capacity of the implementing agencies to implement the scheme as scheduled, the constraints on spending by the spending agencies, and most importantly the quantum of Government assistance lying with the recipients unutilised etc. with a view to minimize the scope for surrenders at a later stage. The Public Accounts Committee requires that savings in a Grant amounting to `100 crore and above be explained to the Committee. The other Parliamentary Committees have also been repeatedly expressing concern over incidence of large savings in the Grant.

Budget Division, Ministry of Finance has issued instructions on the need for the individual Ministry/Department to put in place effective mechanism for realistically assessing their requirement of funds in a way that would ward off the occurrence of unwarranted surrender of savings at a later date.

For providing grants-in-aid to autonomous bodies and institutions, the instructions contained in Rule 209 of the General Financial Rules, 2005 may be kept in view. In cases where activities of a body cover more than one function of the Government and where the body is likely to approach several Departments for grants, consultation should take place between the concerned Departments before the grants are approved. The body should be specifically asked to furnish details of assistance received or proposed to be received from other Central Government Departments or from the State Governments.

It is necessary to take into account the economy instructions issued from time to time by Finance Ministry, including the need to bring down subsidies through improvement of operational efficiency and effective direction of flow of subsidies to targeted groups. The estimates must conform and abide by the prescribed cuts and economy measures.

No provision may be made in the establishment budget for posts, which are lying vacant for one year or more. Even otherwise, provisioning for vacant posts should be made with circumspection so as to avoid chances of eventual savings due to these vacant posts not being filled up.

The provision for externally aided projects may be made under identifiable heads, segregated from other items of expenditure as in the form at Appendix IX-B of the Budget Circular.

Ministries/Departments make Plan provisions against externally aided projects and show these in a separate annex viz., "Statement showing project-wise provisions for expenditure on externally-aided projects in the Central Plan" in the "Detailed Demands for Grants" of the concerned Ministry/Department, in the form at Appendix X-B of the Budget Circular. It has been observed that there is a time lag between incurrence of expenditure and claiming reimbursement thereof from the concerned donors. This puts pressure on the GOI's Ways & Means Advances position. In order that the eligible expenditures are promptly lodged in the form of claims with the relevant donors through the Office of Controller of Aid Accounts & Audit for seeking disbursement of the committed external assistance, Financial Advisers should hold periodical reviews in this regard. Budget provision made in BE of the current year against externally aided projects and the action taken to claim reimbursements thereof from the external donors, is normally reviewed in the pre-budget review meetings to be taken by Secretary (Expenditure).

Items of expenditure which are linked to receipts, like those met from proceeds of cess or 1605-External Grant Assistance or 1606-Aid Material and Equipment is also required to be similarly segregated in the Statement of Budget Estimates.

Subsidies provided towards payment of interest fall under two categories. They are (i) 100% subsidy and (ii) interest differential (part subsidy). These two items are to be shown distinctly in Statement of Budget Estimates.

With a view to maintaining uniformity in the treatment of provision for Voluntary Retirement Scheme(VRS)/Voluntary Separation Scheme (VSS) to Central PSUs, it is required that these amounts should be depicted as a Non-Plan loan, unless otherwise approved by the Finance Ministry.

As per Article 112 of the Constitution of India, Annual Financial Statement shall distinguish

expenditure on revenue account from other expenditure. Rule 46(2) of General Financial Rules, 2005 (GFR) mentions that the estimates of expenditure shall distinguish provisions for expenditure on revenue account from that for other expenditure including expenditure on Capital Account on loans by the government and for repayment of loans, treasury bills and ways and means advances. All the Ministries/Departments are required to refer to these Rules and prepare the Budget Estimates in compliance of the statutory obligations.

#### **PLAN PROVISIONS FOR NORTH EASTERN REGION AND SIKKIM:**

All the Ministries/Departments (except those specifically exempted by Ministry of Development of North Eastern Region) are required to spend 10% of the Gross Budget Support from their Central Plan for the benefit of North Eastern Region & Sikkim. Budget Division's O.Ms. dated 24th April, 2001 (Annex – C of the Budget Circular), 13th September, 2002 (Annex – D of the Budget Circular), 14th September, 2005 (Annex – E of the Budget Circular) and 5<sup>th</sup> February, 2007 (/Annex-E-I of the Budget Circular) in this connection may be kept in view. While sending the RE (Plan) for the current year, the Ministries/Departments should separately show the Central Plan Expenditure on schemes/projects benefitting the North Eastern Region and Sikkim.

Budget provisions towards projects/schemes for development of North Eastern Region and Sikkim have, hitherto, been provided as 'lump sum' under the Major Head '2552-North Eastern Region' for Revenue expenditure and the Major Head '4552-Capital Outlay on North Eastern Region' for Capital expenditure for eventual reappropriation to appropriate functional heads of expenditure. However, such lump sum provisions should be desegregated upto object head level corresponding to different functional major/sub-major/minor heads, in the Detailed demands for Grants and provided for under the Major Head '2552-North Eastern Region' for Revenue expenditure and the Major Head '4552-Capital Outlay on North Eastern Region' for Capital expenditure or '6552-Loans for North Eastern Region' for eventual re-appropriation. The purpose is to facilitate information to Parliament about the nature of expenditure, end-beneficiary, etc. After approval of the budget by Parliament, the expenditure provisions can be transferred to the functional head through reappropriation for incurring expenditure by exercise of powers delegated in Finance Ministry's D.O. letter No. F.2 (66)-B (CDN)/2001 dated 12.6.2001 (Annex – F of the Budget Circular). In this connection, instructions have been issued vide Finance Ministry's O.Ms. No. F.2(66)-B(CDN)/2001 dated 14.9.2005 (Annex – E of the Budget Circular) and dated 5.2.2007(Annex-E-I of the Budget Circular).

## **OTHER INSTRUCTIONS ON PREPARATION OF STATEMENT OF BUDGET ESTIMATES:**

The Statement of Budget Estimates included in the Expenditure Budget, Volume 2, should normally show distinctly, the schemes etc. for which Budget provision is ` 10 crore or more. Important schemes, irrespective of the provision should also be reflected separately in the Statement of Budget Estimates.

Further, the estimates in the Expenditure Budget Vol. 2 (and also Demands for Grants) are expressed in rupees in crore with two decimal places. Under the present system of rounding, major head under which the total provision is less than ` 50,000 gets excluded from the two documents referred to above. This causes discrepancy with Detailed Demands for Grants in which the provisions are expressed in thousands of rupees. In such cases the major head, scheme etc. should be shown in the SBE and the Demands for Grants with a footnote that "the provision is less than `1 lakh".

### **SANCTION OF ESTIMATES:**

The estimating authorities forward the budget proposals to their departmental heads for consideration and onward transmission to the ministries administratively concerned. These ministries scrutinize the estimates, make modifications where necessary, and transmit these revised estimates to the Financial Adviser for further examination and processing. The Financial Adviser ensures the correctness of accounts classification, makes modifications as may be called for in his judgment in the context of economy and other considerations, consolidates the estimates for each programme/organisation to present a complete picture of their financial costs, and obtains approval of the Secretary (Expenditure) in the Ministry of Finance, wherever necessary. Departmental budgets are then forwarded to the Budget Division.

For framing the detailed estimates, the estimating authorities are to assess with good care their receipts and requirements. They should be judicious so that there is no extravagance in making provisions and no under estimation of receipts. They are to keep in mind that unnecessary provision of expenditure or under estimation of receipts may lead to avoidable tax burden or exclusion of some important items of expenditure for which otherwise provision could be made. Under estimation of expenditure or over estimation of receipts may similarly result in undesirable deficit at the end of the year because of excess expenditure and/ or lesser receipts.

The detailed estimates of receipts for the ensuing year are prepared by the estimating authorities on the basis of the rates applicable during the current year. They have to take into account the normal rate of growth, on the basis of experience and latest trends, and also unrealized arrears relating to earlier years, if any.

While the prescribed date for receipt of the estimates of receipts by the Budget Division is normally not later than the end of December, the date for estimates of expenditure is normally 31st October. The estimates of departmental receipts and expenditure received in the Budget Division are duly scrutinised and then accepted for incorporation in the Budget documents through a detailed process, which has been explained later in the section Budget Finalization. The sanction of estimates is done in accordance with the provisions under Rule 49 of the GFR, 'Acceptance and inclusion Of Estimates', which *interalia* states that:

(1) The estimates of receipts and expenditure of each Ministry / Department will be scrutinized in the Budget Division of the Ministry of Finance. Finance Secretary or Secretary (Expenditure) may hold meetings with Secretaries or Financial Advisers of Administrative Ministries or Departments to discuss the totality of the requirements of funds for various programmes and schemes, along with receipts of the Ministries or Departments.

(2) The estimates initially submitted by the Departments may undergo some changes as a result of scrutiny in the Budget Division, Ministry of Finance and deliberations in the pre-budget meetings between the Finance Secretary or Secretary (expenditure) and the Secretary or Financial Adviser of the Department concerned. The final estimates arrived at on the basis of scrutiny and pre-budget meetings will be accepted by the Budget Division, Ministry of Finance and incorporated in the Budget documents.

The Ministries/Departments are required to review the Statement of Budget Estimates for the current year in respect of their Demands for Grants and suggest to Budget Division such modifications as may be required keeping in view the guidelines mentioned above.

### **SUBMISSION OF ESTIMATES FOR PRE BUDGET DISCUSSION (PROPOSED STATEMENT OF BUDGET ESTIMATE):**

Before the submission of the Statement of Budget Estimates which will be furnished after the finalization of the budgetary ceilings during the pre-budget meetings, the Ministries/Departments are required to submit the Statement of proposals for pre-budget discussion in the form prescribed in **Appendix IV**.

For furnishing the above estimates, the Ministries/Departments will, as usual, arrange to obtain the estimates of expenditure for the current year and the next year from various organisations and units under their control. The estimates may be obtained in the form prescribed in Budget Circular and may be modified to suit the special requirements of individual Ministries/Departments. The estimates will be scrutinised by the administrative units of the Ministry/Department and forwarded to the Financial Adviser for further examination and processing. The



estimates finally recommended by the Financial Adviser will be summarised in the form of Statement of Budget Estimates (proposed) and eighteen (18) copies thereof forwarded to the Budget Division of the Ministry of Finance. The estimates will be on the same pattern as appearing in the Expenditure Budget Vol. 2 of the current year. SBE items of omnibus nature like "other programmes" may be desegregated so that they are below `10 crore. The expenditure on "Salaries and Wages" may be shown separately. Further, the expenditure met from any cess or on externally aided projects (reimbursable portion) may be distinctly identified. The form in which these estimates including recoveries are to be furnished is at Appendix IV to IV-B as in Budget Circular.

**Expenditure**

**APPENDIX-IV  
Estimates of Gross Recoveries**

NON-PLAN/PLAN  
REVISED Current Year  
BUDGET Ensuing Year

|  |  |   | Major Head of Account<br>Demand No. & Title |                         |                         |   |  |
|--|--|---|---|-------------------------|-------------------------|---|--|
| Minor Head<br>as in the<br>Demands<br>for Grants | Sub-head<br>as in the<br>Demands<br>for Grants | Units of<br>Appropriation<br>as in the<br>Demands<br>for Grants | B.E.<br>Current<br>Year                     | R.E.<br>Current<br>Year | B.E.<br>Current<br>Year | <i>(in thousands of Rupees)</i>   |  |
|  |  |   |   |                         |                         | Remarks (Please enter<br>explanations for major<br>variations and other<br>information) |  |
| Total (Gross) Recoveries                         |  |   |   |                         |                         |   |  |
| (Minor head-wise)                                |  |   |   |                         |                         |   |  |
| Net  |  |   |   |                         |                         |   |  |

**Expenditure/SBE**

**APPENDIX-IV-A  
Statement of Budget Estimates**

**Ministry/Department**

**Demand No.**

**A. The Budget allocations, net of recoveries, are given below:**

(in  
crores of Rupees)

| Description | Major Head | Current Year Budget |          |       | Current Year Revised |          |       | Ensuing Year Budget |          |       |
|-------------|------------|---------------------|----------|-------|----------------------|----------|-------|---------------------|----------|-------|
|             |            | Plan                | Non-Plan | Total | Plan                 | Non-Plan | Total | Plan                | Non-Plan | Total |
|             | Revenue    |                     |          |       |                      |          |       |                     |          |       |
|             | Capital    |                     |          |       |                      |          |       |                     |          |       |
|             | Total      |                     |          |       |                      |          |       |                     |          |       |

**B. Investment in Public Enterprises:**

| Head of<br>Dev. | Current Year Budget |          |       | Current Year Revised |          |       | Ensuing Year Budget |          |       |
|-----------------|---------------------|----------|-------|----------------------|----------|-------|---------------------|----------|-------|
|                 | Budget              | I.E.B.R. | Total | Budget               | I.E.B.R. | Total | Budget              | I.E.B.R. | Total |
|                 |                     |          |       |                      |          |       |                     |          |       |

**C. Plan Outlay:**

Central Plan\*  
State Plan

**D. Major Head-wise totals:**

|  | Current Year Budget |          |       | Current Year Revised |          |       | Ensuing Year Budget |          |       |
|--|---------------------|----------|-------|----------------------|----------|-------|---------------------|----------|-------|
|  | Plan                | Non-Plan | Total | Plan                 | Non-Plan | Total | Plan                | Non-Plan | Total |
|  |                     |          |       |                      |          |       |                     |          |       |

**E. State and UT Plans:**

| Major Head | Current Year Budget |          |       | Current Year Revised |          |       | Ensuing Year Budget |          |       |
|------------|---------------------|----------|-------|----------------------|----------|-------|---------------------|----------|-------|
|            | Revenue             | Cap/Loan | Total | Revenue              | Cap/Loan | Total | Revenue             | Cap/Loan | Total |
|            |                     |          |       |                      |          |       |                     |          |       |

\*Inclusive of works outlay provided in the Demands of Ministry of Urban Development.

**APPENDIX-IV-B**  
**Statement of proposals for pre-Budget discussion**

**Demand No.**  
*(in crores of Rupees)*

**Part A-Non-Plan items**

| Description as shown in the Exp.Bud. Vol.2(SBE) | Preceding Year-II Actuals | Preceding Year-I Actuals | B.E. Current Year | Actuals for Preceding Year-I upto Sept. of Preceding Year-I | Actuals for Current Year upto Sept. of Current Year | R.E. Current Year | B.E. Ensuing Year |   |
|---|---------------------------|--------------------------|-------------------|---|---|-------------------|-------------------|---|
| 1   | 2                         | 3                        | 4                 | 5   | 6   | 7                 | 8                 | 9 |

**Note:** Salary component under any particular item may be indicated separately within brackets.

**Part B-Plan items**

| Description as shown in the Exp.Bud. Vol.2(SBE) | Preceding Year-II Actuals | Preceding Year-I Actuals | B.E. Current Year | Actuals for Preceding Year-I upto Sept. of Preceding Year-I | Actuals for Current Year upto Sept. of Current Year | R.E. Current Year | B.E. Ensuing Year |   |
|---|---------------------------|--------------------------|-------------------|---|---|-------------------|-------------------|---|
| 1   | 2                         | 3                        | 4                 | 5   | 6   | 7                 | 8                 | 9 |

**Note:** Salary component under any particular item may be indicated separately within brackets.

**Part C- Object head wise summary of Non-Plan estimates**

| Description as shown in the Exp.Bud. Vol.2(SBE) | Preceding Year-II Actuals | Preceding Year-I Actuals | B.E. Current Year | Actuals for Preceding Year-I upto Sept. of Preceding Year-I | Actuals for Current Year upto Sept. of Current Year | R.E. Current Year | B.E. Ensuing Year |   |
|---|---------------------------|--------------------------|-------------------|---|---|-------------------|-------------------|---|
| 1   | 2                         | 3                        | 4                 | 5   | 6   | 7                 | 8                 | 9 |

In so far as the Department of Atomic Energy and Department of Space are concerned, SBE (proposed) may be forwarded to Budget Division as soon as the estimates are compiled, but not later than the date prescribed in the Budget Circular; without waiting for the approval by the respective Commissions.

Office of the Comptroller & Auditor General of India may send the SBE to Budget Division by the date prescribed in the Budget Circular. All estimates of expenditure may be supported by figures of actual expenditure as indicated in preceding paragraph including item-wise actuals for the previous year, actuals upto September, of the previous year against the BE for the previous year and actuals upto September, of the current year against the BE of current financial year.

Ministries/Departments are also required to furnish the details position of outstanding utilization certificates and unspent balances, which are taken into consideration for deciding the Revised Estimates.

#### **PRE-BUDGET MEETINGS:**

Preparation of Revised estimates of receipts and expenditure for the current year necessarily precedes the estimation for the Budget for the ensuing year, although preparation of the budget estimate for the ensuing year is also completed before the end of current financial year. The revised estimates for the current year are however prepared before the budget estimates of the ensuing year as the Supplementary Demands are based on the revised estimates of expenditure for the current year, which have to be obtained before the end of the current financial year. The figures of the revised estimates are finalized in the pre-budget meetings with Secretary (Expenditure) along with the Non Plan Budget Estimates, for the ensuing year.

On the basis of the revised estimates of expenditure, Supplementary Demands for Grants are prepared by the Government of India under Article 115 of the Constitution.

#### **PRE BUDGET DISCUSSIONS WITH SECRETARY EXPENDITURE:**

The Ministries/Departments are required to prepare the Statement of Budget Estimates for RE of current year and the ensuing year's Budget Estimates for pre-budget discussions with Secretary (Expenditure). The dates of discussions are intimated separately. In the meantime, Financial Advisers are required to process the SBEs and forward the same to Budget Division by the date prescribed in the Budget Circular. In the Statement of Budget Estimates (proposed) by the Ministries/Departments, the current year RE for Plan and Non-Plan expenditure and Non Plan BE for the ensuing year is to be indicated separately for Revenue and Capital

expenditure. In preparing RE, the following factors inter alia, must be taken into consideration:

- a) Latest actuals during current year;
- b) Actuals for the same period in preceding year;
- c) Actuals in past year/previous years;
- d) Appropriations/re-appropriations ordered/contemplated during remaining part of the year, or any sanction to expenditure issued/proposed to be issued during the remaining part of the year;
- e) Any other relevant factor which may be foreseen at the time of framing the RE for the current year or BE for the ensuing year;
- f) Actual expenditure upto September, of previous year against BE of previous year as also actual expenditure upto September, in the current year against BE of current year may supplement the process of finalization of RE for the current year. The actual expenditure may be reconciled with the monthly accounts compiled by Controller General of Accounts before incorporating the same in the revised Appendix IV-B of the Budget Circular;
- g) The following information may also be furnished to Budget Division along with the SBEs (Proposed):
  - (i) Effect of additional installments of dearness allowance sanctioned in the current year and the net additionality asked therefore (that is, after setting off against savings, if any).
  - (ii) Estimates of committed expenditure, which is being provided for the first time as Non-Plan in RE of current year and thereafter in BE of the ensuing year.
  - (iii) Items of expenditure, which are matched by or linked to receipts like externally aided projects, bonus share, cess etc.
  - (iv) Provision included in respect of vacant posts.
  - (v) A separate statement indicating (a) Plan provision made scheme/project-wise in BE of the current year against externally aided projects, (b) expenditure incurred up to August/September of the current year, (c) amount for which claims have been lodged with the office of Controller of Aid Accounts & Audit, DEA seeking reimbursement from the external donor and (d) requirement in RE for the current year.
  - (vi) Details of authorized and held manpower and current/arrear liability on account of pay & allowances in respect of CPSUs and substantially financed autonomous bodies getting Non-Plan budget support.

- (vii) Unspent balances as on 31st March, of the current year with all grantee/loanee bodies (other than the States) in respect of all bodies which received more than ` 1 crore grant/loan during the previous financial year. (Separate details for each body).
- (viii) Unspent balances, State-wise and scheme-wise, as on 31st March, of the current year, in respect of all schemes.
- (ix) Status of pending utilization certificates.
- (x) Explanations for variations between BE of the current year and RE of the current year (proposed) may be given scheme-wise separately. Any increase/decrease in BE for the ensuing year (proposed) may also be explained suitably.

**Note:** - The Pre-budget meeting of the Ministry/Department is generally scheduled only after receipt of full information as required above.

The briefs for the pre-budget meetings are prepared by the officers in the Budget Division as per the horizontal allocation of Ministries/Departments and the related Demands. As far as possible, the briefs are to be prepared as per the following internal guidelines of the Budget Division, and the brief for the previous year may also be referred to for any relevant information for the ensuing budget estimates-

**GUIDELINES FOR PRE- BUDGET BRIEFS:**

1. The brief should firstly indicate the following details:

| YEAR              | BE | PLAN RE | ACTUALS | BE | NON PLAN RE | ACTUALS |
|-------------------|----|---------|---------|----|-------------|---------|
| Previous Year (4) |    |         |         |    |             |         |
| Previous year (3) |    |         |         |    |             |         |
| Previous year (2) |    |         |         |    |             |         |
| Previous year (1) |    |         | @       |    |             | @       |
| Current Year      |    | #       | *       |    | #           | *       |
| Ensuing Year      |    |         |         | #  |             |         |

@ Provisional \*Upto September/October

# Proposed

2. As far as possible, an effort should be made to detail the following information for those items where expenditure is more or less than the proportionate:

| Sl. No. | Plan Schemes   | BE (Current Year)<br>(Current Year) | Exp. Upto Sept.<br>(Current Year) | RE (Current<br>Year) proposed | Remarks |
|---------|--|-------------------------------------|-----------------------------------|-------------------------------|---------|
| ◆       | The details of Unspent Balance/UC's as furnished by the Ministries/Departments should also be highlighted in the remarks column. |                                     |                                   |                               |         |
| ◆       | The deliberations on the Plan expenditure should be summed up with a proposed RE figure (for current year).                      |                                     |                                   |                               |         |

3. On the Non-Plan side, the same matrix should be followed regarding the schemes/items of expenditure. Further; a column should be inserted with the following details:

|                     | BE | RE as Proposed |
|---------------------|----|----------------|
| Salary              |    |                |
| Non Salary Non Plan |    |                |

At first, the details should be for proposing an RE (for the current year). In the calculation of the ceiling, due cognizance should be taken of the Dept of Expenditure's Economy Instructions (a copy of which is made available in the Budget Circular).

4. BE for the ensuing financial year should be discussed thereafter for Non-Plan. If detailed items of expenditure exist, then these should be put down in a tabular form. Allowing for increase in the Salary component as per the guidelines enunciated in the Dept of Expenditure's Economy Instructions, a tentative ceiling may be indicated.

#### **OTHER RELATED ISSUES:**

All the Briefs containing detailed Revised Estimate/Budget Estimate information are required to be invariably submitted to JS/AS (Budget) and Secretary (Expenditure) well in advance of the meeting date. These Briefs are also circulated to all Dy. Secretaries/Directors of Budget Division. Apart from the normal circulation in the Budget Division, the briefs are also sent to AS (Expenditure), JS (Personnel), JS (Plan Finance-I) and JS (Plan Finance-II). Ministries/Departments are also required to deposit a copy of the information furnished by them for the pre-budget discussions to the Nodal Officer in the Planning Commission.

On the folder of pre-budget briefs, the date and time of the meeting along with the name of the Financial Adviser, the Chief Controller of Accounts and the representative of the Planning Commission may be pasted. Every officer in the Budget Division is required to work with a well defined time table to ensure that the task allotted to each officer is completed as per schedule.

In the discussions during the meetings taken by Secretary (Expenditure) the totality of the requirements of funds for various programmes and schemes are discussed, along with receipts of the Departments (viz. interest receipts, dividends, loan repayments, departmental receipts, receipts of Departmental Commercial Undertakings, etc). The indicative budget figures are discussed on a net basis.

The estimates initially submitted by the Departments may undergo some changes as a result of scrutiny in the Budget Division, Ministry of Finance and deliberations in the pre-budget meetings between the Finance Secretary or Secretary (Expenditure) and the Secretary or Financial Adviser of the Department concerned. The final estimates arrived at on the basis of scrutiny and pre-budget meetings will be accepted by the Budget Division, Ministry of Finance and incorporated in the Budget documents.

#### **STATEMENT OF BUDGET ESTIMATES (FINAL):**

After the pre-Budget meetings are over, and the approved ceilings for expenditure, as finalised in these meetings, are communicated including ceilings for Plan and Non-Plan expenditure (The Revenue and Capital expenditure break up is finalized within the concerned Ministries/Departments by the Financial Advisers) the Financial Advisers are required to prepare the Statement of Budget Estimates (Final) in form Appendix IV-A of the Budget Circular and forward to Budget Division. This SBE (final) is to be accompanied by the following statements-

- (1) Statement of charged expenditure included under each of the major heads in RE of the current year, BE of ensuing year (Appendix V of Budget Circular).

**Expenditure**

**APPENDIX-V**

**Statement showing amount of "charged" expenditure included in the Estimates**

Ministry/Department

Demand No.

Name and title of the Demand

(in crore of Rupees)

| Serial Number | Name of Scheme | Major Head | Budget Estimates Current Year |     |       | Revised Estimates Current Year |     |       | Budget Estimates Ensuing |     |       |
|---------------|----------------|------------|-------------------------------|-----|-------|--------------------------------|-----|-------|--------------------------|-----|-------|
|               |                |            | Plan                          | Non | Total | Plan                           | Non | Total | Plan                     | Non | Total |
|               |                |            | 1                             | 2   | 3     | 4                              | 5   | 6     |                          |     |       |

**Note:** 1. The amount should be indicated in crore of rupees upto 2 decimal places and gross amounts of expenditure to be shown in Demands for Grants.

Signature  
Designation  
Date  
Telephone No.

- (2) Showing the estimates, if any of recoveries taken in reduction of expenditure under each of the major heads included in the SBE, (Appendix V-A of Budget Circular);

**Expenditure**

**APPENDIX-V-A**

**Statement showing the estimate of recoveries taken in reduction of expenditure under each of the Major Head included in SBE**

Ministry/Department

Demand No.

Name and title of the Demand

(in crores of Rupees)

| Serial Number | Name of Scheme | Major Head | Budget Estimates Current Year |     |       | Revised Estimates Current Year |     |       | Budget Estimates Ensuing |     |       |
|---------------|----------------|------------|-------------------------------|-----|-------|--------------------------------|-----|-------|--------------------------|-----|-------|
|               |                |            | Plan                          | Non | Total | Plan                           | Non | Total | Plan                     | Non | Total |
|               |                |            | 1                             | 2   | 3     | 4                              | 5   | 6     |                          |     |       |

**Note:** 1. The amount should be indicated in crore of rupees upto 2 decimal places.  
2. Where the amount is negligible a symbol should be provided in the appropriate column and the actual amount in thousands should be indicated at the end of the statement duly linked with the symbol.

Signature  
Designation  
Date  
Telephone No.

- (3) Loan and equity components of investments in Public Enterprises with the externally-aided component therein (Appendix V-B of Budget Circular);



**Expenditure**

**APPENDIX-V-B**

**Statement showing equity and loan component of investments in Public Sector Enterprises  
Modification to Statement of Budget Estimates (Final)**

(in crores of Rupees)

(included in Section B of the SBE and Appendix VI)

| Name of the P.S.E.<br>etc.     | Major Head | B.E.<br>Current year | R.E.<br>Current year | B.E.<br>Current year |
|--------------------------------|------------|----------------------|----------------------|----------------------|
| Examples:                      |            |                      |                      |                      |
| 1. Cement Corporation of India | 4854       | 32.00<br>6854        | 64.00<br>0.00        |                      |
|                                |            | <b>Total</b>         | <b>0.00</b>          |                      |
| 2. Oil India Ltd.              | 4802       | 0.00<br>6802         |                      |                      |
|                                |            | <b>Total</b>         | <b>0.00</b>          |                      |
| And so on ....                 |            |                      |                      |                      |

- (4) Brief notes explaining major variations between RE and BE of current year; and between BE of the ensuing year and RE of the current year should also be furnished with these estimates. Explanations should be furnished in all cases wherever the variations under the items listed in the SBE exceed `50 lakhs or 10% of the BE or RE, as the case may be, whichever is lower. Even where the individual variations are within these limits but the variations under a particular major head included in the SBE exceed `1 crore, a brief explanation for the variations may be furnished. The explanation should be meaningful and specific. Vague indications in phrases like “due to less requirement of the project” or “more requirement of the project” should not be given.

The SBE (final) is required to be sent to Budget Division in two stages:

- Immediately after the ceilings are communicated by the Budget Division, the columns relating to Non-Plan RE of current year and BE for the ensuing year along with Plan RE for the current year should be filled and forwarded to Budget Division; and
- As soon as the Planning Commission communicates the Annual Plan allocations, SBE (final) for the Plan expenditure in the ensuing financial year should be forwarded to the Budget Division. Budget Division will require three copies of SBE (final) in both cases.

In case any modification or amendment is required to be made in the figures already communicated to Budget Division through SBE (final), the modifications/amendments should be communicated in the form in Appendix VI of the Budget Circular, as indicated below. Ministries/Departments should not send the entire SBE for this purpose once again.

**Expenditure**

**APPENDIX-VI**

| Ministry/Department<br>Demand No. | <b>Scheme wise and Head wise Budget Provisions/Estimates</b> |               | Name and title of the Demand |     |       | (in crores of Rupees) |     |       |
|-----------------------------------|--|---------------|------------------------------|-----|-------|-----------------------|-----|-------|
|                                   |  |               | Revised Estimates            |     |       | Budget Estimates      |     |       |
| Serial<br>Number                  | Name of<br>Scheme  | Major<br>Head | Current Year                 |     |       | Ensuing               |     |       |
|                                   |  |               | Plan                         | Non | Total | Plan                  | Non | Total |
| 1                                 | 2  | 3             | 4                            |     |       | 5                     |     |       |

- Indicate the effect of change as (+).....or (-).....in crores of rupees, immediately after this indicate in the next line the Major Head total in the individual column after effecting this change.
- After all these changes give the summary of the final total as below:

| Revenue<br>Capital<br>Total | Revised Estimates Ensuing Year |     |       | Budget Estimates Ensuing Year |     |       |
|-----------------------------|--------------------------------|-----|-------|-------------------------------|-----|-------|
|                             | Plan                           | Non | Total | Plan                          | Non | Total |

Ministries/Departments may take particular care in filling the estimates relating to each of the public enterprises (budgetary support, internal and extra budgetary resources and total plan outlay). Similarly, if works expenditure is to be incurred through the Ministry of Urban Development, the same should be included in the column provided therefore in the Statement of Budget Estimates after settling the estimates with Ministry of Urban Development. SBE (final) for Plan should carry a certificate that the total provision inclusive of the works outlay corresponds to the allocation given by the Planning Commission.

The budget provision towards 'Works Outlay' are reflected in the Demands for Grants (both under plan and non-plan) in respect of Ministries/Departments, who expressed their willingness for such reflection, in terms of Budget Division's O.M. No.1(5)B(AC)/2005 dated 12.10.2006 (Annex-R of the Budget Circular).

Such provisions in respect of other Ministries/Departments are required to be continued to be reflected in the Demands for Grants of Ministry of Urban Development (Demand of Department of Urban Development and Demand of Public Works) in BE of the ensuing year. Ministries/Departments, which are willing to shift their provisions towards 'works outlay' from the Demands for Grants of Ministry of Urban Development to their Demands for Grants, may approach Budget Division, separately.

In the case of Union Territories without Legislature the Ministry of Home Affairs (being the nodal Ministry) will get the Statement of Accepted Estimates from the Ministries/Departments and U.T.s concerned and examine these to ensure that the total provisions are within the ceilings approved for each U.T. They should furnish the information along with related recoveries, and receipts, to the Ministry of Finance (Budget Division). The information should be furnished Major Head-wise and Ministry-wise on the same pattern as per the Demands for Grants of current year. The other Ministries/Departments and U.Ts are not required to send any SBEs to the Ministry of Finance directly, and all correspondence in this regard should be made through the Ministry of Home Affairs only.

In cases of items of work transferred from one Ministry/Department to another subsequent to the presentation of the Budget for current year, the B.E. and R.E. for the current financial (and in the Detailed Demands for Grants, the Actuals for the previous financial year also) in respect of these items may be shown along with the BE for the ensuing financial year in the relevant Demands for Grants (for ensuing financial year) of the Ministry/Department which has taken over the work, to facilitate comparison. Consequently, these items may completely be deleted from the Demands for Grants for ensuing financial year of the Ministry/ Department from which these have been transferred. Necessary Supplementary Demands for Grants provision may

be proposed by the Ministry/Department to which the work has been transferred.

Pursuant to the instructions contained in the Government of India (Allocation of Business) Rules 1961, any transfer of items of works and their corresponding provisions from a Ministry/Department will be put into effect through the Supplementary Demands for Grants. Therefore, at RE stage, the Ministry/Department from where the work has been transferred should surrender the expenditure provision from those specific items of work and indicate the same categorically during the pre-Budget discussion with Secretary (Expenditure).

#### **OTHER INFORMATION REQUIRED TO BE FURNISHED WITH THE STATEMENT OF BUDGET ESTIMATES:**

In addition to the Statement of Budget Estimates and the Recoveries prescribed above, the Ministries/Departments are required to furnish other details for the finalization of various Statement and Annexure of the Budget documents including the Demands for Grants, Expenditure Budget Volume 1 and 2, Receipts Budget etc in the forms prescribed below. These Statements are required to be furnished as per the timelines indicated in the Annual Budget Circular.

**APPENDIX-VII**  
**Loans to Government servants, etc.**  
 Ministry/Department  
Disbursements

(in thousands of Rupees)

| <b>Actuals</b>          |                      |                     |  |                                |                    |    |                    |
|-------------------------|----------------------|---------------------|--|--------------------------------|--------------------|----|--------------------|
| Preceding<br>Year - III | Preceding<br>Year-II | Preceding<br>Year-I | Current Year<br>(upto Sept.<br>of current<br>year) | Major Heads,<br>sub-heads etc. | Current Year<br>BE | RE | Ensuing Year<br>BE |
|                         |                      |                     |  | <b>Total</b>                   |                    |    |                    |

- (i) House building advances
- (ii) Advances for purchase of motor cars
- (iii) Advances for purchase of other motor  
Conveyance s
- (iv) Advances for purchase of computers
- (v) Advances for purchase of other conveyances
- (vi) Other advances

**Total**

**Repayment (of the Principal)**

| Preceding<br>Year - III | Preceding<br>Year-II | Preceding<br>Year-I | Current Year<br>(upto Sept.<br>of current<br>year) | Major Heads,<br>sub-heads etc. | Current Year<br>BE | RE | Ensuing Year<br>BE |
|-------------------------|----------------------|---------------------|--|--------------------------------|--------------------|----|--------------------|
|                         |                      |                     |  |                                |                    |    |                    |

Signature of Controller of Accounts  
 Date  
 Telephone No.

**NOTES ON DEMANDS:**

The Notes on Demands for Grants appear in Expenditure Budget Volume-2. These are intended to depict a brief summation of the budget allocations as appearing in the Expenditure Budget Volume-2. Hence, these are required to be brief, to the point and should be linked to the item for which the Budget allocations have been reflected. Further and more elaborate detailing on schemes can be made in the Expenditure Budget Volume-1.

The note may be forwarded in bilingual form together with a soft copy to the designated officers in the Budget Division within three days of rendition of the Final SBE for Plan expenditure of the ensuing financial year. Broad guidelines for preparation of the Notes on Demands are contained in Appendix VIII of the Budget Circular. These guidelines may be adhered to and all relevant information made available in time.

## APPENDIX-VIII

### Guidelines for preparation of Notes on Demands

- a) Explanation for variations in estimates (between current BE and RE and RE and next BE) are to be given in respect of each programme where the variation is 10% or `10 crore, whichever is more.
- b) In respect of programmes costing `100 crore or more physical data, like target and achievements, are to be given.
- c) Assistance to autonomous bodies - if budget provisions include maintenance grants to institutions this fact may be indicated adding whether the institution is fully funded by the Central Government or otherwise.
- d) In respect of departmentally run commercial undertakings like Delhi Milk Scheme, Currency Note Press, Canteen Stores Department, etc., wherever appropriate, targets of production may be given. These need not be given in respect of CPSUs like BHEL, etc.
- e) Some organizations like CCIE, Passport Organisation, etc. have significant non-tax receipts, the estimates of receipts in such cases may also be indicated in the Notes against the expenditure proposals.
- f) In respect of Central Plan and Centrally Sponsored Plan Schemes, implemented through State and Union Territory Governments, the pattern of financing by the Central Government (as grants and/or loans) and allocation of incidence of the expenditure as between the Central and State Governments may be indicated. If the provision relates to State Plan or U.T. Plan the same should be specified.
- g) In some cases, provision is made in lump sum covering the requirements of numerous units; the number of units for which the provision is made may be mentioned (like number of Consulates and Missions abroad for which provision is made at one place in the Ministry of External Affairs).
- h) In regard to a capital project, the focus of attention should be on the following:—
  - (i) Purpose of the project. (ii) Estimated cost of the project in ` crore. (iii) Capacity. (iv) Target date for completion.
- i) All major projects under a Public Enterprise costing `25 crore or more may be specifically referred to in the Notes. In respect of multi-project enterprises like NTPC, for projects costing `100 crores or more, budget provisions may be indicated in the Notes.
- j) In respect of a Ministry/Department for which a separate Performance Budget is not presented (like Defence Ministry), the total value of production may be given in respect of each of the public enterprise under it.
- k) All projects, schemes, etc. which are financed (fully or partly) from external assistance may be mentioned.
- l) All organizations, schemes, etc. included under the residuary items like other programmes may be mentioned except where the Budget provision is very small.
- m) In respect of Government's investment in public sector enterprises for plan purposes, the break-up of the investment as equity investment and loans may be given separately, preferably in a tabular form when more than one company is involved.
- n) Lastly, lengthwise, the Notes should be concise and devoid of repetition.
- o) Where the expenditure includes any item connected with foreign currency expenditure, a note indicating the exchange rates adopted for the purpose of estimation should accompany the SBE.
- p) It has been noticed that many items do not provide any useful insight about the expenditure. It is stressed that the notes on Demands are carefully and comprehensively revised and that last year's notes are not merely modified.

In addition to above the Statement of Budget Estimates/Demands for Grants will be accompanied by the following schedules/ statements:-

- (i) Schedule showing the estimated strength of establishment and provision there for (Appendix IX-A of the Budget Circular). Provisions are to be grouped according to pay scales. The figures shown should correspond with those given for summary statement.

**APPENDIX-IX-A**

**DETAILED DEMANDS FOR GRANTS**

Ensuing Year

DEMAND NO.

**Estimated strength of Establishment and provisions therefor.**

(in thousands of Rupees)

Strength as on 1<sup>st</sup> March  
Current Year

|  |   |                              |                           |                            |                             |
|--|---|------------------------------|---------------------------|----------------------------|-----------------------------|
| Ensuing<br>Year-I<br>estimated<br>sanctioned<br>strength | Ensuing<br>Year-II<br>estimated<br>sanctioned<br>strength | Actuals<br>Preceding<br>Year | Budget<br>Current<br>Year | Revised<br>Current<br>Year | Budget<br>Ensuing<br>Year-I |
|--|---|------------------------------|---------------------------|----------------------------|-----------------------------|

|                     |                      |                  |                       |                                    |
|---------------------|----------------------|------------------|-----------------------|------------------------------------|
| Scale of<br>of post | Status of<br>of post | Group of<br>post | Total no.<br>of posts | No. of<br>emp. in<br>posi-<br>tion |
|---------------------|----------------------|------------------|-----------------------|------------------------------------|

|               |                   |  |
|---------------|-------------------|--|
| GAZ./<br>GAZ. | Regular/<br>Adhoc | Gp-A<br>Gp-B<br>Gp-C<br>Gp-D<br>Unclassified |
|---------------|-------------------|--|

1. Salary

(a) Officers

Indicate in respect of each scale of pay

(b) Staff

Indicate in respect of each scale of pay

**Total Salary** .....

2. Allowances (other than OTA and travel expenses)

3. Wages

4. Overtime allowance

5. Domestic travel expenses

6. Foreign travel expenses\*

**Total** .....

*\*will include travel expenses abroad of scientists (on deputation)*

(ii) Statement showing project-wise provision for expenditure on Externally Aided Projects in the Central Plan (Appendix IX- B of the Budget Circular).

**APPENDIX-IX-B**

**Project-wise provision for expenditure on externally aided projects in the Central Plan**

(in thousand of Rupees)

| Major Head etc. | Name of the Project | Actuals        |                                      | Revised Estimates |                                      | Budget Estimates |                                      |
|-----------------|---------------------|----------------|--------------------------------------|-------------------|--------------------------------------|------------------|--------------------------------------|
|                 |                     | Preceding Year |                                      | Current Year      |                                      | Ensuing Year     |                                      |
|                 |                     | Budget Support | of which external and through Budget | Budget Support    | of which external aid through Budget | Budget Support   | of which external aid through Budget |
| 1               | 2                   | 3              | 4                                    | 5                 | 6                                    | 7                | 8                                    |

**Total**

(iii) Schedule showing broad details of Non-Plan expenditure provisions of `25 lakhs and above in BE 2008-2009 (Appendix IX –C of the Budget Circular).

**APPENDIX-IX-C**

**DETAILED DEMANDS FOR GRANTS**

Ensuing Year

**Statement showing broad details of Non-Plan Expenditure provisions costing to ` 25 lakh and above in BE Ensuing Year**

(in thousand of Rupees)

| Sl. No. | Demand No. and sub-head | Brief particulars of the scheme | Provision in BE Ensuing Year |
|---------|-------------------------|---------------------------------|------------------------------|
|         |                         |                                 |                              |
|         |                         |                                 |                              |

(iv) Schedule showing provisions included in BE 2008-2009 for payment of grants- in- aid to non-Government bodies. (Appendix IX-D of the Budget Circular).

**APPENDIX-IX-D**

**DETAILED DEMANDS FOR GRANTS**

Ensuing Year

**Details of provisions in BE Ensuing Year for payments of grants-in-aid to non-Government bodies**

(in thousands of Rupees)

| Grant No. | Sl. No. | Organisation receiving assistance | Broad purpose of assistance | Whether recurring/ non-recurring | Whether Plan/ Non-Plan | Provision BE ensuing Year | Remarks |
|-----------|---------|-----------------------------------|-----------------------------|----------------------------------|------------------------|---------------------------|---------|
| 1         | 2       | 3                                 | 4                           | 5                                | 6                      | 7                         | 8       |
|           |         |                                   |                             |                                  |                        |                           |         |

(v) Statement showing details of individual works and projects costing ` 5 crore or above included in BE for the ensuing financial year (Appendix IX-E of the Budget Circular).

**APPENDIX-IX-E**

**DETAILED DEMANDS FOR GRANTS**

Ensuing Year

**Works Annexure-Details of individual works costing ` 5 crore or above**

(in thousand of Rupees)

| Particulars | Estimated of the work Budget work | Actual expenditure cost of preceding year | Probable expenditure to the end of year | Total of during current year | Provision in column ensuing year |
|-------------|-----------------------------------|---|---|------------------------------|----------------------------------|
| 1           | 2                                 | 3   | 4                                       | 3&4                          | 5                                |
|             |                                   |   |   |                              |                                  |

*N.B. Works costing less than ` 5 crore should be shown in a single entry in lump.*

(vi) Statement showing revised cost estimates of projects of public sector enterprises and departmental undertakings (Appendix IX-F of the Budget Circular).

**DETAILED DEMANDS FOR GRANTS**

**APPENDIX-IX-F**

**Statement showing revised cost Estimates of Projects of Public Sector Undertakings and Departmental Undertakings**

**(A) Public Sector Undertakings**

(Figures in columns (3) and (5) in crores of Rupees)

| Undertaking | Project | Sanctioned |      | Revised |      | Reasons |
|-------------|---------|------------|------|---------|------|---------|
|             |         | Cost       | Year | Cost    | Year |         |
| 1           | 2       | 3          | 4    | 5       | 6    | 7       |

**(B) Departmental Undertakings**

| Undertaking | Project | Sanctioned |      | Revised |      | Reasons |
|-------------|---------|------------|------|---------|------|---------|
|             |         | Cost       | Year | Cost    | Year |         |
| 1           | 2       | 3          | 4    | 5       | 6    | 7       |

(vii) Statement showing transfer or gift of Government properties of value exceeding `5 lakhs to non-Government bodies (Appendix IX-G of the Budget Circular).

**DETAILED DEMANDS FOR GRANTS**

**APPENDIX-IX-G**

Ensuing Year

**Particulars of Government property of value exceeding Rupees five lakhs proposed to be transferred/gifted to non-Government bodies in Ensuing year**

| Serial | Details of property proposed to be transferred or gifted | Book value | To whom proposed to be transferred or gifted | Purpose of transfer or gift | (Figures in unit of Rupees) |
|--------|--|------------|--|-----------------------------|-----------------------------|
|        |  |            |  |                             | Remarks                     |
| 1      | 2  | 3          | 4  | 5                           | 6                           |

(viii) Statement showing contributions to International bodies provided for in the Budget Estimates (Appendix IX-H of the Budget Circular). This statement will include only items of contribution, membership fees to international bodies, which constitute revenue expenditure. Subscriptions to international bodies, which represent investments and are accounted for in the Capital section, are to be excluded from it.

**DETAILED DEMANDS FOR GRANTS**

**APPENDIX-IX-H**

Ensuing Year

**Statement showing contribution to International Bodies provided for in the Budget Estimates for Ensuing year**

| Name | Nature and purpose of contribution | Actual Preceding Year | Budget Current Year | (Figures in unit of Rupees) |                     |
|------|------------------------------------|-----------------------|---------------------|-----------------------------|---------------------|
|      |                                    |                       |                     | Revised Current Year        | Budget Ensuing Year |
| 1    | 2                                  | 3                     | 4                   | 5                           | 6                   |

Note: The total number of items in the statement and the total of the amounts in columns 3 & 6 should also be worked out and shown in the statement.

- (ix) Statement showing guarantee given by the Central Government and outstanding as on 31<sup>st</sup> March of the current year (Appendix IX-I of the Budget Circular). This should not be at variance with the statement of guarantee shown in Receipt Budget. Guarantees given by the Government on loans from foreign sources contracted by other bodies, PSEs, etc., the outstanding loan amount to which the guarantee relate, should be converted at the exchange rate prevalent on 31<sup>st</sup> March of the current year, which may be obtained from the Controller of Aid Accounts and Audit of this Ministry, instead of the historical value. It may be noted that if the Government guarantee is for repayment of the principal and payment of interest, the sums guaranteed and outstanding as on 31<sup>st</sup> March of the current year should cover both. It may be ensured that the totals shown in this statement should exactly correspond with the summary statement.

#### DETAILED DEMANDS FOR GRANTS

##### APPENDIX-IX-I

Ensuing Year

#### Statement showing Guarantees given by the Central Government and outstanding as on 31<sup>st</sup> March of Current Year

| (in lakhs of Rupees) |  |  |   |   |  |  |  |                    |
|----------------------|--|--|---|---|--|--|--|--------------------|
| Sl.                  | Name of No. tution for whom guarantee has been given | Nature and the insti-guarantee (with No. & date of the sanction in the case new items) | Rate of extent of involved if any (percent per annum) | Maximum interest guarantee for which Government have entered into agreement | Sums amount of and out-standing as on 31 <sup>st</sup> March of Current Year | Whether any guaranted pledged to Government as a set-off against the guarantee | Payments securities are made by Government in pursuance of the guarantee | Remarks if any, to |
| 1                    | 2  | 3  | 4   | 5   | 6  | 7  | 8  | 9                  |

- Note:**
1. Amount of guarantee should be in Rupees and not in foreign currency.
  2. The total number of items in the statement and the total of the amounts in columns 5 & 6 should also be worked out and shown in the statement.

- (x) Statement showing grants-in-aid exceeding `5 lakhs (recurring) or `10 lakhs (nonrecurring) actually sanctioned to private institutions/organizations/individuals during the previous financial year (Appendix IX-J of the Budget Circular).

#### DETAILED DEMANDS FOR GRANTS

##### APPENDIX-IX-J

#### Statement showing Grant-in-aid exceeding ` 5 lakh (recurring) or ` 10 lakh (non-recurring) sanctioned to private institutions/organizations/individuals during the Preceding Year

| Name of the institution/ organisation/ individual | Ministry/Department giving the grant | Recurring | Non-recurring | Purpose of the grant |
|---|--------------------------------------|-----------|---------------|----------------------|
| 1   | 2                                    | 3         | 4             | 5                    |

- Note:** The total number of items in the statement and the total of the amounts in columns 3 & 4 should also be worked out and shown in the statement.



- (xi) Statement showing the source of funds for grantee bodies receiving grants of over ` 10 lakh per year from Consolidated Fund of India and from other sources (including external sources (Appendix IX-K of the Budget Circular).

**APPENDIX-IX-K**

**Statement showing the source of funds for grantee bodies receiving grants of over `10 lakh per year from Consolidated Fund of India**

(in thousands of Rupees)

| Sl No. | Name of the institution/ organisation/ individual | Ministry/ Department giving the grant preceeding Year from the Consolidated Fund of India |         | Actuals of releases during India as per BE Current Year | Grants from Consolidated Fund of India as per BE Preceding Year | Grants from Consolidated Fund of | Grants received from other sources Preceding Year |                   |
|--------|---|---|---------|---|---|----------------------------------|---|-------------------|
|        |   | Public  | Private |   |   |                                  | Domestic  | External/ Foreign |
| 1      | 2   | 3   | 4       | 5   | 6   | 7                                | 8   | 9                 |

While placing the requisition for printing of Detailed Demands for Grants the Ministries/Departments may include Budget Division's requirement of 100 copies for direct supply by the Press.

Major-Head number and description may be indicated at the top right corner of each page of Detailed Demands for Grants under the header line.

## SPECIAL INSTRUCTIONS FOR THE COMPOSITE DEMAND FOR CIVIL 'PENSIONS':

The arrangements for submission of estimates for inclusion in the demand 'Pensions' is as follows:

- (i) The Demands for Grants 'Pensions' is administered and controlled by the Central Pension Accounting Office (CPAO), Department of Expenditure, New Delhi. Accordingly, the Demand 'Pensions' for the ensuing financial year will be prepared and compiled by the Central Pension Accounting Office.
- (ii) The Accountants General will furnish to CPAO the estimates in respect of pension payments accounted for by them and in respect of other sub-heads to the extent operated by them. Wherever Pensionary charges are categorized as 'charged' expenditure, they should be reflected accordingly.
- (iii) The Director of Audit, Central Revenues will furnish to CPAO the estimates of pensions in respect of staff of the Indian Audit and Accounts Department retiring during the ensuing financial year. In doing so, estimates of Post and Railway Audit Offices which are *ab-initio* debited to their working expenses and budgeted for separately will be excluded by him.
- (iv) All other pensionary estimates prepared by the Accounts Offices of the various Ministries/Departments and Union Territory Administrations as also by the Controller General of Defence Accounts, New Delhi will be sent to the CPAO who will consolidate them and furnish the consolidated estimates to the Budget Division.
- (v) A separate estimate of corresponding recoveries from State Governments adjustable under the Receipt major head '0071 - Contributions and Recoveries towards Pension and Other Retirement Benefits' should be forwarded by the CPAO to Budget Division for incorporating them in the estimates of revenue receipts under Department of Expenditure.

**Note (1): Compassionate Fund:** The expenditure out of 'Compassionate Fund' is adjustable under the sub-head 'Payment from Compassionate Fund' under Major Head '2235-Social Security and Welfare - Other Social Security and Welfare Programmes – Other Programmes'. In furnishing the estimates for payments out of Compassionate Fund, this classification may be adopted.

**Note (2): Central Government Employees' Insurance Scheme:** This Scheme is confined to those employees only who have opted out of the Group Insurance Scheme introduced from 1<sup>st</sup>

January 1982. The Department of Expenditure (Establishment Division) in this regard will furnish consolidated estimates of expenditure to the Budget Division, under advice to the CPAO.

## SPECIAL INSTRUCTIONS RELATING TO ESTIMATES TO BE INCLUDED IN DEMANDS FOR GRANTS CONTROLLED BY BUDGET DIVISION:

**Interest Payments:** Estimates for interest on provident fund balances of employees, including Group 'D' employees, and on various deposits in the Public Account including Reserve Funds, deposits of Commissioners of Payments and other items for inclusion in the Appropriation "Interest Payments" will be furnished by the Controllers of Accounts and by the Ministry of Railways (Railway Board), Ministry of Defence (Finance Division), Department of Posts, Department of Telecommunications and Department of Civil Accounts, Director of Accounts, Andaman and Nicobar Islands and Goa, Daman and Diu (for Daman and Diu) and respective Accountants General in respect of other Union Territory Administrations. The Finance Wings of the Ministries/Departments are advised that estimates of 'Interest Payments' will be furnished by their Controllers of Accounts to Budget Division. Any increase or decrease in Revised Estimates for the current year and in Budget Estimates for the next year will also be explained suitably by the estimating authority, while furnishing estimates to Budget Division.

Public Accounts Committee, in its 23rd Report (13th Lok Sabha) on the excesses over voted grants and charged appropriation (1998-99), suggested that effective coordination between various estimating and disbursing authorities be put in place with the help of sound data-base and other IT facilities so that the excess expenditure could be avoided altogether. It is therefore emphasized that PAC's directive may be complied with in order to avoid excess expenditure in the 'Appropriation-Interest Payments'.

**Loans to Government Servants etc:** The estimates of loans to Government servants and recoveries thereof should be accompanied by a Statement indicating actual disbursements and recoveries under each category of advance during the preceding three years and also actual expenditure/recoveries in the first 6 months of the current financial year. The estimates and actual may be furnished to Budget Division in the form as per Appendix VII of the Budget Circular. The Ministries/Departments should furnish the estimates of loans to Government Servants and recoveries thereof to Ministry of Finance as per the prescribed date in the Budget Circular.

**Pre-partition Payments:** The provision relating to Civil, Defence, Railways and Posts and Telecommunications, adjusted under Major Head '2075 - Miscellaneous General Services', is also centralized in the Demand 'Department of Economic

Affairs'. Necessary estimates in this regard (both Charged and Voted) will be furnished to the Budget Division by the Chief Controller of Accounts, Department of Commerce, Ministry of Defence (Finance Division), Ministry of Railways (Railway Board) and the Departments of Posts and Telecommunications.

**MATERIAL FOR STATEMENTS TO BE APPENDED TO DEMANDS FOR GRANTS:**

A statement showing items of new service/new instrument of service is included in the Demands for Grants. Ministries/Departments should, as soon as SBE (Final) is forwarded to Budget Division, arrange to furnish a statement showing details of items of new service/new instrument of service for which provision is made in BE of the ensuing financial year (Appendix X-A of the Budget Circular). The information so furnished for inclusion in Demands for Grants should exactly match the information included in the Detailed Demand for Grant of the respective Ministry /Department.

Attention is invited to Department of Economic Affairs' O.M. No.F.1 (23)-B(AC)/2005 dated 25.05.2006 on Revised Guidelines on Financial Limits to be observed in determining cases relating to "New Service/New Instrument of Service" (Annex-Q of the Budget Circular).

**MATERIAL FOR STATEMENTS TO BE APPENDED TO DEMANDS FOR GRANTS/EXPENDITURE BUDGET VOLUME-1:**

As soon as SBE (Final) is forwarded to Budget Division, Ministries/Departments should arrange to furnish the following statements to Budget Division:-

- (i) Statement showing “New Service”/“New Instrument of Service” for which provision is made in BE of the ensuing financial year (Appendix X-A of the Budget Circular).

**APPENDIX-X-A**

**DETAILED DEMANDS FOR GRANTS**

**Particulars of “New Service/New Instrument of Service” for which provision is made in the Budget Estimates Ensuing Year**

(in crores of Rupees)

| Serial No. | Demand Number and Major Head/sub-head | Provision in Budget Estimates Ensuing Year | Remarks* |
|------------|---------------------------------------|--|----------|
| 1          | 2                                     | 3  | 4        |

\* ‘Remarks’ column should clearly bring out the purpose and objective and financial implications of the provision in question. In the case of public sector undertakings/private companies, provisions for loan and investment should be shown separately and the latest paid up capital of the public sector undertakings/private companies should also be indicated.

No. Ministry/Department of

For Financial Adviser  
Date  
Telephone No.

- (ii) Statement showing provision for externally aided projects in Central Plan (Appendix X-B of the Budget Circular).

**APPENDIX-X-B**

**EXPENDITURE BUDGET Vol. 1**

**Provision for externally-aided projects in Central Plan**

| Ministry/Department of |                             |                                   |            |              | (in crores of Rupees) |                             |                                   |            |              |
|------------------------|-----------------------------|-----------------------------------|------------|--------------|-----------------------|-----------------------------|-----------------------------------|------------|--------------|
| NBS                    | Current Year RE             |                                   |            | Total outlay | NBS                   | Ensuing Year BE             |                                   |            |              |
|                        | External aid through Budget | IEBR External aid received direct | Other IEBR |              |                       | External aid through Budget | IEBR External aid received direct | Other IEBR | Total outlay |
| 1                      | 2                           | 3                                 | 4          | 5            | 6                     | 7                           | 8                                 | 9          | 10           |

- (iii) Statement showing additional Central Assistance for Externally aided projects in State Plan (Appendix X-C of the Budget Circular). The information may be furnished to Budget Division centrally by PF-I Division of Department of Expenditure.

**APPENDIX-X-C**

**EXPENDITURE BUDGET Vol. 1**

**Statement showing Additional Central Assistance for Externally-aided projects in State Plan**

| Sl. No.<br>Year | Name of the State | ACA released during   |                      |                     |              |         | (in crores of Rupees) |  |
|-----------------|-------------------|-----------------------|----------------------|---------------------|--------------|---------|-----------------------|--|
|                 |                   | Preceding<br>Year-III | Preceding<br>Year-II | Preceding<br>Year-I | Current Year | Ensuing |                       |  |
|                 |                   |                       |                      |                     | BE           | RE      |                       |  |
|                 | BE                |                       |                      |                     |              |         |                       |  |
| 1               | 2                 | 3                     | 4                    | 5                   | 6            | 7       | 8                     |  |
|                 |                   |                       |                      |                     |              |         | <b>Total</b>          |  |

(iv) Statement showing resources of public enterprises, etc. Information is required to be given enterprise wise in the form in Appendix X-D of the Budget Circular. The internal and extra budgetary resources of the public enterprises to be shown in RE of the current financial year should be as agreed to by the Plan Finance Division of Finance Ministry while the IEBR for the ensuing financial year should be as per the financing pattern approved by the Planning Commission and shown as such in the 'Plan Allocation Statement' from the Planning Commission.

**APPENDIX-X-D**

**EXPENDITURE BUDGET Vol. 1**

**Statement showing Internal and Extra Budgetary Resources of public enterprises**

| Name<br>of the<br>Enterprise<br>Total | Revised Estimates Current Year |                    |                                |                     |       | Budget Estimates Ensuing Year |                     |                               |        |
|---------------------------------------|--------------------------------|--------------------|--------------------------------|---------------------|-------|-------------------------------|---------------------|-------------------------------|--------|
|                                       | Internal                       | Bonds<br>resources | E.C.B.<br>Debentures<br>credit | Others<br>Suppliers | Total | Internal<br>resources         | Bonds<br>Debentures | E.C.B.<br>Suppliers<br>credit | Others |
|                                       |                                |                    |                                |                     |       |                               |                     |                               |        |
| 1.                                    |                                |                    |                                |                     |       |                               |                     |                               |        |
| 2.                                    |                                |                    |                                |                     |       |                               |                     |                               |        |
| 3.                                    |                                |                    |                                |                     |       |                               |                     |                               |        |

(v) Statement (Appendix X-E of the Budget Circular) showing provisions in the Budget for Central and Centrally Sponsored Plan Schemes. In this statement all Plan schemes for which the provision in the next Budget is ` 10 crore and above are to be shown distinctly and all other schemes, etc. merged under 'Other schemes/ programmes, etc.' The information is required to be given separately for Central Plan and Centrally sponsored Plan.

**APPENDIX-X-E**

**EXPENDITURE BUDGET Vol. 1**

**Statement showing provisions in the Budget for Central and Centrally sponsored Plan scheme**

(in crores of Rupees)

| Scheme, etc.                    | Major Head | B.E. Current Year | R.E. Current Year | B.E. Ensuing Year |
|---------------------------------|------------|-------------------|-------------------|-------------------|
| <b>Central Plan</b>             |            |                   |                   |                   |
| 1.                              |            |                   |                   |                   |
| 2.                              |            |                   |                   |                   |
| 3.                              |            |                   |                   |                   |
| <b>Centrally Sponsored Plan</b> |            |                   |                   |                   |
| 1.                              |            |                   |                   |                   |
| 2.                              |            |                   |                   |                   |
| 3.                              |            |                   |                   |                   |

*For Financial Adviser*

*Schemes, etc., for which provisions in BE Current Year is `10 crore and above should be listed distinctly while other schemes/programmes, etc., merged under as a residuary item in the respective category, namely, Central Plan and Centrally Sponsored Plan.*

(vi) Statement (Appendix X-F of the Budget Circular) showing the estimated strength of 'Establishment' and provisions therefor.

**APPENDIX-X-F**

**EXPENDITURE BUDGET Vol. 1**

Ministry/Department of

***Estimated strength of Establishment and provisions therefor.***

Strength as on 1<sup>st</sup> March

(in crore of Rupees)

| <u>Actual</u><br>Current<br>Year | <u>Estimated</u>         |                    | <u>Actuals Preceding Year</u> |  |                    | <u>RE Current Year</u> |  |                    | <u>BE Ensuing Year</u> |  |                    |
|----------------------------------|--------------------------|--------------------|-------------------------------|--|--------------------|------------------------|--|--------------------|------------------------|--|--------------------|
|                                  | <i>Ensuing</i><br>Year-I | Ensuing<br>Year-II | Pay                           | Allowances<br>and DP<br>(other than<br>travel<br>expenses) | Travel<br>expenses | Pay                    | Allowances<br>and DP<br>(other than<br>travel<br>expenses) | Travel<br>expenses | Pay                    | Allowances<br>and DP<br>(other than<br>travel<br>expenses) | Travel<br>expenses |
|                                  |                          |                    |                               |  |                    |                        |  |                    |                        |  |                    |

For Financial Adviser  
Date  
Telephone No.

(vii) Summary Statement (Appendix X-G of the Budget Circular) showing contributions to international bodies. In this statement items for which the provision in BE for the current year is `5 lakh or more are to be shown distinctly; items of less than `5 lakh are to be bunched and, shown as 'Others'.

**APPENDIX-X-G**

**EXPENDITURE BUDGET Vol. 1**

**Summary statement showing the Contributions to International Bodies provided for in the Budget Estimates, Ensuing Year [to be appended to SBE (Final)]**

| Sl. No. | Name of Ministry/Department | Total no. of items | Actuals Preceding Year | BE Current Year | RE Current Year | BE Ensuing Year |
|---------|-----------------------------|--------------------|------------------------|-----------------|-----------------|-----------------|
| 1       | 2                           | 3                  | 4                      | 5               | 6               | 7               |

---

|     |                        |  |  |  |  |  |
|-----|------------------------|--|--|--|--|--|
| No. | Ministry/Department of |  |  |  |  |  |
|     |                        |  |  |  |  | For Financial Adviser<br>Date<br>Telephone No. |

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(viii) Summary Statement showing grants-in-aid to private institutions/organizations/ individuals (Appendix X-H of the Budget Circular).

**APPENDIX-X-H**

**EXPENDITURE BUDGET Vol.1**

**Summary statement showing Grants-in-aid exceeding ` 5 lakh (recurring) or ` 10 lakh (non-recurring) sanctioned to private institutions/organizations/individuals during the Preceding year**

| Serial No. | Name of the Ministry/Department | Number of items | (in crores of Rupees) |               |
|------------|---------------------------------|-----------------|-----------------------|---------------|
|            |                                 |                 | Total amount          |               |
|            |                                 |                 | Recurring             | Non-recurring |

---

|     |                        |  |  |  |
|-----|------------------------|--|--|--|
| No. | Ministry/Department of |  |  |  |
|     |                        |  |  | For Financial Adviser<br>Date<br>Telephone No. |

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(ix) Summary Statement (Appendix X-I of the Budget Circular) showing actual expenditure of Ministries/Departments on a net basis. This information is to be furnished to Budget Division by the office of the Controller General of Accounts by the date prescribed in the Budget Circular.

**APPENDIX-X-I**

**EXPENDITURE BUDGET Vol. 1**

**Summary statement showing expenditure of Ministries/Departments on a net basis,  
during the Preceding year**

| Name of Ministry/Department | Budget Preceding Year |          |       | Accounts Preceding Year |          |                   |
|-----------------------------|-----------------------|----------|-------|-------------------------|----------|-------------------|
|                             | Plan                  | Non-Plan | Total | Plan                    | Non-Plan | Total             |
|                             |                       |          |       |                         |          | ( _____ )         |
|                             |                       |          |       |                         |          | Office of the CGA |
|                             |                       |          |       |                         |          | Date              |
|                             |                       |          |       |                         |          | Telephone No.     |

(x) Statement of Guarantees given by Union Government, a summary statement (in Appendix-X-J of the Budget Circular) circulated vide Finance Ministry's O.M. No. F. 12(20)-B(SD)/ 2002 dated 16.10.2003 (Annex- N of the Budget Circular) is required to be appended to the Receipts Budget. The information given in this statement is essentially intended to be a summarized account of the statements of guarantees given by Government (Appendix-IX-I of the Budget Circular). In the case of external guarantees, administrative ministries should coordinate with Financial Adviser (Finance) and weed out duplicate entries. The Ministries/Departments concerned will especially be responsible to ensure that these totals also tally with the information regarding guarantees given by the Central Government and outstanding as on 31<sup>st</sup> March of the current year, given by them to the Controller General of Accounts for inclusion in the Union Government's Finance Accounts for previous year. The Guarantee fee in arrears (col. 21 (-) col.22 of Appendix-X-J of the Budget Circular) should correspond and match with the figures depicted as Guarantee fee arrears reported in D-2 statement in Appendix X-L of the Budget Circular.

**APPENDIX X-J**

**GUARANTEES GIVEN BY THE GOVERNMENT**

Name of Ministry/Department [ ` in crore]

| Sl. No. | Beneficiary [Name of the PSU etc in whose favour guarantee is given] | Loan Holder/ Entity giving Loan | Authority for Guarantee [MoF approval No. & Date] | Period of validity [MOF ID No., & date through which the guarantee was last extended] | Purpose of Loan | Class* | Sector* | Details of Reschedule | Details of Securities pledged |
|---------|--|---------------------------------|---|---|-----------------|--------|---------|-----------------------|-------------------------------|
| 1       | 2  | 3                               | 4   | 5   | 6               | 7      | 8       | 9                     | 10                            |
|         |  |                                 |   |   |                 |        |         |                       |                               |

| Amount of loan     | Extent of Guarantee | Additions of Loan | Deletions of Loan | Invoked | Outstanding principal, | Rate of Guarantee interest | Guarantee Fee/ Commission Fee/ etc at the end of 31 <sup>st</sup> March of Current Year | Other conditions | Other Material Details |    |    |    |    |
|--------------------|---------------------|-------------------|-------------------|---------|------------------------|----------------------------|---|------------------|------------------------|----|----|----|----|
| Principal Interest |                     | Total             | Discharged        |         | Not discharged         | Receivable                 |   | Received         |                        |    |    |    |    |
| 11                 | 12                  | 13                | 14                | 15      | 16                     | 17                         | 18  | 19               | 20                     | 21 | 22 | 23 | 24 |
|                    |                     |                   |                   |         |                        |                            |   |                  |                        |    |    |    |    |



\* As given below.

- Note: i) It is certified that Register of Guarantees as envisaged in Rule 249 of GFR, 2005 is being maintained and periodical reviews are being carried out. Further it is certified that the Guarantee Fee/Commission outstanding as worked out above is correctly shown as arrears of Non-Tax Revenue in Appendix X-L under the head 'Guarantee Fee'.
- ii) The amounts should be shown in Indian Rupees in crore and not in any foreign currency.

Ministry/Department of

For Financial Adviser

Date/Tel. No.

#### **GUARANTEE- CLASS**

- i. Guarantees given to the RBI, other banks and industrial and financial institutions for repayment of principal and payment of interest, cash credit facility, financing seasonal agricultural operations and/or for providing working capital to companies, corporations and cooperative societies and banks; [A]
- ii. Guarantees given for repayment of share capital, payment of minimum annual dividend and repayment of bonds/loans, debentures issued/raised by the statutory corporations and financial institutions; [B]
- iii. Guarantees given in pursuance of agreements entered into by the Government of India with international financial institutions, foreign lending agencies, foreign governments contractors, suppliers, consultants, etc., towards repayment of principal, of interest/commitment charges on loans, etc., and/or for payment against supplies of material and equipment; [C]
- iv. Counter-guarantees to banks in consideration of the banks having issued letters of credit/authority to foreign suppliers for supplies made/services rendered; [D]
- v. Guarantees given to Railways/State Electricity Boards and other entities for due and punctual payment of dues by Companies/Corporation. [E]
- vi. Performance guarantees given for fulfillment of contracts/projects awarded to Indian companies in foreign countries; [F]
- vii. Performance guarantees given for fulfillment of contracts/projects awarded to foreign companies in foreign countries. [G]
- viii. Any others [H]

#### **GUARANTEE - SECTORS**

- |                       |                                |                          |
|-----------------------|--------------------------------|--------------------------|
| i. Power              | ii. Cooperative                | iii. Irrigation          |
| iv. Roads & Transport | v. Urban Development & Housing | vi. Other Infrastructure |

## **INTRODUCTORY NOTES FOR EXPENDITURE BUDGET VOLUME 1:**

In order to prepare introductory notes on important Non-Plan items of expenditure, like food subsidy, fertilizer subsidy, petroleum subsidy assistance for export promotion, interest subsidy etc. for Expenditure Budget Vol. 1, Ministries/Departments concerned should arrange to send separate self contained material for these Non-Plan items.

Similar write-up should be sent for Plan items of expenditure. All figures reflected in the write up should tally with the figures given in SBEs and with the physical targets given in the material for Budget at a Glance.

### **DETAILED DEMANDS FOR GRANTS:**

The respective Ministries/Departments are required to prepare the Detailed Demands for Grants. While preparing the Detailed Demands for Grants it is important to ensure that the classification, namely, Major Head, Minor Head, etc. is as per the heads of account prescribed in the List of Major and Minor Heads of Account. During formulation of Detailed Demands for Grants for the ensuing financial year, due regard is required to be given to Budget Division's circular F.No.15(4)-B(D)/2003 dated 9th July, 2003 (Annex- L of the Budget Circular), on the issue of budgeting for "Information Technology".

It has also to be ensured by Ministries/Departments that the totals for each Major Head and the total provisions by Revenue and Capital sections separately for 'charged' and 'voted' included in the Detailed Demands for Grants exactly correspond to the provisions included in the main Demands for Grants which are prepared by the Budget Division. For these purpose copies of the main Demand as finally included by the Budget Division is made available to the Ministries/Departments concerned for ensuring this correspondence. **Final Print order for Detailed Demands for Grants should be given only after the reconciliation is completed.**

The Major Heads Codes shown in the Detailed Demands for Grants should correspond to the code in the main Demands for Grants. Consequently, while for a particular major head there are figures of actual expenditure for the previous financial year but there is no provision in B.E. and R.E. of current year and B.E. for the ensuing financial year, a separate sub-head therefore should not be retained. The actual may, however, be included in the total for that major head with a footnote as follows:

"Includes expenditure of Thousand ` ..... against sub-head ..... in the Demands for Grants No..... for ——(year)."

Instructions issued by Finance Ministry in December, 1994 regarding replacement of alpha

numeric codification by standard numeric codification of heads of accounts may be strictly adhered to. No new sub-head/detailed head will be opened and incorporated in the Detailed Demands for Grants without getting necessary numeric codes there for from the Controller General of Accounts.

In cases of items of work transferred from one Ministry/Department to another subsequent to the presentation of the Budget for the current financial year, the B.E. and R.E. for the current financial year (and in the Detailed Demands for Grants, the Actuals for the previous financial year also) in respect of these items may be shown as a footnote in the DDG along with the BE for the ensuing financial year in the relevant Demands for Grants (for the ensuing financial year) of the Ministry/Department which has taken over the work, to facilitate comparison. Consequently, these items may completely be deleted from the Demands for Grants for the ensuing financial year of the Ministry/ Department from which these have been transferred. Necessary Supplementary Demands for Grants provision may be proposed by the Ministry/Department to which the work has been transferred. Pursuant to the instructions contained in the Government of India (Allocation of Business) Rules, 1961, any transfer of items of works and their corresponding provisions from a Ministry/Department would be effected through Supplementary Demands for Grants. Therefore, at RE stage, the Ministry/Department from where the work has been transferred should surrender the expenditure provision from those specific items of work and indicate the same categorically during the pre-Budget discussion under the Chairmanship of Secretary (Expenditure).

### **MODIFIED EXCHEQUER CONTROL BASED EXPENDITURE MANAGEMENT SYSTEM:**

The Scheme of 'Exchequer control based expenditure management system' has been, as detailed in Ministry of Finance, Department of Economic Affairs' O.M. No. 21(1)-PD/2005 dated 27th December, 2006 (Annex-M of the Budget Circular), inter alia, provides for inclusion of Monthly Expenditure Plan (MEP) as an annex in the Detailed Demands for Grants.

It would be advisable to draw up the Monthly Expenditure Plan [MEP] keeping in view the extant guidelines relating to release of funds, including those prescribed in Ministry of Finance, Department of Expenditure's O.M. F. No. 7(3)/E-Coord/2006 dated August 8, 2006 (Annex-K of the Budget Circular).

### **INSTRUCTIONS ON GENDER BUDGETING/FRBM RULES/PROVISIONS OF SC & ST/PLAN PROVISIONS FOR NORTH EASTERN REGION AND SIKKIM ETC:**

For the Budget of the ensuing financial year, all the Ministries are required to prepare these two statements (Budget Estimates of current year, Revised Estimates of current year and Budget Estimates for the ensuing financial year, Plan and non-Plan) which reflect the respective beneficiary class identification in order to highlight the quantum of public expenditure earmarked for (a) women specific programmes (100% provision), (b) SC & ST specific programmes (100% provision), (c) pro-women allocations (at least 30% provision) and (d) pro-SC & ST allocations (at least 20% provision) for gender neutral/composite programmes, in respect of the budget provisions, administered by various Ministries/Departments and send to the Budget Division for consolidation along with SBEs for Plan. In order to facilitate this exercise, information in the format of these two statements (Statements No. 20 & 21, Expenditure Budget Vol. 1) may be sent in two parts, Part "A" reflecting 100% provisions and Part "B" reflecting the specified percentage provisions (for pro-women and pro- SC & ST allocations respectively) in respect of Budget Estimates of current year, and proposed Revised Estimates of current year. While sending the information to Budget Division, Ministries/Departments may ensure that consistency of information provided and incorporated in the printed budget documents in the previous year is maintained.

#### **STATEMENT NUMBER 20- GENDER BUDGETING:**

Gender budgeting is an evolving area where, with better understanding and appreciation of the subject more and more Ministries/Departments are reviewing programmes and schemes to assess the quantum of resources that have the budgetary potential to impact and address the development needs of women. Ministries/Departments may furnish necessary information for compilation of this statement in two parts, viz. part 'A' details of schemes in which 100% provision is for women and part 'B' reflects schemes where the allocations for women constitute at least 30% of the provision. Statement No. 20 - Expenditure Budget Vol.1 reflects the budget provisions under the various programmes and schemes administered by the different Ministries/Departments that target the socioeconomic welfare and empowerment of women as a key objective of these schemes. All Ministries and Departments are required to carefully scrutinize their Detailed Demands for Grants and identify such programmes/schemes as fulfill the above objectives, along with their budgeted provisions for inclusion in the above Statement.

#### **STATEMENT NUMBER 21- SCHEMES FOR DEVELOPMENT OF SCHEDULED CASTES AND SCHEDULED TRIBES:**

Government is committed to the welfare of Scheduled Castes and Scheduled Tribes and in particular, ensuring full equality of opportunity in

education and employment. Statement No.21 – Expenditure Budget Vol. 1 reflects the budget provisions that are substantially meant for the welfare of Scheduled Castes and Scheduled Tribes and is intended to serve as a reference point for facilitating further analysis of the activities and outcomes of such provisions with a view to making the necessary changes where required in the operational guidelines of such scheme, so as to improve the coverage and benefits of public expenditure for the Development of Schedule Castes and Scheduled Tribes.

#### **DISCLOSURE STATEMENTS REQUIRED UNDER THE FISCAL RESPONSIBILITY AND BUDGET MANAGEMENT RULES, 2004 FOR INCLUSION IN THE ENSUING BUDGET:**

The following statements, with information as on 31st March, of the current year, are meant for inclusion in Receipts Budget for the ensuing year. Instructions for preparation of these Statements were issued vide the Budget Division O.M. F. No. F7(3)-B(D)/2003 dated 26th April, 2005 (Annex- O of the Budget Circular) and may be referred to. The statements are to be sent by the prescribed date for pre-budget discussions to be held by the Secretary (Expenditure) with the respective Financial Advisers, and in the Formats shown below.

Guarantees given by the Government –

(Appendix X-J of the Budget Circular as shown in the earlier part of this Chapter)

Tax Revenues raised but not realized:

(Appendix X-K of the Budget Circular)

**APPENDIX X-K**  
**Form D-1**  
**TAX REVENUES RAISED BUT NOT REALISED**  
(principal taxes)

*(As at the end of the Preceding Financial year)*

| Major Head | Description                                | Amounts under dispute             |                                    |                                     |               |       | Amounts not under dispute         |                                    |                                     |               |       | Grand Total |
|------------|--|-----------------------------------|------------------------------------|-------------------------------------|---------------|-------|-----------------------------------|------------------------------------|-------------------------------------|---------------|-------|-------------|
|            |  | (` crore)                         |                                    |                                     |               |       | (` crore)                         |                                    |                                     |               |       |             |
|            |  | Over 1 year but less than 2 years | Over 2 years but less than 5 years | Over 5 years but less than 10 years | Over 10 years | Total | Over 1 year but less than 2 years | Over 2 years but less than 5 years | Over 5 years but less than 10 years | Over 10 years | Total |             |
|            | <b>Taxes on Income &amp; Expenditure</b>   |                                   |                                    |                                     |               |       |                                   |                                    |                                     |               |       |             |
| 0020       | Corporation Tax                            |                                   |                                    |                                     |               |       |                                   |                                    |                                     |               |       |             |
| 0021       | Taxes on Income other than Corporation Tax |                                   |                                    |                                     |               |       |                                   |                                    |                                     |               |       |             |
|            | <b>Taxes on Commodities &amp; Services</b> |                                   |                                    |                                     |               |       |                                   |                                    |                                     |               |       |             |
| 0037       | Customs                                    |                                   |                                    |                                     |               |       |                                   |                                    |                                     |               |       |             |
| 0038       | Union Excise                               |                                   |                                    |                                     |               |       |                                   |                                    |                                     |               |       |             |
| 0044       | Service Tax                                |                                   |                                    |                                     |               |       |                                   |                                    |                                     |               |       |             |
|            | <b>Total</b>                               |                                   |                                    |                                     |               |       |                                   |                                    |                                     |               |       |             |

Ministry/Department of  
For Financial Adviser  
Date  
Telephone No.

Arrears of Non - Tax Revenues:

(Appendix X-L of the Budget Circular)

**APPENDIX X-L  
Form D-2**

**ARREARS OF NON-TAX REVENUE**

Demand No. \_\_\_\_\_

(As at the end of the Preceding Financial year)

| Description | Amounts pending ( ` crore) |           |           |           |               | Total |
|-------------|----------------------------|-----------|-----------|-----------|---------------|-------|
|             | 0-1 year                   | 1-2 years | 2-3 years | 3-5 years | above 5 years |       |

**Fiscal Services**

**Interest receipts**

*Of which*

-From State

Governments and

Union Territory

Governments

-From Railways

-From Departmental

Commercial

Undertakings

-From Public Sector

& other Undertakings

**Dividends and Profits**

**General Services**

-Police receipts

-Economic Services

-Petroleum Cess/Royalty

-Communications

(License Fee) Receipts

-Guarantee fee

**Other Receipts**

**Total**

Ministry/Department of  
For Financial Adviser  
Date  
Telephone No.

Asset Register:

(Appendix X-M of the Budget Circular)

**APPENDIX X-M  
Form D-4  
ASSET REGISTER**

Demand No. \_\_\_\_\_

|                             | Assets at the<br>beginning of the<br>year Preceding Year<br>Cost (` cr) | Assets acquired<br>during the year<br>Preceding Year<br>Cost (` cr) | Cumulative total of<br>assets at the end of the<br>year Preceding Year<br>Cost (` cr) |
|-----------------------------|---|---|---|
| <b>Physical assets:</b>     |   |   |   |
| Land                        |   |   |   |
| Building                    |   |   |   |
| Office                      |   |   |   |
| Residential                 |   |   |   |
| Roads                       |   |   |   |
| Bridges                     |   |   |   |
| Irrigation Projects         |   |   |   |
| Power projects              |   |   |   |
| Other capital projects      |   |   |   |
| Machinery & Equipment       |   |   |   |
| Office Equipment            |   |   |   |
| Vehicles                    |   |   |   |
| <b>Total</b>                |   |   |   |
| <b>Financial assets:</b>    |   |   |   |
| Equity Investment           |   |   |   |
| Shares                      |   |   |   |
| Bonus shares                |   |   |   |
| Loans and advances          |   |   |   |
| Loans to State & UT Govts.  |   |   |   |
| Loans to Foreign Govts.     |   |   |   |
| Loans to companies          |   |   |   |
| Loans to others             |   |   |   |
| Other financial investments |   |   |   |

**Total**

**Notes:**

1. Assets above the threshold value of Rupees two lakh only to be recorded.
2. This disclosure statement does not include assets of Cabinet Secretariat, Central Police Organizations, Ministry of Defence, Departments of Space and Atomic Energy.

Ministry/Department of  
For Financial Adviser  
Date  
Telephone No.

## **DIRECT TRANSFERS OF CENTRAL ASSISTANCE TO STATES/DISTRICT LEVEL AUTONOMOUS BODIES:**

Statement (Appendix X-N of the Budget Circular) circulated vide Finance Ministry's D.O. F.No. 2(43)-B (CDN)/2004 dated 21.1.2005 (Annex-P of the Budget Circular) showing Direct Transfers of Central Assistance to States/District level Autonomous Bodies. The information in the statement should show major head wise plan allocations to be released directly to State and district level autonomous bodies in the ensuing financial year. The statement has to be forwarded along with the Plan SBEs of the ensuing year. While forwarding the statement, it may be ensured that amounts provided under the Major Heads '3601', '3602', '7601' & '7602' are excluded from this statement.

### **APPENDIX X-N**

Ministry/Department of

#### **Statement showing direct transfers of Central Assistance to State/District level Autonomous Bodies\***

(in crores of Rupees)

| Sl.No. | Name of scheme | Major Head | Allocation in BE Ensuing Year |
|--------|----------------|------------|-------------------------------|
|--------|----------------|------------|-------------------------------|

Sub/Grand  
Total

\* These could be Societies/State PSUs/Corporations owned/controlled by State Governments.

Ministry/Department of  
For Financial Adviser  
Date  
Telephone No.

#### While preparing the above statements particular attention may be paid to the following:

- Values may be shown in crore of rupees and not in lakhs/thousands e.g. an asset valued at ` forty lakh may be shown as `0.40 crore.
- Consistency may be ensured in the information shown in Appendix X-K of the Budget Circular and the information that goes into the respective Reports of the Comptroller and Auditor General of India on Direct and Indirect Taxes for the relevant year.
- While reporting Non-Tax revenue arrears in Appendix X-L of the Budget Circular, information particularly relating to guarantee fee arrears may be reconciled with the information given in Appendix X-J of the Budget Circular. Similar consistency needs to be ensured in relation to financial assets and interest receipts to the extent these are relevant.
- Threshold limit of `0.02 crore for inclusion of assets in Appendix X-M of the Budget Circular may reckon with details as entered in the Register of Fixed assets in "Form GFR – 40" prescribed under Rule 190(2)(i) of the General Financial Rules, 2005.
- Variations, if any, with last year's reported information on any of the above statements, may be duly explained in appropriate footnotes.
- The statements duly signed by the competent authority (along with telephone number) may be forwarded to the Budget Division.

## **GENERAL INSTRUCTIONS:**

While the estimates furnished by various organizations/units etc. to the Ministries/Departments will be in thousands of rupees, the Statement to be furnished in the SBE and other Statements to be forwarded to the Budget Division should be suitably rounded into rupees in crore with two decimal places, for each major head. The break up of the provision for schemes included under a major head should also be suitably rounded so as to work up to the total in respect of each major head, in crores of rupees with two decimal places. Similarly, the provisions under the various detailed heads in the Detailed Demands for Grants should also be suitably rounded so that the total under each major head included in that demand is in crores of rupees with two decimals. It should, however, be ensured that the amount so rounded off does not lead to any change in the total fund requirements.

***The estimates of revenue receipts, capital receipts and public account transactions should reach Budget Division by due dates prescribed in the Budget Circular.***

To ensure that there is no delay in transmission of estimates, the Ministries/Departments should forward these to the designated sections in the Budget Division indicated in Appendix XI of the Budget Circular.



## APPENDIX-XI

Sections in Department of Economic Affairs, Budget Division to which the various estimates etc. are to be forwarded.

|   |   |
|---|---|
| (i) Revenue Receipts  | States Section  |
| (ii) Capital Receipts   | W & M Section   |
| (iii) Interest Receipts and Recoveries of Loans   | SD Section  |
| (iv) Statement showing guarantees given by Central Government and outstanding as on 31.3.2007.                                | SD Section  |
| (iv) SBE Proposed   | Coordination Section  |
| (v) SBE (Final):<br>Non-Plan  | Accounts Section  |
| Plan  | Coordination Section  |
| (vi) Notes on Demands and material for Demands for Grants   | Demand Section  |
| (vii) Statement showing resources of public enterprises   | Coordination Section,   |
| (viii) Statement showing provisions in the Budget for Central and Centrally sponsored Plan Schemes                            | Coordination Section  |
| (ix) Statement showing estimated strength of establishment and provision therefore  | Demand Section  |
| (x) Contribution to international bodies and Direct transfers of Central Assistance to State/District level Autonomous bodies | NS-II Section   |
| (xi) Notes on important Non - Plan items of expenditure   | Accounts Section  |
| (xii) Composite Grants:<br>Interest Payments  | Accounts Section, Room No. 224-C, North Block,<br>Tel. 23095210     |
| Pensions  | Demand Section, Room No. 225-A, North Block,<br>Tel. 23095095       |
| Loans to Government Servants, etc.  | Coordination Section, Room No. 224-C, North Block,<br>Tel. 23095174 |

*(The communications should be sent by special messenger and not through the R & I Section of the Ministry or to the R & I Section of the Ministry of Finance).*

While providing the estimates to Budget Division, the forwarding authority is required to indicate his/her name, complete office address viz. Room No., name of the building etc. and the telephone number in the forwarding letter.

The information may also be submitted on 3.5" (IBM compatible PC formatted) floppy/pen drive along with the usual hard copy format.

The Statement of Budget Estimates (Final) for each grant may be prepared on pen drives for providing them to the Budget Division. For this, separate pen drives for each grant should be collected from Under Secretary (Demands) of Budget Division. The files, which will be provided in these pen drive, are designed in a certain format and are protected. Data entry in this pen drive will be restricted to certain areas in the spreadsheet. The Ministry is to enter the data with regard to the Revised Estimates for the current year and BiE for the ensuing year only in regard to this information.

A printed version of all appendices prescribed in the Budget circular relating to SBEs and Expenditure Budget should accompany the floppy at the time of submission, immediately after the ceilings are conveyed by the Budget Division. For Plan expenditure, BE of ensuing year, the Plan estimates should be added on the same file on a floppy and should be submitted within three days of the receipt of Plan allocation from the Planning Commission alongwith a hard copy of all relevant appendices.

Training is organized in October/November by NIC in Ministry of Finance, in this regard, for officers of the IFU of each Ministry/Department. Exact dates and detailed instructions about the data entry are provided separately.

For any doubt/clarification relating to Budget Circular Additional Budget Officer/DS (Budget), Department of Economic Affairs, Ministry of Finance, is required to be contacted.

The list of existing Demands for Grants drawn up on the basis of the Government of India (Allocation of Business) Rules, 1961 as amended is shown below and reflected in Appendix-XII of the Annual Budget Circular. However, this list and the Demand numbers are subject to change depending upon requirements, particularly the amendments to the Allocation of Business Rules, which would require the creation of separate Demands for Grant.

## CHAPTER-V

### BUDGET FINALIZATION: DUTIES AND RESPONSIBILITIES OF BUDGET DIVISION.

#### BUDGET ACTIVITIES AND TIMELINES:

In the entire budget process commencing with the issue of Budget Circular there is a need for maintaining secrecy, accuracy and timeliness in the work related to the preparation of Budget. All the statements, information and inputs require intensive checking with special attention given to the manually generated statements, for which an additional level of check is to be ensured. The list of such statements allocated/distributed amongst the staff and officers is circulated internally every year in the Budget Division, with the approval of JS/AS (Budget).

In addition, concerned Under Secretaries in the Budget Division are required to follow up with Ministries/Departments for the receipt of information regarding different statements/ annexures of Budget documents for which they are responsible, ensuring that they are received and processed within the given timelines. The tentative timelines for the receiving of the information/activity associated with the budget and preparation/completion of the budgetary documents/processes have been brought out in the following Tables.

| ACTIVITY   | TENTATIVE DATES                   |
|--|-----------------------------------|
| 1. Issue of Budget Circular to all Ministries/Departments regarding framing of estimates of receipts and expenditure, time schedule etc.<br><b>[Action: Budget Division]</b>   | 2 <sup>nd</sup> week of September |
| <b>The month of October and November is devoted to follow-up action on the Budget Circular that includes coordinating with various Ministries/Departments, procuring data for the Receipts Budget and scrutiny of the estimates framed by the Ministries/Departments for the Pre-Budget meetings</b> |                                   |

#### EXPENDITURE ESTIMATES

[Non-Plan: Revised Estimates (RE) and Budget Estimates (BE)]

|   |  |
|---|--|
| 2. Pre-budget meetings taken by Secretary (E) with Financial Advisers<br><b>[Action: Budget Division]</b>   | End October/November   |
| 3. Finalizing ceilings of expenditure: Plan & Non-plan RE for the current year and Non-Plan BE for the following year (excluding major subsidies and Defence)<br><b>[Action: Budget Division]</b>   | Mid-December   |
| 4. Communication of ceilings of expenditure to Ministries/ Departments under Item 3 above   | Prior to 1 <sup>st</sup> week of January   |
| 5. Rendering Statement of Budget Estimates to Budget Division by Ministries/Departments on the basis of ceiling communicated<br><b>[Action: Ministries/Departments]</b>   | Within one week of communication of ceilings   |
| 6. (i) Issue of Circular calling for 3 <sup>rd</sup> Batch of Supplementary Demands for Grants<br>(ii) Last Date of receipt of proposals from Ministries/ Departments<br><b>Action: Budget Division / Administrative Ministries]</b>  | 1 <sup>st</sup> week of January<br>1 <sup>st</sup> week of February                            |
| 7. Estimates of major subsidies and of Defence Expenditure<br><b>[Action: Budget Division/Administrative Ministries/FA (Defence)]</b>   | Last week of January   |
| 8. (i) Plan resources forecast, for Planning Commission by Finance Ministry separately for externally aided projects of Centre and States.<br><b>(Action: Budget Division, PMU and Deptt. of Revenue)</b><br>(ii) Communication Gross Budgetary Support to Planning Commission<br><b>[Action: Budget Division ]</b><br>(iii) Communication of plan allocation to Ministries/ Departments by Planning Commission<br><b>[Action: Planning Commission]</b> | 1 <sup>st</sup> week of December<br>15 to 18 <sup>th</sup> January<br>25 <sup>th</sup> January |

|  |                                      |
|--|--------------------------------------|
| (iv) Receipt of Plan estimates from Ministries along with write-up<br><b>[Action: Ministries/Departments]</b>  | 29 <sup>th</sup> January             |
| 9. Closing of all expenditure estimates and work of Budget printing begins<br><b>[Action: Budget Division]</b>   | 5 <sup>th</sup> February             |
| <b>RECEIPTS BUDGET</b>   |                                      |
| 10. (i) Assessment of borrowings<br><b>[Action: Budget Division]</b>   | 20 <sup>th</sup> December            |
| (ii) Assessment of revenues<br><b>[Action: Department of Revenue/Budget Division]</b>  | 20 <sup>th</sup> December            |
| 11. Assessment of internal and extra-budgetary resources of Central PSUs<br><b>[Action : PF- II Division]</b>  | From September<br>Till mid- December |
| 12. Estimates of Tax Revenue<br><b>[Action: Department of Revenue, CBDT (JS-TPL)/CBE&amp;C (JS-TRU)]</b>   | 1 <sup>st</sup> week of January      |
| 13. Processing and finalization of the estimates of non-tax Revenue Receipts rendered by Ministries/Departments<br><b>[Action : Budget Division]</b>   | 28 <sup>th</sup> December            |
| 14. Processing and finalization of estimates of recoveries of loans and advances and interest receipts, rendered by Ministries/Departments<br><b>[Action : Budget Division]</b>                  | 28 <sup>th</sup> December            |
| 15. Processing and finalization of estimates of Public Account transactions rendered by Ministries and finalization of Capital receipts.<br><b>[Action: Budget Division]</b>                     | 28 <sup>th</sup> December            |
| 16. Proposals for Finance Bill<br><b>[Action: CBDT/CBE&amp;C]</b><br>Should start going to Legislative Department by the end of the first week of February to be completed in time for printing. |                                      |
| 17. (Review Meetings by JS- Budget on a weekly basis with JS-TPL/TRU and Law Ministry)   | From 1 <sup>st</sup> week of January |
| 18. Railways Estimates<br><b>[Action: Railway Board]</b>   | 30 <sup>th</sup> January             |
| 19. Finalization and printing of 'Key to Budget Documents'.<br><b>[Action : Budget Division]</b>   | 25 <sup>th</sup> January             |
| 20. Implementation of Budget Announcements<br><b>[Action: Budget Division]</b>   | 1 <sup>st</sup> February             |
| 21. Printing of non-sensitive documents, namely Expenditure Budget Vol. 1 & 2, Demands for Grants, etc.<br><b>[Action : Budget Division]</b>   | 13 <sup>th</sup> February            |
| 22. Removal of non-sensitive documents from Budget Press to Room No.72, North Block<br><b>[Action : Budget Division]</b>   | 15 <sup>th</sup> February            |
| 23. 'Lock in' of Budget Press  | 20 <sup>th</sup> February            |
| 24. Printing of Receipts Budget including 4 Annexes required under FRBM Rules, 2004  | 21 <sup>st</sup> February            |
| 25. Printing of Annual Financial Statement   | 21 <sup>st</sup> February            |

|   |   |
|---|---|
| 26. Printing of 3 FRBM statements   | 21 <sup>st</sup> February   |
| 27. Complete Finance bill (both in Hindi and English) to be given for printing<br><b>[Action: CBDT/CBE &amp; C/Legislative Department]</b>        | 22 <sup>nd</sup> February   |
| 28. Memorandum Explaining the Provisions in the Finance Bill to be given for printing<br><b>[Action: CBDT/CBE &amp; C/Legislative Department]</b> | 22 <sup>nd</sup> February   |
| 29. Finalization and printing of Budget at a Glance   | 22 <sup>nd</sup> February   |
| 30. Finance Minister's Budget Speech and Key Features of Budget   | 25 <sup>th</sup> February   |
| 31. Summary for the Cabinet   | 26 <sup>th</sup> February   |
| 32. Obtaining approval of the PM to the 'Summary for the President'   | 27/28 <sup>th</sup> February  |
| 33. President's recommendation under Articles 112, 115 & 117 of the Constitution  | 27/28 <sup>th</sup> February<br>(By 8.30 AM)  |
| 34. Obtaining approval of the Cabinet to the Budget proposals (on Budget Day and as per time intimated by Cabinet Secretariat)                    | 28 <sup>th</sup> February<br>(Prior to Budget presentation)   |
| 35. Presentation of Budget in Lok Sabha   | 28 <sup>th</sup> February<br>(11.00 AM)   |
| 36. Introduction of the Finance Bill in Lok Sabha   | 28 <sup>th</sup> / 29 <sup>th</sup> February<br>(Immediately after completion of Budget Speech)   |
| 37. Laying of Budget documents in Rajya Sabha   | 28 <sup>th</sup> /29 <sup>th</sup> February<br>(Immediately after completion of Budget Speech and Introduction of Finance Bill in Lok-Sabha). |

| <b>Activity</b>   | <b>Tentative Dates</b>                         |
|---|--|
| <b>The Appropriation (Vote on Account) Bill</b>   |  |
| 38. Finalization and printing   | 1 <sup>st</sup> week March                     |
| 39. Sending of the Bill to Legislative Department   | 1 <sup>st</sup> week March                     |
| 40. Summary for the President   | 1 <sup>st</sup> /2 <sup>nd</sup> week March    |
| 41. Issue of notices for introduction, consideration and passing of the Bill in Lok Sabha | 1 <sup>st</sup> /2 <sup>nd</sup> week March    |
| 42. Passing of the Bill by Lok Sabha  | 2 <sup>nd</sup> week March                     |
| 43. Repeat action as at 41 for Rajya Sabha  | 2 <sup>nd</sup> week March                     |
| 44. Passing of the Bill in Rajya Sabha  | 2 <sup>nd</sup> /3 <sup>rd</sup> week of March |

## BUDGET IN PARLIAMENT\*

\* - Subject to the provisions of the Provisional Collection of Taxes Act, 1931 (XVI of 1931) which enjoins that some of the provisions of the Finance Bill shall take immediate effect.

- |  |                 |
|--|-----------------|
| 45. General Discussion (1 <sup>st</sup> phase) in both Houses of Parliament              | As per Business |
| 46. Finance Minister's reply to the General Discussion<br>(in Lok Sabha and Rajya Sabha) | As per Business |

**Both Houses adjourn for approximately one month from mid March to enable the Department-Related Parliamentary Standing Committees to consider the Demands for Grants of different Ministries/Departments and prepare their Reports.**

- |  |                 |
|--|-----------------|
| 47. Laying of reports of Standing Committees in Lok Sabha by Lok Sabha Secretariat | As per Business |
|--|-----------------|

|                           |                         |
|---------------------------|-------------------------|
| <b>Demands for Grants</b> | <b>Indicative Dates</b> |
|---------------------------|-------------------------|

- |   |                               |
|---|-------------------------------|
| 48. Notice to Secretary-General, Lok Sabha for making of Demands and forwarding of list of Demands of voted Grants to Lok Sabha | 1 <sup>st</sup> week of April |
| 49. Discussion and voting on the Demands for Grants of selected Ministries in Lok Sabha   | As per Business               |
| 50. Voting of remaining Demands for Grants through Guillotine In Lok Sabha  | As per Business               |

|                                      |                         |
|--------------------------------------|-------------------------|
| <b>The Appropriation (Main) Bill</b> | <b>Indicative Dates</b> |
|--------------------------------------|-------------------------|

- |   |                               |
|---|-------------------------------|
| 51. Forwarding of the draft Bill to Legislative Department  | 1st week of April             |
| 52. Summary for the President for introduction and consideration of the Appropriation Bill          | 1st week of April             |
| 53. Notices for introduction and consideration and passing of the Appropriation Bill in Lok Sabha.  | As per Business               |
| 54. Passing of the Appropriation Bill   | 3 <sup>rd</sup> week of April |
| 55. Repeat action as at 53 above for Rajya Sabha  | 3 <sup>rd</sup> week of April |
| 56. Consideration and passing of the Appropriation Bill by Rajya Sabha and its return to Lok Sabha. | Last week of April            |

|                     |                         |
|---------------------|-------------------------|
| <b>Finance Bill</b> | <b>Indicative Dates</b> |
|---------------------|-------------------------|

- |   |   |
|---|---|
| 57. President's recommendation for amendments to the Finance Bill                             | As per Business   |
| 58. Speech by Finance Minister in Lok Sabha at the start of consideration of the Finance Bill | As per Business   |
| 59. Consideration and passing of Finance Bill in Lok Sabha                                    | 4 <sup>th</sup> week of April/<br>1 <sup>st</sup> week of May |
| 60. Consideration of the Finance Bill in Rajya Sabha  | 4 <sup>th</sup> week of April/<br>1 <sup>st</sup> week of May |

61. Finance Minister's reply in Rajya Sabha, Passing and return of the Finance Bill by Rajya Sabha

4<sup>th</sup> week of April/  
1<sup>st</sup> week of May

62. President's assent to the Appropriation Bill and Finance Bill

1<sup>st</sup> week of May

**Indicative Calendar for Receipt of Materials from Ministries/Departments for Finalizing RE & BE:**

| <b>Details of Estimates/ Statement</b>  | <b>Indicative Dates for Finalization</b>   |
|---|--|
| <b>(Dates for receipt of estimates will be as per timelines mentioned in Budget Circular)</b> |  |
| Letter for Dividend to select Ministries  | End October  |
| Non-Tax Revenue/Capital Receipts  | End October  |
| Finalization of Non-Tax Revenue Receipts-Dividends  | End January  |
| Estimates of Foreign Grants   | 30 <sup>th</sup> November  |
| Interest Receipts and Loan Repayments   | 26 <sup>th</sup> October   |
| Loan Repayments and Interest Payment by CPSUs and other parties                               | 26 <sup>th</sup> October   |
| Estimates of Public Accounts of India   | 26 <sup>th</sup> October   |
| SBE (proposed)  | 26 <sup>th</sup> October   |
| SBE (Final) Plan (RE) Non-Plan (RE & BE) Plan (BE)  | Immediately after the ceilings are communicated and within 3 days Of allocation by Planning Commission |
| Proposals for Pre-Budget discussions  | As mentioned in Budget Circular  |
| Statement of "Charged" Expenditure  | As mentioned in Budget Circular  |
| Statement of recoveries taken in reduction of expenditure                                     | As mentioned in Budget Circular  |
| Equity and Loan components of investments in PSEs   | As mentioned in Budget Circular  |
| Modifications to SBE (Final)  | As mentioned in Budget Circular  |
| Loans to Government Servants, etc.  | As mentioned in Budget Circular  |
| Notes on Demands for Expenditure Budget Vol-2   | Within 3 days of rendition of Plan SBE (Final)   |
| Materials for statements to be appended to Demands for Grants/ Expenditure Budget Vol.1       | Within 3 days of rendition of Plan SBE (Final)   |
| Guarantees given by the Government  | As mentioned in Budget Circular  |
| Tax Revenues raised but not realized  | As mentioned in Budget Circular  |
| Arrears of Non-Tax Revenues   | As mentioned in Budget Circular  |
| Asset Register  | As mentioned in Budget Circular  |
| Direct Transfers of Central Assistance to States/District Level                               | Along with the Plan SBEs (As per dates indicated in Budget Circular)                                   |
| Autonomous Bodies   |  |

The Budget Documents currently assigned to the staff/officers are as follows. However, these allocations are dynamic and may be changed/re-assigned as per the requirements with the approval of AS/JS (Budget) in so far as they are the responsibilities of the Budget Division

## RESPONSIBILITIES FOR BUDGET DOCUMENTS:

Each Director/Deputy Secretary in charge of the concerned Section in the Budget Division are responsible for keeping a close watch and personally supervise the preparation of these documents through the Section Officers/Under Secretaries responsible for them. The assignment of the documents may change as per decisions taken by competent authorities.

| SI. No. | NAME OF DOCUMENT       | SECTION   |
|---------|------------------------|---|
| 1.      | KEY TO BUDGET          | NS II   |
| 2.      | DEMAND FOR GRANTS      | DEMANDS   |
| 3.      | EXP BUDGET VOL.I       | All statements as per distribution list issued.   |
|         | - PLAN PORTION         | COORDINATION/SUPPLEMENTARY DEMANDS  |
|         | - NON PLAN PORTION     | ACCOUNTS  |
| 4.      | EXP BUDGET VOL.II      | SBE's including write-up to be seen by the US/DD's.<br>Write-up to be checked by all Dir/DS/ABO/OSD |
| 5.      | RECEIPT BUDGET         |   |
|         | - REVENUE RECEIPTS     | STATES  |
|         | - CAPITAL RECEIPTS     | WAYS & MEANS  |
| 6.      | AFS                    | PUBLIC DEBT/ ACCOUNTS/<br>SUPPLEMENTARY DEMANDS   |
| 7.      | BUDGET AT A GLANCE     | ACCOUNTS / STATES/ SUPPLEMENTARY DEMANDS  |
| 8.      | SPEECH*                |   |
|         | - PART A               | PUBLIC DEBT/ ACCOUNTS   |
|         | - PART B               | STATES  |
| 9.      | KEY FEATURES OF BUDGET | ACCOUNTS/SUPPLEMENTARY DEMANDS  |
| 10.     | FRBM DOCUMENTS         | FRBM  |

*\* For checking facts and figures in so far as they are referred to in the other budget documents.*

|     |  |                                   |
|-----|--|-----------------------------------|
| 11. | IMPLEMENTATION OF BUDGET ANNOUNCEMENTS   | ADMINISTRATION DIVISION           |
| 12. | FINANCE BILL   | DEPARTMENT OF REVENUE (CBEC/CBDT) |
| 13. | EXPLANATORY MEMORANDUM   | DEPARTMENT OF REVENUE (CBEC/CBDT) |
| 14. | CABINET SUMMARY/ SUMMARY FOR THE PRESIDENT (Including Annexure/ Documents etc) | AS ASSIGNED TO DS/DIRECTOR BUDGET |
| 15. | VOTE ON ACCOUNT  | DEMANDS SECTION                   |
| 16. | SUPPLEMENTARY DEMANDS  | SUPPLEMENTARY DEMANDS             |

Note: 1. Time lines for the preparation of these documents are issued each year internally by the Budget Division.

2. The letters issued in relation to the presentation of Budget are placed at Annexure I of Chapter V.

It is advisable that the staff/officers of the Budget Division fully acquaint themselves with the current year's document in relation to the allocated

responsibilities and preferably have a check-list for each statement of each document, for which they are responsible.



## **WORKING UPON THE STATEMENT OF BUDGET ESTIMATES (SBE) WORKSHEET AND THEIR CONTENTS:**

After the pre-Budget meetings are over, the approved ceilings for expenditure, as finalised in these meetings, are communicated including ceilings for Revenue and Capital expenditure separately, on the basis of which Financial Advisers are required to prepare the Statement of Budget Estimates (Final) in the form prescribed in the Budget Circular and forward it to Budget Division.

A new data based software has been created for the submission/processing and finalization of Statement of Budget Estimates and other budget documents which is an improvement over the earlier Excel sheet based format. This software has been already put to test and shall be put to use from the Budget 2011-12. The forms and formats in which the data will be required to be submitted by the Ministries/Departments will remain largely unaltered. A brief description of the details of information required to be filled in each section (Group/sub-Group/Section etc.) are brought out below:

**Group:** A group is a line item in SBE which appears as a heading without any number preceding it. It is a collection of schemes which are depicted continuously in SBE and totaled at the end of group. A group can have none, one or more sub groups. Examples include:

- Crop Husbandry in Department of Agriculture and Cooperation
- Nuclear Power Projects in Nuclear Power Schemes
- Foreign Trade and Export Promotion in Department of Commerce

**Sub Group:** A sub group is a nested grouping within a group and is a line item in SBE which appears as a heading without any number preceding it. It is a collection of schemes which are depicted continuously in SBE and totaled at the end of sub group. A sub group can have none, one or more sub-sub groups. Examples include:

- Food grain crops, Commercial Crops, Agriculture Economics and Statistics under Crop Husbandry group in Department of Agriculture and Cooperation
- Coal and Lignite under Labour and Employment group in Ministry of Coal
- Promotion of Art and Culture, Archaeology, Archives and Museums, Libraries under Art and Culture group in Ministry of Culture

**Sub Sub Group:** A sub sub group is a nested grouping within a sub group, lowest level of grouping and is a line item in SBE which appears as a heading

without any number preceding it. It is a collection of schemes which are depicted continuously in SBE and totaled at the end of sub sub group. Examples include:

- Launch Vehicle Technology, Satellite Technology, Launch Support, Tracking Network and Range Facility under Space Technology sub group and Space Research Group in Department of Space.

**Scheme:** It is a line item in SBE which starts with a one or two digit number such as 1, 2, 50, 80 etc. and has a description. A scheme can have

- One or more major heads or
- One or more sub schemes

A scheme can be part of a Group or appear in SBE by itself (not part of any group).

**Sub Scheme:** It is a line item in SBE which starts with a number in two parts such as 1.01, 2.05, 5.11, 80.09 etc. and has a description. A sub scheme can have

- One or more major heads or
- One or more programmes

**Programme:** It is a line item in SBE which starts with a number in three parts such as 1.01.01, 2.05.10, 5.11.09, 80.09.10 etc. and has a description. A programme can have

- One or more major heads or
- One or more sub programmes

**Sub Programme:** This is the lowest entity in SBE. It is a line item in SBE which starts with a number in four parts such as 1.01.01.01, 2.05.10.09, 5.11.09.11, 80.09.10.20 etc. and has a description. A sub programme can have

- One or more major heads

**Expenditure Type:** Expenditure is categorized as :

- Total Expenditure or Voted Expenditure (E)
- Charged Expenditure (C)
- Recovery (Y)
- Receipt (R)

**Major Head Expenditure:** In case of Expenditure Type - Charged/Voted/Total, it is the major head under which expenditure is incurred/proposed. In case of Expenditure Type-Receipt, it is the major head against which the receipt is netted. In case of Expenditure Type-Recovery, it is the same as Major Head Receipt/Recovery.

**Major Head Receipt/Recovery:** In case of Expenditure Type-Receipt/Recovery it is the receipt or recovery major head.

**Plan Type:** Plan expenditure under any scheme/sub scheme/programme/ sub programme is either part of

- Central Plan (C)
- State Plan (S)
- UT plan (U)

**Special Statements (Volume-I) :** If the line item in SBE is to be included in any of the Special Statements forming part of Volume-I of Expenditure Budget (4,5,6,7,8,9,10), the Statement No. needs to be indicated in this column. If the line item is to be shown in more than one statements, then these statements should be shown separated by commas (such 4,7 or 8,10 etc.).

**PSE Category:** A PSE Category is a heading which appears by itself without any number preceding it in Part B of SBE and is a grouping for PSEs. All PSEs within a category are totalled at the end of the Category.

The worksheet for the Statement of Budget Estimates in the database will have one worksheet for each Demand for Grant. Each worksheet is identified separately as Dxx, where xx is the demand number. Eg: D10, D25 etc. Both the Statement of Budget Estimates and Demands for Grant provisions for individual demands is prepared in the same database worksheet. The complete worksheet functions as input as well as final output for SBEs and Demands for Grants. In addition to these two, there are other functional areas and summary areas defined within the worksheet, for intermediate calculation and further processing of other output statements.

A sample format of the Worksheet in the new database software is placed below which is self explanatory.

It may be relevant to mention here that the NIC Cell of the Ministry of Finance conducts a comprehensive training every year for the officers/staff of Ministries/Departments handling the Budget work for a proper orientation and understanding of the SBE and the format in which the information is required to be sent to the Budget Division. Any doubts on these are expected to be clarified in these training sessions to enable a smooth completion of the budget work.

## CHECK-LIST OF VARIOUS BUDGET DOCUMENTS AND THEIR RELATED STATEMENTS/ ANNEXURES:

Each Section is required to prepare a check-list for the preparation of each of the Budget documents/statements etc assigned to them, which are broadly as follows-

### I. FINANCE MINISTER'S SPEECH:

For the preparation of Budget Speech various Departments/Divisions in the Finance Ministry and other Departments/Ministries of the Government are required to provide the information related to Budget Speech of the Finance Minister. For checking facts and figures in the Finance Minister's speech insofar as they are referred to in the other budget documents, the same is done by the Budget Division.

### II. KEY TO BUDGET DOCUMENTS:

- ◆ Editorial Revisions are required to be carried out wherever required;
- ◆ Concerned years are to be amended in the cover page, pg.Nos.11, 14, 16 and 17 of the document;
- ◆ Key to Budget Document has to be added/explained as the first document; and
- ◆ Index has to be reviewed / amended as per the changes made.

The practice has been to submit this document for approval during the third week of January.

### III. DEMANDS FOR GRANTS:

- ◆ **Contents** – Page numbers etc. as given in the list of contents must be checked to ensure that these match with those assigned to each Demand for Grant.
- ◆ **Introduction** – Necessary consequential changes are to be carried out in the introduction.
- ◆ **Summary** – Revenue/Capital and Charged/Voted expenditure is to be taken from the approved Statement of Budget Estimates while checking the 'Summary' portion.
- ◆ **Demands for Grants** - Demands for Grants are to be prepared and got approved by the concerned Sections of the Budget Division assigned a particular Ministry/Department. It is also the responsibility of the concerned Sections to ensure the correctness of the contents therein. However, Demands Section

is required to check the demands for grants to ensure:

- (a) The correctness of the number of Demand for Grant;
- (b) Nomenclature of the Ministries/Departments; and
- (c) Nomenclature of Heads of Accounts. Nomenclature is required to be checked from the List of Major and Minor Heads of Accounts (LMMHA).

- ◆ **Statement showing details of NS/NIS** – Demands Section has the responsibility to call for the information from all the Ministries/Departments and prepare the statement on the basis of the information so furnished by the concerned Ministries/Departments.

**IV. EXP BUDGET VOLUME-1:**

**MANUALLY GENERATED STATEMENTS /DATA.**

| <b>ANNEX/<br/>1</b>                               | <b>TITLE OF THE<br/>STATEMENT<br/>2</b>              | <b>STATEMENT/ANNEX<br/>SECTION<br/>3</b> | <b>CHECK-LIST<br/>4</b>  |
|---|--|--|--|
| Statement- 2<br>(Actuals )                        | Expenditure by Ministries/Departments                | Accounts                                 | This statement is generated after getting necessary inputs from CGA. This is also subject to reconciliation of 'net expenditure' as worked by Budget Division & CGA. Inputs from CGA is expected to be received in the month of December.  |
| Variation in Revised Estimates from BE.<br><br>I. | Revised Estimates                                    | Accounts                                 | Prepared on the basis and on the finalization of Vol. II of Expenditure Budget & Statement No. 4 of Expenditure Budget Vol.  |
| Variation in Budget Estimates from RE<br><br>I.   | Budget Estimates                                     | Public Debt                              | Prepared on the basis and on the finalization of Vol. II of Expenditure Budget & Statement No. 4 of Expenditure Budget Vol.  |
| Statement- 19<br><br>Externally                   | Estimates of Provision for Externally Aided Projects | Coordination                             | It is compiled from the information obtained from Planning Commission with respect to provisions for Aided Projects in Central Plan, Department/Ministry-wise and Statement for Additional Central Assistance for Externally Aided Projects in State Plans to be obtained from JS (PF-I).<br><br>Information is required to be called from Planning Commission and JS (PF-I) by making a formal reference, normally by 15 <sup>th</sup> January. |
| Annex- 3  | Trends in Expenditure                                | Accounts                                 | Based on the figures of Actuals furnished by CGA for the previous year. Net expenditure is required to be worked out to generate these Annexes.  |
| Annex- 4  | Contributions to International Bodies                | NS-II                                    | Information is required to be obtained from all Ministries/ Departments for compilation of the statement. (Letter in this regard is normally issued in 1 <sup>st</sup> week of November).  |

|               |  |          |   |
|---------------|--|----------|---|
| Annex- 5      | Grants-in-aid to private institutions, organizations etc.    | W&M/NS   | Information is required to be obtained from all Ministries/ Departments for compilation of the statement. (Letter in this regard is normally issued in 1 <sup>st</sup> week of November).   |
| Annex- 6      | Estimated strength of Establishment and provisions therefor  |          | Information is required to be called for from all the Ministries/ Departments, through a D.O. letter from AS/JS (Budget) to all Ministries/Departments. The letter is sent in the first week of January, and the compilation is targeted to be completed by early February.   |
| Statement-20  | Gender Budgeting   | Accounts | This is based on the inputs received from various Ministries/ Departments, and is to be compiled after finalization of Vol. II of Expenditure Budget. A letter in this regard is sent in the first week of January,   |
| Statement- 21 | Schemes for Development of Scheduled Castes/Scheduled Tribes | States   | The Statement is compiled based On estimates under Plan and Non-Plan Schemes, furnished by the Ministries/Department along with SBEs, under BE & RE ( Current Year) and BE (Next Year). The information is required to be called through a formal reference to the Departments/Ministries, if received along with SBEs/in1 <sup>st</sup> Week of January. |
| Statement- 18 | Direct Transfers to State/ District Level Autonomous Bodies  | NS-II    | Information is required to be obtained from all Ministries/ Departments for compilation of the statement. (Letter in this regard is normally issued in 1 <sup>st</sup> week of November).   |

**EXPENDITURE BUDGET VOLUME- 1 (OTHER THAN MANUAL STATEMENTS):**

Overall charge of coordination and finalization is allocated to the concerned DS /Director in the Budget Division.

| <b>Statement Number</b> | <b>TITLE OF THE STATEMENT</b> | <b>Section</b> |   |
|-------------------------|-------------------------------|----------------|---|
| <b>1</b>                | <b>2</b>                      | <b>3</b>       | <b>4</b>  |
| Statement-1             | Summary of Expenditure        | Accounts       | Generated from Statement 2 and 15. This is also reconciled with summary Statement of Exp. Budget Vol. 2. This should also be reconciled with the expenditure figures maintained by DS/ Director responsible for Control Sheet on expenditure. |

|                              |  |                          |  |
|------------------------------|--|--------------------------|--|
| Statement-2                  | Expenditure by Ministries/Departments (Actuals)    | Accounts                 | This is required to be checked with individual SBEs of Ministries/ Departments.  |
| Statement-2 (remaining part) | Expenditure by Ministries/Deptts. (remaining part) | Demands/ Reports         | Figures are required to be compared from the statement compiled by Accounts Section from the inputs received from CGA.   |
| Statement-3                  | Expenditure of UTs without Legislature             | NS-II                    |  |
| Statement-4                  | Non-Plan Expenditure by Broad Categories           | Accounts                 | Generated from the individual SBEs, Annexures and various Statements of Expenditure Budget-Vol.1   |
| Statement-5                  | Non-Plan Subsidies – Interest Subsidies            | Accounts/ Reports        | This is generated from the SBEs. Figures are required to be taken from Spreadsheet (Plan) of Final SBEs of concerned Ministries/Departments.                                   |
| Statement-6                  | Non-Plan Subsidies – Other Subsidies               | Accounts / Reports       | This is generated from the SBEs. Figures are required to be taken from Spreadsheet (Plan) of Final SBEs of concerned Ministries/Departments.                                   |
| Statement-7                  | Departmental Commercial Undertakings               | Suppl. Demands           |  |
| Statement-8                  | Non-Plan Capital Outlay                            | Accounts/ Suppl. Demands | This is generated from the Annexure- I & SBEs of individual Ministries.  |
| Statement-9                  | Non-Plan Grants & Loans to Public Enterprises      | Accounts / Reports       | This is generated from the SBEs. Figures are required to be taken from Final SBEs of concerned   |
| concerned                    |  |                          | Ministries/ Departments.   |
| Statement-10                 | Non-Plan Grants & Loans to State/ UT Governments   | States                   | Non-Plan Grants & Loans to State and Union Territory Governments is a computerized statement generated through NIC. This statement needs to be cross-checked against the Major |

|                       |   |                        |   |
|-----------------------|---|------------------------|---|
| and<br>in Expenditure |   |                        | Heads 3601, 3602, 7601<br>7602 as appearing<br>Budget Volume-II, under various<br>Demands. This has to be<br>incorporated under Resources<br>transferred to States & UTs/ in<br>the Budget at a Glance.   |
| Statement-11          | Grants & Loans to Foreign Governments             | States                 | Grants and Loans to Foreign<br>Governments is also a<br>computerized statement<br>generated through NIC. This<br>statement needs to be cross-<br>checked against the Major Heads<br>3605/3606/7601/7602) as<br>appearing in Expenditure Budget<br>Volume-II, under various<br>Demands, and to ensure that it<br>contains only Non-Plan figures. |
| Statement-12          | Central Plan Outlay by Ministries/<br>Departments | CDN/ Suppl.<br>Demands | Plan outlay portion is received<br>from all Ministries/Departments,<br>and thereafter figures are<br>required to be checked with<br>Expenditure Budget Vol.-II. The<br>necessary editing of write-up is<br>also required to be carried<br>out. Figures are required to be<br>taken from Central Plan of SBE.                                    |
| Statement-13          | Central Plan Outlay by<br>Heads of Development    | CDN/ Suppl.<br>Demands | Figures are required to be taken<br>from Central Plan of SBE. (It is<br>Head-wise & Plan-wise figures of<br>Expenditure Budget Vol.-II).  |
| Statement-14          | Plan Investments in Public Enterprises            | CDN/ Suppl.<br>Demands | Figures are required to be taken<br>from Plan investment, Public<br>Enterprises section of SBE in the<br>Spreadsheet. (It is Head-wise &<br>Plan-wise figures in B Part of<br>Expenditure Budget Vol.-II).  |
| Statement-15          | Resources of Public Enterprises                   | CDN/ Suppl.<br>Demands | Figures are required to be taken<br>from B Part of SBE in<br>Spreadsheet<br>(It is Head- wise & Plan-wise<br>figures of B part of Exp..Budget<br>Vol.- 2.   |
| Statement-16          | Central Assistance for State & U.T. Plans         | States/ NS-II          | Central Assistance for State and<br>Union Territory Plans is a<br>computerized statement<br>generated by NIC. This statement<br>requires to be cross-checked with<br>the Developmental Head ( 43601   |

|                            |  |                   |   |
|----------------------------|--|-------------------|---|
| Volume-II,<br>Statement-17 | Plan Grants & Loans to State &<br>U.T. Governments   | CDN               | & 43602) as appearing in<br>Expenditure Budget<br>under various Demands.<br>Figures are required to<br>be taken from State Plan (Part<br>of SBE spreadsheet – Grants &<br>Loans).   |
| Statement-18               | Estimates of Provision for Externally<br>Aided Projects  | CDN               | This statement is to be prepared<br>after obtaining/on the basis of the<br>figures received from PF Division<br>& Planning Commission and from<br>CAAA, M/o Finance.  |
| Annex-1                    | Budget Provision by Heads of<br>Accounts(Revenue)  | Suppl.<br>Demands | Generated from the SBE.   |
| Spreadsheet                | Budget Provision by Heads of<br>Accounts(Capital)  | PD/Demands        | Generated from SBE in<br>and should be compared with the<br>vetted hard copy of SBE.  |
| Annex-2                    | Reconciliation between Expenditure shown<br>in Demands for Grants, Annual Financial<br>Statement & Annex-I | Accounts          | Total Expenditure as brought out<br>in DG is to be reduced by<br>recoveries and receipts-<br>individually. This is done by<br>tracing and identifying the<br>receipts netted out against<br>expenditure from the SBEs.  |
| Annex-3                    | Trends in Expenditure  | Accounts /States  | <b>Checks in Accounts Section:</b><br>Based on the actuals furnished<br>by CGA for the previous year. Net<br>expenditure is required to be<br>worked out to generate these<br>annexure. <b>Checks in States<br/>Section: Part A-Non-Plan<br/>Expenditure</b> (Item Nos.1 to 10) is<br>picked from Statement<br>No.4/Volume-I and item No.11 is<br>taken from Statement<br>No.2/Volume-I.<br><b>Part-B-</b> Plan Expenditure is<br>generated out of Annexure-<br>I/Volume –I (Top portion).<br><b>Annex-3.1</b> Details of Subsidies<br>included in Annex 3-is taken from<br>details available in Statement<br>No.4/Volume-I read with<br>Statement No.5 & 6/Volume-I<br>(containing details of Interest and<br>Other Subsidies).<br><b>Annex-3.2</b> Details of Other Non-<br>Plan Revenue Expenditure<br>included in Annex 3 is taken from<br>details available in Statement |



No.4/Volume-I read with Annexure-I/Volume-I (Sector -Wise Expenditure).

**Anenex-3.3-** Details of Plan Expenditure included in Annex 3 –Part-A is generated with the help of Statement No.13 (leaving part of IEBR financing) & Annex-1/Volume –I. Part-B & C are taken from Statement No 16/Volume-I (Central Assistance for State Plans and Union Territory Plans) .

Annex-4 Contributions to International Bodies

NS-II

Information is required to be obtained from all Ministries/ Departments for compilation of the statement. (Letter in this regard is normally issued in 1<sup>st</sup> week of November).

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## V. EXP BUDGET VOLUME- II:

The figures in the Expenditure Budget Volume II, are as per the Statement of Budget Estimates filled/submitted by the respective Ministries/Departments in the format given (in soft copy). These figures are checked in the concerned sections of the Budget Division against the hard copies and sent to NIC for consolidation. The write-up/Notes to the Demands together with the print proof of the SBEs have to be seen /checked by the concerned USs/DDs for their respective Grants/Ministries, with reference to the final vetted copies of the SBEs/Demands for Grants received from the respective Ministries/Departments. In addition to this, the write ups/ Notes to the Demands will also be checked by all Dir//DS/ABO/OSD in the Budget Division.

In the expenditure Budget Volume II, it has to be further checked that the provisions for investment in Public 'enterprises as indicated in Part B, matches with the provisions given in Part A. Following should also be kept in view-

- ◆ Correctness of Number/Nomenclature of Demands for Grants relating to the Ministry/Department;
- ◆ Correctness of Number/Nomenclature of Major Heads and Budget provisions;
- ◆ Number corrections, if any, are to be carried out only through the NIC;
- ◆ If there is any scheme newly included/deleted in the RE /BE, the same has to be properly inserted / deleted in the soft format of SBE through NIC. This is important as some of the statements have to be compiled from the final SBEs;
- ◆ Soft data of SBE needs to be checked properly, and the matching of figures from one section in the Spreadsheet to the other has to be verified;
- ◆ If any correction is required to be made at a later stage after submission of SBE's to NIC, the same must be routed through NIC for ensuring the capture of revised data in all the related statements; and
- ◆ It should be seen that there is uniformity in the pattern/presentation of write-ups of different Ministries/Departments.

## VI. RECEIPTS BUDGET:

|                  | <b>Section</b>  | <b>Checklist</b>  |
|------------------|-----------------|---|
| REVENUE RECEIPTS | STATES          | <p><b><u>Tax Revenue Receipts</u></b></p> <p>Department of Revenue CBDT and CBEC are requested by Budget Division to furnish the Estimates in respect of Direct Taxes and Indirect Taxes, by 7<sup>th</sup> January. Write up also needs to be taken from CBEC/CBDT Revenue Department for - Direct/Indirect Taxes. On receipt of estimates from CBDT and CBEC, States' share is calculated for RE (Current Year) / BE (Budget Year) from the shareable pool, as per the percentage recommended by the Finance Commission after deducting cost of collection as provided in Expenditure Budget Volume 2.</p> <p><b><u>Non-Tax Revenue Receipts:</u></b></p> <p>Letters are issued to the Ministries/Departments (including UTs) by 1<sup>st</sup> week of October every year after issue of Budget Circular in September, calling for Non-Tax Revenue Receipts' estimates by end of November. These estimates are given to respective sections in the Budget Division i.e. Ministry/Department wise for getting the same approved from the designated Director in the Budget Division, tentatively by the end of January. Estimates as approved by Director are then consolidated in the form of Statement and submitted for approval of Secretary (DEA), tentatively by 2<sup>nd</sup> week of February every year, for incorporation in the Receipt Budget documents.</p> <p><b><u>Annexure-1 of the Receipts Budget, indicating State-Wise Share of Taxes (for Budget Year):</u></b></p> <p>State wise share of taxes is reflected in the Statement. Figures for Actuals of Tax Revenue in Gross are taken from Finance Accounts (Taxes &amp; Duties assigned to States and Part-A/Tax Revenue). The figures of Tax and Non-Tax Revenue for UTs are taken from NS Section.</p> |
| CAPITAL RECEIPTS | WAYS & MEANS/PD | <p><b>NON DEBT CAPITAL RECEIPTS:</b></p> <p><b>Recovery of Loan and Advances (A):</b></p> <p>This is worked out by States/SD section, on the basis of estimates received from Ministries/Departments.</p> <p><b>Misc. Capital Receipts (B):</b></p> <p>These figures are included as per the information received from the Department of Disinvestment and other Ministries/ Departments, and subsequent discussions carried out, if any.</p> <p><b>DEBT CAPITAL RECEIPTS:</b></p> <p><b>1. Market Loan:</b></p> <p>This is worked out by W&amp;M Section on the basis of Market borrowing requirements of Government.</p> <p><b>2. National Small Savings Fund:</b></p> <p>NS section compiles the information on the basis of information received from Department of Posts/CGA.</p> <p><b>3. Other Receipts - Railway Reserve Funds:</b></p> <p>The figures are included on the basis of information received from the concerned Ministry/Department/RBI. For example, the estimates of Funds pertaining to Railways are received from the Ministry of Railways.</p>   |

#### **4. International Financial Institutions:**

MI and BC Division of the Department of Economic Affairs compiles the information and sends to Budget Division for incorporation in the Receipts Budget, through IFU of DEA.

#### **5. Market Stabilization Scheme:**

This is included as per the estimates provided by the RBI.

#### **Annex 3- Debt Position of Government of India:**

This is worked out by W&M Section on the basis of Market borrowing requirements of Government.

#### **Statement of Liability/Assets:**

Actual Figures are required to be shown for the year 1950-51, and four preceding years to the current year, along with RE for the current year and BE for next year. Actuals up to one year earlier than current is required to be verified with the figures of last year's Capital Receipts Budget, while last year's actual has to be taken from the figures provided by the CGA.

#### **Annex 4- Details of Current Rupee Loan with the Central Government:**

These are worked out on the basis of figures provided by the RBI and checked with the figures compiled in the W&M Section.

#### **Annex 4 A and B - Special Securities Converted into Marketable Securities:**

These are worked out on the basis of figures provided by the RBI and checked with the figures compiled in the W&M Section.

#### **Annex 5,6 and 7- Trends in Receipt/ Trends in Expenditure:**

These are compiled on the basis of information furnished by Controller General of Accounts. Actual expenditure/receipt figures are given for 8 preceding years to current year along with Revised Estimates and the estimates for the Budget year.

#### **Annex. 9- Reconciliation between Estimates of Receipts Shown in AFS and Receipt Budget:**

This annex has two parts, A- Revenue Receipts and B - Capital Receipts. In the Revenue Receipts difference in the figures of AFS and Capital Receipts is on account of Railway Receipts/Postal Receipts/Commercial Receipts/Receipts Incidental to Market Borrowings and Write off or Waiver of Loans and Interest. On the Capital Receipts side, difference in the figures of AFS and Receipts Budget is on account of the figures of Public Debt Disbursement and Special Securities issued for payment of Subsidies.

#### **Annex 10 and 12- Tax Revenue raised but not realized/ Revenue Foregone under the Central Tax System:**

The statements are furnished by the Department of Revenue.

#### **Annex 11- Arrears of Non Tax Revenue:**

The statement is compiled on the basis of estimates furnished by Ministries/Departments.

### **VII.ANNUAL FINANCIAL STATEMENT:**

| <b>Statement</b> | <b>Checklist</b>   |
|------------------|--|
| <b>AFS</b>       | <p>This is compiled in NIC on the basis of information filled by different sections of Budget Division.</p> <p><b>Accounts:</b></p> <p>Actuals in all the statements are provided by the CGA.</p> <p><b>Estimates for the Budget year:</b></p> <p>This has to be checked with the figures shown in different budget documents.</p> |

Statement-1  
Consolidated  
Fund of India:

Revenue Account–  
Receipts.

**A-Tax Revenue:**

Figures are included as per the estimates provided by Department of Revenue. States' share is calculated by the States Section in Budget Division, on the basis of the Finance Commission recommendations.

**B-Non-Tax Revenue:**

- (a) Interest Receipts and Dividend & Profit - These figures are finalized by all the concerned sections with the approval of designated DS/Director in the Budget Division and sent for compilation to SD section.
- (b) Receipts from Department/Ministries- These are required to be checked with the figures provided by Ministries/Department in their Final SBEs.
- (c) Railways – The figures are provided by Ministry of Railways. The Ministry of Railways do not present any Annual Financial Statement with their Budget and their figures are included as part of AFS in the General Budget.

Statement-1  
Consolidated Fund of  
India-Revenue Account  
– Disbursements.

This is compiled in the NIC on the basis of Final SBE's of Ministries/Departments and has to be checked/verified against the original SBEs of Ministries/Departments.

Statement-1

**A. Public Debt:**

Consolidated Fund  
of India- Capital  
Account- Receipts.

- (a) Internal Debt- These figures are taken from RBI through W&M section.
- (b) External Debt- These figures are taken from Controller of Aid Accounts and Audit.
- (c) Recoveries of Loans and Advances- For the State Governments and Union Territory Governments, it is calculated by the States Section on the basis of the estimates received. Recoveries of loans and advances for the Foreign Governments and Other loans and Advances, the figures are worked out by the SD Section on the basis of the estimates received.
- (d) Miscellaneous Capital Receipts- e.g. the Disinvestment proceeds are worked out on the basis of estimates furnished by Department of Disinvestment, and similarly for other Ministries/Departments.

Statement-1  
Consolidated Fund  
of India - Capital  
Account –  
Disbursements

- (a) Capital Expenditure – These are taken from the final SBEs and are compiled by the NIC on the basis on information received from Ministries/Departments. These figures are required to be checked/verified with figures of original SBEs.
- (b) Public Debt- The figures are provided by the RBI/CAAA/NS section. It also includes figures of Loans and Advances proposed to be sanctioned by different Department/ Ministries to PSE and other institutions. The figures of loan and advances proposed to be sanctioned by the Ministries/Department are checked with figures of original SBEs.
- (c) Loans to States/UTs/Foreign Governments/Government Servants- These details are worked out on the basis of estimates received from Controller of Aid Accounts & Audit, Plan Finance (I) and the estimates received from Ministries/Departments in the CDN Section of Budget Division.

Statement-1  
Disbursement  
Charged on the  
Consolidated Fund  
Of India-

These figures are compiled on the basis of SBEs and require to be checked/verified with the figures of original SBEs.

Statement-II  
Contingency Fund  
of India- Net.

In case of any enhancement of the Contingency fund, the figures are required to be indicated in this statement.

Statement-III Public Account of India- Receipts/ Disbursements

The estimated receipts in the Public Account of India are reflected in this Statement. (a) NSSF- Figures are compiled by NS section on the basis of the estimates received from Department of Post/CGA etc. b) State Provident Fund/Postal Insurance and Life Annuity Fund/Other Items— Reserve Funds—Deposit and Advances- These figures are worked out on the basis of estimates received from Ministries/ Department and RBI and compiled in W&M section.

### VIII.BUDGET AT A GLANCE:

| <b>Title of the Statement/Annexure</b>  | <b>Checklist</b>  |
|---|---|
| Budget at a Glance  | This statement is generated after working out the information from 'Trends in Receipts' and 'Trends in Expenditure' in Receipts Budget and Budget.  |
| Expenditure   |   |
| Rupee comes from/goes to  | Graphs are prepared on the basis of inputs available in the Statement of Budget at a Glance as well as from Expenditure / Receipts Budget.  |
| Expenditure   | The expenditure figures are compiled on the basis of Expenditure Budget, Volume-1.  |
| Plan Expenditure  | Revenue Expenditure/Capital Expenditure: The figures are taken from Expenditure Budget Volume-I and II and are required to be checked/verified with the original SBEs.  |
| Receipts  | These are worked out from the Receipts Budget.  |
| Central Plan Outlay by Sectors  | The figures are taken from Statement – 13 of Expenditure Budget Volume-I.   |
| Central Plan Outlay by Ministries/ Departments  | The figures are taken from Statement 12 (Central Plan Outlay) of Expenditure Budget Volume-I.   |
| i) Budget Support; ii) IEBR of Public Enterprises, etc. and iii) Total Central Plan Outlay. | The figures are taken from the relevant statements of expenditure Budget Volume 1.  |
| Highlights of Central Plan  | Information is compiled on the basis of estimates received from the Ministries/Departments. These figures are verified/ checked with Expenditure Budget Volume-II figures.  |
| Resources transferred to States & UTs   | (1)States' share of Taxes and Duties- It is compiled by States Section on the basis of the recommendations of the Finance Commission.<br>(2) Non-Plan Grants & Loans- This is worked out from Statement No.10 of Expenditure Budget, Volume-1 (Non-Plan Grants and Loans to State & UT Governments).<br>(3) Central Assistance for States & UTs (with legislature) Plans—This is worked out of Statement No.17 in Expenditure Budget, Volume-1.<br>(4) Assistance for Central and Centrally Sponsored Schemes – This is also worked out of Statement No.17 in Expenditure Budget, Volume-1.<br>(5) Recovery of Loans & Advances –These estimates are worked out on the basis of information received from Ministries/Departments. |

|   |   |
|---|---|
| Resources transferred to States<br>(only) | The Bar Diagram indicates the Net Resources transferred to States   |
| (other<br>Deficit Trends                  | and is taken from figures in Receipts Budget and Budget at a Glance<br>statements).<br>Graphs of Deficits for current year/ensuing year are based on the basis of<br>figures in the Statement-Budget at a Glance. Previous years' data are<br>taken |
| State & UT Plan Outlays                   | These are based on the estimates in the SBEs.   |

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#### **IX. KEY FEATURES OF BUDGET:**

The Key Features of Budget are prepared by the designated Director/DS in the Budget Division on the basis of the Finance Minister's speech and the major features of the budgetary allocations for the Ministries/Departments.

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#### **X.FRBM STATEMENTS:**

The three FRBM statements presented with the Budget are prepared on the basis of the guidelines in the FRBM Rules, and has been discussed in detail in Appendix to Chapter IV of the Manual.

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#### **CONTROL CHECKS:**

Apart from the work sheet related checks, there are certain basic checks that are required to be carried out while examining the SBEs. These include-

1. Ceilings verification;
2. Verification with Plan figures as communicated by Planning Commission;
3. Verification of IEBR reflection in SBEs as per Planning Commission communicated Revised Estimates and Budget Estimates;
4. Checking upon the break-up of investments in Public Enterprises as Equity and Loan for Revised Estimates and Budget Estimates;
5. Verification of Charged Expenditure;
6. Verification of provisions relating to Revised Estimates to be based upon supplementary given/likely to be given;
7. Verification of Recoveries/Netted receipts;
8. Verification of provisions for North East Region;
9. Reviewing the Write up (Hard & Soft Copy);
10. Verification of the CHECK DIGIT; and
11. Deletion of zero lines.

The checks required to be carried out during the lock in period **in the Budget Press** include-

1. Verification of Ceilings with detailed break-down;
2. Checking the provisions for Charged Expenditure (italics);
3. Checking on the Recoveries/Netted receipts;
4. Review of Plan/Non-Plan write ups; and
5. Deletion of zero lines.

## **BUDGET PRESS AND SECURITY/LOCK-IN ARRANGEMENTS:**

The Finance Ministry has its own press to print the entire set of Budget papers. The Budget Press which runs in the basement of the North -Block, becomes totally forbidden in the month before the Budget is presented.

The employees of the press, stay in the Press along with other staff and officers who are also locked-in for the last seven days. This is a part of the security measure put in place to ensure foolproof secrecy for the budget papers, and is part of a practice started in the pre-Independence era. The Economic Survey is, however, printed outside, in one of the government presses in the city.

The press is used for the printing of annual budget documents and the printing of the supplementary demands for grants. It has quite sophisticated printing and other related machines and equipments. Budget speech, given the sensitivity is usually the last document to be printed.

During the Budget period, and in order to complete the Budget printing work in time, Manager (Press) is responsible to ensure that-

- a. Time schedule for procurement and receipt of items for printing documents are on stream;
- b. Action is initiated in time to ensure that all key personnel are in position;
- c. Cleanliness inside/outside Budget Press is ensured;
- d. Status of coordination work with other agencies- Fire Brigade, Delhi Police, MTNL, IB, Canteen, Hospital, setting up of CCTV, etc are monitored; and
- e. Construction/Maintenance works in and around budget press sanctioned for the year are completed latest by the 30<sup>th</sup> November.

The Security arrangements for the entire Budget period are made by the Intelligence Bureau, in consultation with the Budget Division in the Ministry of Finance. They are responsible for screening all the officers and staff associated with the budget and set up an elaborate security arrangement in the Budget Division and the Budget Press to ensure that the budget related information is not leaked.

### **CHECK LIST FOR THE PREPARATION OF BUDGET OF A STATE UNDER PRESIDENT'S RULE:**

1. Collect a copy of the Notification from the Home Ministry relating to the Declaration of President's Rule in a State by the Central Government.

2. Immediate establishment of contact with the concerned State Government and apprising them of

the Budget Division procedures and requirements (followed up with communication in writing).

- 3.(i) Inquire whether the requirements relate only Vote-on-Account or Supplementary Demands also.
- (ii) As far as possible it should be insisted upon that the format of Budget documents should be the same as for the Union Budget.
- (iii) State Government Officers should bring/provide the documents in 'PageMaker' and both in English and Hindi languages. If required, they should bring their translators.
- (iv) They should also bring their Budget sets of 2-3 previous years.

4. Confirm with the Home Ministry in writing whether the full budget provision is required to be provided or provisions are to be made only for Vote-on-Account.

5. Alert the Hindi section and the Budget Press of the position and the requirements expected of them.

6. As soon as the State Government representatives arrive, soft copy of the Budget should be obtained from them and up-loaded in the Budget Press system.

7. Print out of one copy of the Budget document should be taken for obtaining the certification of State Government representative for correctness and taking their consent for printing.

8. Before the documents are certified as correct for printing, the Budget provisions should be scrutinized in the States section to ensure that there are no apparent/obvious mistakes.

9. It is the responsibility of Budget Division to seek recommendation of the President for introduction of the Bill relating to the State Budget in the Lok Sabha.

10. Simultaneously, the date for laying of the State Budget in Parliament and the Lok Sabha / Rajya Sabha Table offices should be decided and request made through AS/JS(Budget) to include it in the List of Business. ( Authenticated copies of the Budget documents are also required to be sent to the Table Offices).

11. Arrangements for labour/vehicle etc for transportation of budget documents and required passes for them must be obtained in time. Anti-Sabotage certificate is also required to be obtained from Delhi Police.

12. As soon as the proposal is sent to the President for approval, a copy of the Bill should be sent to the Ministry of Law.



13. D.O. letters from FM to Secretary General (Lok Sabha) and the Speaker should be prepared for the purpose of introducing, passing etc of the relevant Bill. These letters should be got signed at proper time keeping in view the time constraints.

14. As soon as the President's recommendation is received, the letters from Finance Minister should be dispatched and telephonic liaison established with the Lok Sabha Secretariat.

15. Home Ministry and the PF-I Division should be informed in writing for deputing their officials to attend the discussions on the Budget.

16. As soon as the Bill is returned by the Ministry of Law for vetting and immediate return, the action should be promptly taken for compliance.

17. Law Ministry prints the Bill and sends a copy of the printed version to Budget Division for checking. After getting confirmation of the correctness, Ministry of Law forwards the printed Bills to the Lok Sabha (legislative section) for circulation amongst the Members of Parliament. The Hindi translation of the Bill is also carried out by the Ministry of Law.

18. As soon as the Bill is passed in the Lok Sabha, Budget Division should immediately approach the office of the President for his/her recommendation for introduction of the Bill in Rajya Sabha.

19. D.O. letters from FM to Secretary General (Rajya Sabha) and Chairman Rajya Sabha ( for waiver of time) should be prepared in anticipation.

20. The letters from Finance Minister should be dispatched immediately after getting the President's recommendation.

21. After the Bill has been passed in both the Houses of Parliament, Ministry of Law sends a copy of the Bill as passed, for verification of correctness.

22. After the certification of correctness from Budget Division, the Ministry of Law gets it authenticated by the Speaker (Lok Sabha) and then puts up the Bill to the President for his/her assent.

23. After obtaining the Presidential assent, Ministry of Law intimates Budget Division about the assent by the President and its printing in the Official Gazette as Act No.—.

24. Budget Division intimates the concerned State Government.

## CHAPTER-VI

### BUDGET IMPLEMENTATION

**Rule 51 Of the GFR**, lays down provisions regarding 'The Communication and Distribution of Grants and Appropriations', which *inter alia* states that- 'After the Appropriation Bill relating to Budget is passed, the Ministry of Finance shall communicate Budget provisions to the Ministries / Departments which, in turn, shall distribute the same to their subordinate formations. The distribution so made shall also be communicated to the respective Pay and Accounts Officers who shall exercise check against the allocation to each subordinate authority'.

#### **ROLE OF DEPARTMENTS IN SPENDING AND CONTROL:**

The relevant administrative ministry has the main responsibility for ensuring that (i) expenditure is incurred for the approved purpose, (ii) it is within the sums allotted, (iii) it has been incurred under the authority competent to sanction it, and (iv) due prudence has been shown in its incurrence. As ministries have delegated their powers to lower functionaries, the basic responsibility is shifted to the particular functionary concerned, but overall responsibility remains with the administrative ministry.

As per rules, no public authority can incur any expenditure or enter into any liability involving expenditure or transfer of moneys for investment or deposit from government account unless such expenditure or transfer, as the case may be has been sanctioned by general or special orders of the Government or by any authority to which power has been delegated in this regard. No expenditure can be incurred against a sanction unless funds are made available to meet the expenditure by valid appropriation or re-appropriation. The government authorities have to comply with rules prescribed in the General Financial Rules and the Delegation of Financial Power Rules in all financial matters. The designated controlling authorities have to ensure not only that the total expenditure is kept within the limits of the authorised grants but also that the funds allotted to spending units are expended in the public interest and on objects for which the money was provided.

In order to maintain proper control, the controlling officer obtains information on not only what has actually been spent from the grants but also what commitments and liabilities have been and will be incurred against them. He must be in a position to assume, before the Government and Public Accounts Committee, complete responsibility for departmental expenditure and to explain or to justify any instance of excess expenditure or financial irregularity that may be brought to notice as a result of audit scrutiny or otherwise. In the discharge of his ultimate responsibility for the administration of a grant, or a

part thereof, placed at his disposal, every controlling officer must satisfy himself that adequate provisions exist within the departmental 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, to ensure that the prescribed checks are effectively applied.

As regards receipts, it is the duty of the departments concerned to ensure that the dues of Government are correctly and promptly assessed and paid into the treasury/bank. All moneys received by or on behalf of Government either as dues of Government or for deposit, remittance or otherwise are required to be brought into Government Account without delay in accordance with the prescribed rules and regulations.

#### **CONTROL OF EXPENDITURE AGAINST BUDGET:**

**Rule 52 of the GFR** lays down provisions relating to the Responsibility for control of Expenditure, which is as follows:

**(1)** Departments of the Central Government shall be responsible for the control of expenditure against the sanctioned grants and appropriations placed at their disposal. The control shall be exercised through the Heads of Departments and other Controlling Officers, if any, and Disbursing Officers subordinate to them.

**(2)** A Grant or Appropriation can be utilised only to cover the charges (including liabilities, if any, of the past year) which are to be paid during the financial year of the Grant or Appropriation and adjusted in the account of the year. No charges against a Grant or Appropriation can be authorized after the expiry of the financial year.

**(3)** No expenditure shall be incurred which may have the effect of exceeding the total grant or appropriation authorized by Parliament by law for a financial year, except after obtaining a supplementary grant or appropriation or an advance from the Contingency Fund. Since voted and charged portions as also the revenue and capital sections of a Grant / Appropriation are distinct and re-appropriation *inter se* is not permissible, an excess in any one portion or section is treated as an excess in the Grant / Appropriation.

**(4)** To have effective control over expenditure by the Departments, Controlling and Disbursing Officers subordinate to them shall follow the procedure given below:

(i) For drawal of money the Drawing and Disbursing Officer shall:-

(a) Prepare and present bills for "charged" and "voted" expenditure separately.

(b) Enter on each bill the complete accounts classifications from major head down to the object head of account. When a single bill includes charges falling under two or more object heads, the charges shall be distributed accurately over the respective heads.

(c) Enter on each bill the progressive total of expenditure up-to-date under the primary unit of appropriation to which the bill relates, including the amount of the bill on which the entry is made.

(ii) (a) All Disbursing Officers shall maintain a separate expenditure register in Form GFR 9, for allocation under each minor or sub-head of account with which they are concerned.

(b) On the third day of each month, a copy of the entries made in this register during the preceding month shall be sent by the officer maintaining it, to the Head of the Department or other designated Controlling Officer. This statement shall also include adjustment of an inward claim, etc., communicated by Pay and Accounts Officer directly to the DDO (and not to his Grant Controlling Officer). If there are no entries in the register in any month, a 'nil' statement shall be sent.

(iii) (a) The Controlling Officer will maintain a broadsheet in Form GFR 10 to monitor the receipt of the return prescribed in the foregoing sub-clause;

(b) On receipt of the returns from Disbursing Officers, the Controlling Officer shall examine them and satisfy himself:-

(aa) that the accounts classification has been properly given;

(bb) that progressive expenditure has been properly noted and the available balances worked out correctly;

(cc) that expenditure up-to-date is within the grant or appropriation; and

(dd) that the returns have been signed by Disbursing Officers.

Where the Controlling Officer finds defects in any of these respects, he shall take steps to rectify the defect.

(iv) When all the returns from the Disbursing Officers for a particular month have been received and found to be in order, the Controlling Officer shall compile a statement in Form GFR 11, in which he will incorporate -

(a) the totals of the figures supplied by Disbursing Officers;

(b) the totals taken from his own registers in Form GFR 9;

(c) the totals of such adjustments under the various detailed heads as communicated to him by the Accounts Officer on account of transfer entries and expenditure debited to the grant as a result of settlement of inward account claims and not reckoned by his DDOs.

(v) If any adjustment communicated by the Accounts Officer affects the appropriation at the disposal of a subordinate Disbursing Officer, the fact that the adjustment has been made shall be communicated by the Controlling Officer to the Disbursing Officer concerned.

(vi) On receipt of all the necessary returns, the Head of the Department shall prepare a consolidated account in Form GFR 12, showing the complete expenditure from the grant or appropriation at his disposal upto the end of the preceding month.

(5) The Head of the Department and the Accounts Officer shall be jointly responsible for the monthly reconciliation of the figures given in the accounts maintained by the Head of the Department with those appearing in the Accounts Officer's books, and as per the reconciliation procedure laid down in the General Financial Rules.

#### **CASH MANAGEMENT AND EXCHEQUER CONTROL:**

Exchequer Control Based Expenditure Management was initially introduced from 1<sup>st</sup> April, 2006. Based on the working of the scheme, it was decided to expand and modify the scheme as detailed below. The Modified Cash Management System seeks to achieve, *interalia*, the following objectives-

- (i) Obtain greater evenness in the budgeted expenditure within the financial year, especially in respect of items entailing large sums of advance releases and transfers to corpus funds;
- (ii) Reduce rush of expenditure during the last quarter, especially the last month of the financial year;
- (iii) Reduce tendency of parking of funds;
- (iv) Effectively monitor the expenditure pattern; and
- (v) Better planning of Indicative Market Borrowing Calendar of the Central Government.

The scheme has been made applicable on 23 Demands for Grants for the time being (with effect from 2007-08), and the Financial Advisers have been made responsible for the implementation of the modified expenditure management system. The scheme provides that in respect of each Demand for Grant, a Monthly Expenditure Plan (MEP), separately

for Plan and Non Plan expenditure would be worked out and included in the suggested format, as an annexure to the said Detailed Demand for Grant. MEP would also form the basis of Quarterly Expenditure Allocations (QEA), implying, the Department/Ministries concerned may not issue cheques beyond the QEA (which would be equivalent to the sum of provisions under MEP), without the prior consent of Ministry of Finance, Cash Management Cell (Budget Division). MEP and the QEA may be made in gross terms.

The Monthly Expenditure Plan may be finalized taking into account that (a) MEP for the month of March may not exceed 15 percent of the budgeted provision (Budget Estimate); (b) MEP for the months of January-March may be so fixed that the QEA for the last quarter may not exceed 33 percent of the budgeted provision; and (c) keeping in view the extant guidelines of Ministry of Finance, Department of Expenditure.

The expenditure control would apply cumulatively at the Demand for Grants level only, i.e. inter se variations between months within a quarter, between Plan and Non Plan and between schemes would be permissible, subject to statutory restrictions and extant guidelines. Savings under the QEA would not be available for automatic carry forward to the next quarter and the Department/Ministry would require to approach Ministry of Finance for revalidation of such savings through modification in the MEP and thereby QEA. Spill over in respect of MEP, not inconsistent with QEA would not require prior revalidation from Ministry of Finance, but may be included in the quarterly modification. The scheme provides that the Ministry of Finance is to consider such requests for revalidation within a period of 15 days of receipt of such request, failing which the request for revalidation would be deemed to have been granted. The scheme further provides that the MEP and QEA pertaining to the 4<sup>th</sup> quarter of the financial year would be subsumed in the finalization of the Revised Estimates for the financial year.

In respect of Demands for Grants not covered by the Modified Exchequer Management System, it has been advised that the expenditure in the last quarter of the financial year may not exceed 33 percent of the budget allocation for those Demands for Grants. However, in the event of Revised Estimate being fixed lower than the Budget Estimate, actual expenditure may be kept within the Revised Estimate.

*(Source: Office Memorandum No. F.No.21(1)-PD/2005 dated December 27, 2006.)*

#### **RE-APPROPRIATIONS:**

The executive Government is allowed to re-appropriate provisions from one sub-head to another within the same Grant, thus altering the destination of

an original provision for one purpose to another, subject to the limits and restrictions laid down. The Comptroller & Auditor General and the Public Accounts Committee reviews these re-appropriations, and wherever necessary, comments on them for taking necessary corrective actions.

As per **Rule 59 of the General Financial Rules**, the provisions relating to the Re-appropriation of Funds, state that:

(1) Subject to the provisions of Rule 10 of the Delegation of Financial Powers Rules, 1978, and also subject to such other general or specific restrictions as may be imposed by the Finance Ministry in this behalf, re-appropriation of funds from one primary unit of appropriation to another such unit within a grant or appropriation, may be sanctioned by a competent authority at any time before the close of the financial year to which such grant or appropriation relates.

(2) Re-appropriation of funds shall be made only when it is known or anticipated that the appropriation for the unit from which funds are to be transferred will not be utilized in full or that savings can be effected in the appropriation for the said unit.

(3) Funds shall not be re-appropriated from a unit with the intention of restoring the diverted appropriation to that unit when savings become available under other units later in the year.

(4) An application for re-appropriation of funds should ordinarily be supported by a statement in Form GFR 4 or any other special form authorized by departmental regulations showing how the excess is proposed to be met. In all orders, sanctioning re-appropriation, the reasons for saving and excess of Rupees 1 lakh or over and the primary units (secondary units, wherever necessary), affected should be invariably stated. The authority sanctioning the re-appropriation should endorse a copy of the order to the Accounts Officer.

**Rule 10 of the Delegation of Financial Powers Rules** lay down the General Restrictions relating to Appropriations and Re-appropriations, which are as follows-

(1) Funds shall not be appropriated or re-appropriated to meet expenditure which has not been sanctioned by an authority competent to sanction it.

(2) Funds provided for charged expenditure shall not be appropriated or re-appropriated to meet votable expenditure and funds provided for voted expenditure shall not be appropriated or re-appropriated to meet charged expenditure.

(3) No re-appropriation shall be made from one Grant or Appropriation for charged expenditure to another Grant or Appropriation for charged expenditure.

(4) Funds shall not be appropriated or re-appropriated to meet expenditure on a new service or new instrument of service not contemplated in the Budget as approved by Parliament.

(5) Expenditure on Works shall be subject to the following further conditions, namely-

(a) Funds shall not be appropriated or re-appropriated to any work which has not received administrative approval and technical sanction as prescribed by the Government from time to time.

(b) The amount appropriated to any work shall not, save with the previous consent of the Finance Ministry, exceed the amount approved or sanctioned for that work by a sum greater than the excess which may be authorized under the rules referred to in clause (a).

Provided that such consent may not be necessary if savings are available elsewhere under appropriate Works Head to re-appropriate funds to cover excess of expenditure over authorized limits up to 15 percent.

(c) Save with the previous consent of the Finance Ministry, no re-appropriation shall be made from the primary unit 'Major Works' to any other unit:

Provided that where such a provision is made under Revenue Head in the budget, a Department of the Central Government shall be competent to re-appropriate funds between the allied primary units 'Major Works', 'Minor Works', 'Maintenance', 'Tools and Plants', included within the same Grant or appropriation and no such re-appropriation shall, however, be made from or to the 'Suspense Head' relating to public work.

(d) (i) Save with the specific approval of Parliament or an advance from the Contingency Fund of India, appropriation or re-appropriation shall not be made to meet an expenditure for a new public work not provided for in the budget, which may cost [ rupees fifty lakhs] or more.

(ii) Save with the previous consent of the Finance Ministry, no re-appropriation shall be made for a new public work costing rupees ten lakhs or above but less than rupees fifty lakhs.

(6) Without the previous consent of the Finance Ministry, no re-appropriation shall be made-

(a) From and to the provision for the Secret Service expenditure;

(b) So as to augment the provision under the primary units 'Salaries', 'Wages', 'Office Expenses' and 'Other Charges', taken together for the entire Grant or Appropriation, except for the exception for the Ministry of Information and Broadcasting as provided vide Note under Rule 10 (6) (b) of DFPR;

(c) from the provisions made for any specified new item of expenditure in a Grant or Appropriation for another purpose;

(d) from funds provided under the Plan Heads to the Non Plan Heads both under Revenue and under Capital Heads; and

(e) so as to augment the provision under the primary unit 'overtime allowance'.

(7) Funds shall not be appropriated or re-appropriated from or to the primary unit of appropriation 'Deputation or Travel abroad of Scientists' over and above the funds provided for in the budget as approved by Parliament.

**(2)** Ministries/Departments will have full powers for re-appropriation of funds from one Plan head to another Plan head in a Grant, except in cases involving foreign exchange provided that-

(i) Commitments are not made beyond the allocations for the schemes during the Plan period; and

(ii) No re-appropriation from Capital to Revenue and vice-versa is made.

**(3)** The Ministries/Departments shall not have powers to make re-appropriation in respect of following types of cases without the prior approval of Finance Ministry-

(i) Re-appropriation of funds to augment the Secretariat expenditure;

(ii) Re-appropriation of funds between direct expenditure in the Revenue Section to Grants in aid to States/Union Territories in the same Section and vice-versa; and

(iii) Re-appropriation of funds between Capital Outlay and loans or vice-versa, in Capital Section.

Some other DFPR provisions related to re-appropriation in brief are as follows-

**(3-A)** Financial Advisers are not to allow diversion of funds to augment provision for travel expenses.

**(4)** Savings in Revenue Section are not available for re-appropriation in Capital Section and vice-versa.

**(5)** Administrative Ministries/Departments may enhance provision under 'Travel Expenses' up to 10 percent.

**(6)** Prior approval of Secretary (Expenditure) is necessary for re-appropriation increasing the budget provision by rupees five crores or more.

**Note:** For detailed provisions relating to above, the relevant rules under DFPR may be referred to.

## **SUPPLEMENTARY DEMANDS FOR GRANTS:**

### **PROCEDURE RELATING TO THE EXAMINATION AND PREPARATION OF SUPPLEMENTARY DEMANDS:**

1. There are three Parliament session in each financial year viz., Monsoon Session, Winter Session and Budget Session. Supplementary Demands for Grants is normally presented in each session of the Parliament, largely owing to the following circumstances-

- When amount authorized during Current Financial Year is insufficient;
- Need has arisen during CFY for additional expenditure on existing service or expenditure on a new service not contemplated in the Annual financial Statement for that year;
- For recouping Contingency Fund Advance.

### **PROVISIONS OF GFR RELATING TO SUPPLEMENTARY DEMANDS FOR GRANTS:**

As per Rule 60 of GFR, if savings are not available within the Grant to which the payment is required to be debited, or if the expenditure is on "New Service" or "New Instrument of Service" not provided in the budget, necessary Supplementary Grant or Appropriation in accordance with Article 115 (1) of the Constitution should be obtained before payment is authorized.

2. Data for preparation of Supplementary Demands for Grants is called for from the Ministries/Departments in the month of June for Monsoon Session, October for Winter Session and January for Budget Session of each year, requesting them to send the data as per the prescribed format within 3 to 4 weeks of the issuance of circular (as per the timelines stipulated).

2.1 During the Monsoon Session, Supplementary Demands are called for the following purposes:-

- Cases where advances from Contingency Fund of India have been granted, which are required to be recouped to the Fund,
- Payment against court decree, which cannot be postponed, and
- Urgent cases of additional requirement of funds to be met by re-appropriation of savings in the Grant which attracts the limitation of New Service/New Instrument of Service.

Supplementary for additional cash outgo are discouraged during the First batch of Supplementary, as the trend of expenditure till May of each year

cannot form the basis of concluding that there will be no savings of Budgeted funds.

2.2 During the Winter Session, Supplementary Demands are called for the following purposes:-

- Cases where advances from Contingency Fund of India have been granted, which are required to be recouped to the Fund,
- Payment against court decree, which cannot be postponed,
- Urgent cases of additional requirement of funds to be met by re-appropriation of savings in the Grant which attracts the limitation of New Service/New Instrument of Service, and
- Cases where Ministry of Finance has specifically advised moving of Supplementary Demand in the Winter Session.

2.3 During the Budget Session, Supplementary Demands are called for the following purposes:-

- Cases where advances from Contingency Fund of India have been granted, which are required to be recouped to the Fund,
- In cases where the approved Revised Estimates would result in excess over the sanctioned provision in the Grant. The excess is separately assessed for the Revenue expenditure, Capital expenditure, the Voted expenditure and the Charged expenditure included in the Grant. Thus the Supplementary Demands will be required in cases where additional provision is required over and above the original budget provision plus the additional provisions granted in the first and second batches of the Supplementary Demands for Grants plus the advances sanctioned from the Contingency Fund of India, if any.
- Payment against court decree, which cannot be postponed,
- Urgent cases of additional requirement of funds to be met by re-appropriation of savings in the Grant which attracts the limitation of New Service/New Instrument of Service, and
- Cases where Ministry of Finance has specifically advised moving of Supplementary Demand in the Budget Session.

### **REVISED ESTIMATES**

Revised Estimates are mid-year review of possible expenditure, taking into account the trend of expenditure, New Service, New Instrument of Services, etc. Revised Estimates are not voted by Parliament, and hence by itself does not provide any authority for expenditure. Therefore, any additional

projections made in the Revised Estimates needs to be authorized for expenditure through Parliament's approval (in case of New Service/New Instrument of Service, etc) or by Re-appropriation order as per Delegation For Financial Power Rules. The 3<sup>rd</sup> batch of Supplementary Demands presented in the Parliament during the Budget Session takes into account the Revised Estimates projections and also Post Revised Estimates developments.

## 2.4 Annexure to Supplementary Demands

As recommended by the Public Accounts Committee, any order for re-appropriation, issued during a financial year, which has the effect of increasing the budget provision under a sub-head or standard object head by more than the limit specified in Budget Division's OM No. F.1(23)-B(AC)/2005 dated May 25, 2006 or as mentioned in the Delegation of Financial Power Rules, is required to be reported to Parliament along with the final batch of the Supplementary Demands for Grants. This information is also called for from the Ministries/Departments by the Budget Division.

## 3. Types of Supplementary Demands for Grants

On the basis of the Supplementary Demands for Grants received from various Ministries/Departments, Supplementary Demands can be classified into three categories, which are as follows:

### 3.1 Cash Supplementary

- This supplementary is over and above the original budget provisions and results in enhancement of the allocation for the Demand/Grant. For Example, if a sum of ` 1000 crore is sought for by a line Ministry for payment of Subsidy and the Ministry is unable to find any savings within the Demand/Grant, then the additional fund sought for, in case it is agreed to be provided, results in cash supplementary or enhancement of the overall allocation for the Demand/Grant.
- Cash Supplementary impacts the fiscal/revenue deficit.
- Cash supplementary should be obtained as a last resort and after proper due diligence.
- Cash supplementary is required to have specific approval of Secretary (Expenditure).

### 3.2 Technical Supplementary

- There are 4 Sections in each Demand viz., Revenue-Voted, Revenue-Charged, Capital-Voted and Capital-Charged. When there is a saving in one of the Sections e.g. Revenue-

Voted and the same is proposed to be utilized for another scheme under Capital-Voted section, the same can be done after obtaining approval of Parliament through 'Technical Supplementary'.

- There are three occasion when technical supplementary is sought viz., (a) surrender from one of the 4 sections mentioned above and utilizing the same in other section within the Demand, (b) transfer of a scheme from one Demand to another Demand which will result in surrender of the amount from the Demand which has transferred the scheme and utilization of the same in the other Demand, where the scheme has been transferred, and (c) waivers/write offs.
- Technical Supplementary, if resorted between the Revenue and Capital sections of the Grant, has an impact on the revenue deficit position but does not change the fiscal deficit position.

### 3.3 Token Supplementary

- Token supplementary of ` 0.01 crore is obtained when due to NS/NIS limits, approval of Parliament is required for Reappropriation towards utilizing the savings within the same section of the Demand. For example, if under revenue section there are savings under a major head which is proposed to be utilized in another major head but falls within the purview of NS/NIS limits for expenditure, the same can be made available for re-appropriation after obtaining of a token supplementary. Token supplementary does not alter revenue/fiscal deficit position.

4. Ministries/Departments are required to review their requirements on the following broad guidelines, before firming up their proposals for the supplementary demands for grants:

- Need for economy and rationalisation of expenditure;
- A thorough review of expenditure to explore the possibility of meeting the requirements for additionality through Token or Technical Supplementary;
- No new schemes and programmes, except those that are part of the Budget announcements should normally be introduced during the course of the financial year;
- Additional expenditure over and above the prescribed approved ceiling for individual schemes may not be ordinarily permitted;
- If there is an amendment to the existing scheme leading to

requirements for additionality, Ministries/Departments should explore and locate matching savings from other schemes/projects in the Demand;

- The mandatory cuts in terms of the austerity instructions should be enforced before determining the requirements for additionality;
- The proposal for Supplementary Demand should be made only when the programme/scheme for which additional provision is sought has been approved by competent authority and should be limited to the funding requirements within the relevant financial year.

Apart from the above measures the Ministries/Departments should carefully review the supplementary demands proposal to ensure that-

- Demand Number and Headings are correctly entered;
- Classification of Expenditure is made correctly viz., Capital/ Revenue or Plan/Non Plan/Major Head Number/Nomenclature.
- Ensuring the forwarding/submission of a Nil Proposal to the Budget Division, if there is no proposal for supplementary demand.
- Public Accounts Committee has been repeatedly commenting adversely on the increasing incidence of obtaining Supplementary Demands which at times are much higher than the original budget provisions, and thereby *indicating at defects in budgeting*. Similarly, there are instances of obtaining large provisions through Supplementary demands but surrendering at the close of the financial year, and therefore needs to be watched very carefully before making any demands for additionality through the Supplementary Demands for Grants.

##### **5. Check list for printing of Supplementary Demands for Grants**

- Budget Press printouts should be cross checked with the Approved Supplementaries.
- Presentation protocol should be maintained e.g. Charged Expenditure must be shown in Italics.
- In case of voted expenditure it should be clearly mentioned that Supplementary *Grant* is being obtained and in case of Charged

expenditure it should be clearly mentioned that Supplementary *Appropriation* is being obtained.

- Write up or narration for each Supplementary must be precise, unambiguous and without any abbreviations.

To maintain uniformity following 'Suffix Sentences' are suggested;

##### **Cash Supplementary**

'..... This will entail cash outgo.' OR  
'.....As savings of ` \_\_\_\_are available within the \_\_\_\_\_Section of the Grant this will entail cash outgo of ` \_\_\_\_.

##### **Technical Supplementary**

..... As an equivalent amount will be surrendered from the \_\_\_\_\_ Section of the Grant, there will be no cash outgo.

##### **Token Supplementary**

..... As savings are available within the same section of the grant, a token supplementary is sought.

- In case of Contingency Fund of India Advance, the same must be indicated in the write-up in terms of the Note-1 and 2 of Appendix-7 of GFR.
- CFI Advances must be regularized WITHOUT FAIL.
- All supplementary proposals should be sent with detailed background material for requirements during the parliamentary discussion.
- Approved Draft of Supplementary must be VETTED by the concerned Ministries/Departments.
- Items requiring to be reported to Parliament must be carefully reviewed and sent within the prescribed timelines.
- Major Heads and their nomenclature must be correctly indicated as per List of Major and Minor Heads of Account maintained by CGA.
- In case of enhanced recoveries the same should be clearly mentioned in the Supplementary Demands for grants and similarly, in case of additional receipts or surrenders from other Demands due to transfer of work from that Ministry, the same should be indicated in the write-up.
- Limits up to which expenditure can be met by re-appropriation of savings in a Grant subject to report to Parliament as laid down in MOF's OM No. F.1(23)-B(AC)/2005 dated 25.5.2006, should be scrupulously followed.
- All the corrections/changes in the approved Supplementaries must be routed through US/DD of Supplementary Demands Section only.



## 6. Format of Supplementary Demands for Grants

- **Introductory Notes**---a brief note is prepared on the nature of Cash/Technical/Token Supplementary to enable MPs to have an idea of the proposed Supplementary.
- **Content**---will briefly indicate the nature of expenditure in the Demand for which Supplementary is being obtained along with the page number.
- Demand wise Supplementary Demands describing Revenue and Capital Expenditure [Original + Supplementary Grant and Total] is also shown
- Contains details of Major Head wise Supplementary Demand Plan/Non-Plan wise; and each Demand contains a brief write-up explaining the purpose of the supplementary demand.
- Annexure as reported by the Ministries/Departments are included for reporting to Parliament.

## 7. Legislative Business connected with the Supplementary Demands for Grants

- Approval of Finance Minister is obtained for the consolidated Supplementary Demands for Grant, briefly indicating the Plan/Non-Plan wise Cash, Technical and Token Supplementary Demands (Format is same as Introductory Notes and is required to be prepared by the SD Section of Budget Division).
- Summary of Proposals is approved by Finance Minister for seeking recommendations of President of India for making the Demands in the Parliament.
- After President recommends the making of Demand in the Parliament, necessary notices for Discussion, Introduction, Consideration, Voting and Passing of the Demands are issued to Speaker, and the Secretary General, Lok Sabha.
- Notices are also issued by Budget Division duly indicating the intention of Finance Minister to table the Supplementary Demand for Grants in Lok Sabha/Rajya Sabha.
- A brief for FM is prepared by Budget Division to enable FM to facilitate reply to the Members of Parliament.
- A copy of the Appropriation Bill is sent to Ministry of Law and Justice along with the Schedules for vetting purposes.
- Finance Minister tables the Supplementary Demand for Grants both in Lok Sabha and Rajya Sabha on the appointed day. Parliament Section, Ministry of Finance prepares the

necessary address as per the prescribed format.

- Thereafter the Supplementary Demands are taken up for discussion in Lok Sabha.
- In the meanwhile, Law Ministry sends the draft copy of the Appropriation Bill to Budget Division for vetting purposes.
- The same is sent back to Lok Sabha Secretariat after vetting in the Supplementary Demands section.
- On conclusion of the Discussions on the Supplementary Demand, FM normally rises to reply to the debate, after which the Supplementary Demands for Grants is put to the vote of Lok Sabha.
- Thereafter the connected Appropriation Bill is put for (a) Introduction, (b) Consideration & (c) Passing by the Lok Sabha. [Speech as per normal template is prepared by Parliament Section, Ministry of Finance].
- Budget Division gets a copy of the Appropriation Bill passed by Lok Sabha and seeks Hon'ble President's recommendations for making the Demand to Rajya Sabha.
- Discussion takes place in Rajya Sabha as scheduled.
- After discussions and reply by Finance Minister, the Bill is put for consideration and Return by Rajya Sabha (necessary speeches for returning of Bill, etc is prepared by Parliament Section, Ministry of Finance).
- The Bill is then sent to President by Lok Sabha Speaker for necessary assent.
- After the assent of President, the Bill becomes an Act of Parliament and is published in the Official Gazette.
- After publication in the Official Gazette, necessary notification is issued by Budget Division to this effect. Expenditure as per the Supplementary Demands for Grants can be incurred by Ministries/Departments only after the completion of this entire process of Parliamentary approvals.

(The letters to Lok Sabha and Rajya Sabha with regard to the Supplementary Demands for Grants are placed at Annexure I of Chapter VI).

An excess over the sanctioned Grant or Appropriation may arise owing to either –

(a) an unforeseen emergency; or

(b) under-estimated or insufficient allowance for factors leading to the growth of expenditure.

In the case of an excess of either type the Head of the Department or the Controlling Officer concerned should proceed as follows :-

(i) He should, in the first place, examine the allotments given to other Disbursing Officers under the same detailed head within the unit of appropriation, and transfer to the Disbursing Officer who requires an additional allotment such sum as can be permanently or temporarily spared. Since appropriation audit is ordinarily conducted against total allotments for a unit, re-appropriation in the technical sense of the word is not involved in such cases. The process amounts only to redistribution which the Controlling Officer can ordinarily effect without reference to any other authority.

(ii) Should he find such redistribution impossible he should examine the allotments against other detailed heads inside the primary units of appropriation, with the object of discovering probable savings and effecting a transfer. Where such redistribution is feasible, he should if he has been vested with the necessary powers, carry it out. Otherwise, he should obtain the sanction of the competent authority.

(iii) If the provision of funds from within the primary units proves to be impossible, an examination of the whole grant should be undertaken to see whether there are likely to be savings under any of the other units of grant or appropriation which can be utilized to meet it. If so, he should proceed as indicated in Clause (ii) above.

(iv) If such savings are not available, it should be seen whether special economies can be effected under other primary units of appropriation. If funds cannot be provided by either of these methods, it will have to be considered whether the excess should be met by postponement of expenditure or whether an application for supplementary grant or appropriation should be made.

(v) The Supplementary Demand for Grants shall be presented to the Parliament in a number of batches as decided by the Ministry of Finance, Department of Economic Affairs. The first batch shall normally consist of requirements of the following nature :-

(a) Cases where advances from Contingency Fund of India have been granted, which are required to be recouped to the Fund.

(b) Payment against a court decree, which cannot be postponed; and

(c) Cases of additional requirement of funds for making immediate payments, which can be met by re-appropriation of savings in the Grant but attract the limitation of New Service / New Instrument of Service.

(vi) All applications for supplementary grants or appropriations should be submitted by the Department of the Central Government administratively concerned to the Finance Ministry on such dates and in such forms / batches as may be prescribed by the latter from time to time.

(vii) On receipt of an application for a supplementary grant, the Finance Ministry will review the position of the grant of appropriation as a whole with reference to the known actual expenditure of the year (to date) and the actual and estimates for previous years. If after this examination, the Finance Ministry comes to the conclusion that it should be possible for the Administrative Department to meet the expenditure from within the sanctioned grant either from normal savings or by special economies or in the last resort by judicious postponement of other expenditure or in the last resort by judicious postponement of other expenditure, the Administrative Department will be so informed and no supplementary demand will be presented to Parliament. If, on the other hand, the Finance Ministry considers that a supplementary grant will be necessary, a demand will be placed before Parliament.

(viii) If during the course of the year it is found necessary to incur expenditure on a 'New Service' not provided for in the annual budget the Administrative Department shall explain to the Finance Ministry why the expenditure was not provided for in the original budget and why it cannot be postponed for consideration in connection with the next budget. The Finance Ministry, if satisfied on these points, will consider whether it would not be reasonable to ask the department concerned to curtail its other expenditure so as to keep the total within the grant. Ordinarily, no "new service" or item will be accepted by the Finance Ministry, unless the department concerned can guarantee that the extra expenditure will be met from normal savings or by special economies within the grant. Cases which involve additional grant will normally be accepted by the Finance Ministry only if they relate to matters of real imperative necessity or to the earning or safeguarding of revenue. The demand for a supplementary grant of appropriation or a token vote in respect of a "new service" will be presented to Parliament as soon as practicable after the need arises.

#### **NEW SERVICE/NEW INSTRUMENT OF SERVICE (NS/NIS):**

The expression 'New Service' is available in Article 115 and 205 of the Constitution, but the Constitution does not define the expression 'New Service'. Expenditure on 'New Service' not contemplated in the budget of that year, cannot be incurred in any financial year, except after obtaining a supplementary grant or appropriation or an advance from the Contingency Fund of India. It was decided by the Government of India in September 1975 that 'Vote On Account' would not be used for such expenditure since it has the limited purpose of enabling Government to continue incurring expenditure at the beginning of the financial year on existing establishments and continuing projects, etc. till such time the annual budget is approved relevant

Appropriation Acts are passed, while 'New Service' requires a detailed scrutiny and consideration.

The details in respect of any proposal for inclusion of provision for a new service are required to be furnished in the prescribed form called 'Memorandum for Proposals Involving Expenditure on New Service or New Instrument of Service'

In accordance with the commitment made in the Fiscal Policy Strategy Statement (Budget 2005-06) under the mandate of the Fiscal Responsibility and Budget Management (FRBM) Legislation and in pursuance of the approval of Public Accounts Committee (2005-2006) in the twenty third report (Fourteenth Lok Sabha) on the proposal for review of Financial Limits to be observed in determining the cases relating to 'New Service'/New Instrument Of Service' for re-appropriation of funds (Annex), which has the concurrence of the C&AG, the revised guidelines for re-appropriation of funds were conveyed vide O.M. No.F.1 (23)-B (AC)/2005, dated 25th May, 2006, in modification of Finance Ministry's Office Memorandum No.F.7(15)-B(RA)/82 dated 13th April, 1982. The broad guidelines in the revised O.M. are as follows-

**Definition:**

(i) 'New Service', as appearing in article 115(1)(a) of the Constitution of India, this has been held as referring to expenditure arising out of a new policy decision, not brought to the notice of Parliament earlier, including a new activity or a new form of investment.

(ii) 'New Instrument of Service' refers to relatively large expenditure arising out of important expansion of an existing activity.

(iii) While using these terms and applying the financial limits as indicated in the Annex.II of the O.M., it needs to be noted that no expenditure can be incurred from the Consolidated Fund of India on a 'New Service'/New instrument of Service' without prior approval of Parliament through supplementary demands for grants. Further, the determination of these financial limits will be with reference to Primary Unit of Appropriation.

(iv) Where in an emergent case of 'New Service'/New Instrument of Service' it is not possible to wait for prior approval of Parliament, the Contingency Fund of India can be drawn upon for meeting the expenditure pending its authorization by Parliament. Recourse to this arrangement should normally be taken only when Parliament is not in session. Such advances are required to be recouped to the Fund by obtaining a Supplementary Grant in the immediate next session of Parliament. However, once Parliament is in session, a Supplementary Grant should preferably be obtained before incurring any expenditure on a 'New Service'/New Instrument of Service'. That is to say, recourse to Contingency

Fund of India should be taken only in cases of extreme urgency; in such cases the following procedure recommended by the Sixth Lok Sabha Committee on paper laid on the Table in their 4th Report should be observed. "As far as possible, before such withdrawal is made, the concerned Minister may make a statement on the floor of the Lok Sabha for information giving details of the amount and the scheme for which the money is needed. In emergent cases, however, where it is not possible to inform the Members in advance, the withdrawal may be made from the Contingency Fund and soon thereafter a statement may be laid on the Table of the Lok Sabha for the information of the Members". It has been suggested by the Raja Sabha Secretariat that the above procedure may also be observed in Raja Sabha.

Checks to be Observed by the Ministries/Departments to Ensure Compliance of the Provisions of this Office Memorandum are as under:

**(i) By Integrated Finance Division/Budget Unit:** A specific certificate should be recorded in each case involving augmentation of sanctioned provision on receipt of related proposals to the effect that the proposed augmentation attracts/does not attract financial limits of 'New Service'/New instrument of Service'.

**(ii) By PAOs:** Each expenditure sanction to be examined by PAOs from the 'New Service'/New Instrument of Service' angle keeping in view the financial limits indicated in the Annex.

Where any doubt arises about the application of financial limits of 'New Service'/New Instrument of Service' the PAO would seek decision from CCA/FA of appropriate jurisdiction.

Circumstances For Obtaining Supplementary Grants For Expenditure Qualifying As 'New Service'/New Instrument Of Service' And The Reporting Procedure Thereof Are As Follows:

(i) If sufficient savings are available within the same section of the relevant grants for meeting additional expenditure to the extent mentioned in column 2 of the annex, re-appropriation can be made, subject to report to Parliament.

(ii) The report to Parliament should ordinarily be made through the ensuing batch of Supplementary Demands for Grants, failing which by adding an Annex in the Detailed Demands of the Ministry/Department for the ensuing year.

(iii) A suitable write up of such cases where possible, may also be made in the Notes on Demands for Grants of the Ministry/Department.

(iv) Mere depiction of augmented provision in the Revised Estimates included in the Demands for Grants will not be adequate to meet the requirement to incur expenditure. In cases where the financial limits of 'New Service'/New Instrument of Service' are

attracted, approval of Parliament may be obtained for incurring such expenditure through supplementary demands for grants.

(v) The provisions in the 'Vote on Account' are not intended to be used for expenditure on any 'New Service'. In cases of urgency, expenditure on a 'New Service' during Vote on Account period can, therefore, be incurred only by obtaining an advance from the Contingency Fund in the manner recommended by the Sixth Lok Sabha Committee on the Papers Laid on the Table already referred to in Para 2(iv) of this OM. Such advances will be resumed to the Contingency Fund on enactment of Appropriation Act in respect of expenditure for the whole year.

### **Exceptions:**

(i) Having regard to the volume and nature of Government transactions, it is not possible to list out all such cases which are not attracted by 'New Service'/'New Instrument of Service' limits. Broadly, however, expenditure on normal activities of Government (such as normal administrative expenditure – including that resulting from re-organization of Ministries/Departments, holding of conferences, seminars exhibitions surveyors feasibility study etc. assistance to foreign contribution to international bodies and fulfillment of Government guarantee on its invocation) are not attracted by the limits of 'New Service'/'New Instrument of Service'.

(ii) Transfers to State and Union Territory Governments are also exempt from these provided the scheme is not new.

(iii) Further, these limits are applicable only to expenditure, which is subject to Vote of Parliament.

### **Doubtful Cases:**

In cases of disagreement between the Integrated Finance Wing and Pay and Accounts Office, the Ministry/Department may send a self contained communication to the Budget Division, Ministry of Finance bringing out the specific point of doubt incorporating their Financial Advisor's views thereon. The decision taken by the Budget Division in the matter will be final.

### **Conclusion:**

While agreeing to the revision of norms for re-appropriation of funds as annexed the Public Accounts Committee in its twenty third report (Fourteenth Lok Sabha) has concluded by stating as under: "The committee also expects the Financial Advisors of the Ministries/Departments to ensure that there is no violation in implementation of the said revised norms for re-appropriation of funds and any slackness in complying with the said norms is strictly dealt with".

*Note: The Table indicating the NS/NIS limits or at Annexure II of Chapter VI.*

### **EXCESS GRANTS:**

For additional allotment on account of Excess Expenditure, Rule 58 of GFR lays the following guidelines-

(1) A subordinate authority incurring the expenditure will be responsible for seeing that the allotment placed at its disposal is not exceeded. Where any excess over the allotment is apprehended, the subordinate authority should obtain additional allotment before incurring the excess expenditure. For this purpose, the authorities incurring expenditure should maintain a 'Liability Register' in Form GFR 6.

(2) A Disbursing Officer may not, on his own authority, authorize any payment in excess of the funds placed at his disposal. If the Disbursing Officer is called upon to honour a claim, which is certain to produce an excess over the allotment or appropriation at his disposal, he should take the orders of the administrative authority to which he is subordinate before authorizing payment of the claim in question. The administrative authority will then arrange to provide funds either by re-appropriation or by obtaining a Supplementary Grant or Appropriation or an advance from the Contingency Fund.

However, if the total expenditure under a Grant exceeds the provision allowed through its original Grant and Supplementary Grant, if any, the excess requires regularization by obtaining excess Grant from the Parliament under Article 115 of the Constitution, after going through the whole process as in the case of the annual budget, i.e. through presentation of Demands for Grants and passing of Appropriation Bills.

### **OTHER BUDGET RELATED PROVISIONS OF THE GENERAL FINANCIAL RULES (GFR):**

Some other budget related provisions of the General Financial Rules are as follows:

#### **Rule 53 of GFR, Maintenance of Liability Register for effecting proper control over expenditure:**

In order to maintain proper control over expenditure, a Controlling Officer should obtain from the spending authorities liability statements in Form GFR 6-A every month, starting from the month of October in each financial year. The Controlling Officer should also maintain a Liability Register in Form GFR 6.

#### **Rule 54 of GFR, Personal attention of the Head of Department / Controlling Officer required for estimating savings or excesses:**

A Head of Department or Controlling Officer should be in a position to estimate the likelihood of savings or excesses every month and to regularize

them in accordance with the instructions laid down in **Rule 56**.

**Rule 55 of GFR, Control of expenditure against grant/appropriation and ultimate responsibility of the authority administering it:**

The Accounts Officer should report to the Head of the Department concerned immediately on the first appearance of any disproportionate expenditure, particularly in respect of recurring items of expenditure under any grant or appropriation or a primary unit of appropriation thereof. However, the authority administering a grant/appropriation is ultimately responsible for the control of expenditure against the grant / appropriation and not the Accounts Officer.

**Rule 56 of GFR, Surrender of Savings:**

(1) Departments of the Central Government shall surrender to the Finance Ministry, by the dates prescribed by that Ministry before the close of the financial year, all the anticipated savings noticed in the Grants or Appropriations controlled by them. The Finance Ministry shall communicate the acceptance of such surrenders as are accepted by them to the Accounts Officer, before the close of the year. The funds provided during the financial year and not utilized before the close of that financial year shall stand lapsed at the close of the financial year.

(2) The savings as well as provisions that cannot be profitably utilised should be surrendered to Government immediately when they are foreseen without waiting till the end of the year. No savings should be held in reserve for possible future excesses.

(3) Rush of expenditure, particularly in the closing months of the Financial year, shall be regarded as a breach of financial propriety and shall be avoided.

**Rule 57 of GFR, Expenditure on New Service:**

No expenditure shall be incurred during a financial year on a "New Service" not contemplated in the Annual Budget for the year except after obtaining a supplementary grant or appropriation or an advance from the Contingency Fund during that year.

**Rule 61(1) of GFR, Advance from Contingency Fund:**

When a need arises to incur unforeseen expenditure in excess of the sanctioned grant or appropriation or on a new service not provided in Budget and sufficient time is not available for the voting of the Supplementary Demand and the passing of the connected appropriation bill before close of the financial year by the Parliament, an advance from the Contingency Fund set up under Article 267 (1) of the Constitution shall be obtained before incurring the expenditure.

(2) An advance from the Contingency Fund shall also be obtained to meet expenditure in excess of the provisions for the service included in an Appropriation (Vote on Account) Act.

(3) The application for an advance from the Contingency Fund should indicate *inter alia* the particulars of the additional expenditure involved and the sanction to the advance has also to indicate the sub-head and the primary unit of the Grant to which the expenditure appropriately relates. In case, however, any difficulty is felt, the matter should be referred to the Finance Ministry for clarification.

(4) The procedure for obtaining an advance from the Contingency Fund and recoument of the Fund shall be as laid down in the Contingency Fund of India Rules, 1952, as amended from time to time. For ready reference, rules have been placed at Appendix – 7 to this volume. Annexure I of Chapter III.

**Rule 62 of GFR, Inevitable Payments:**

(i) Subject to the provisions of Article 114 (3) of the Constitution, money indisputably payable by Government shall not ordinarily be left unpaid.

(ii) Suitable provision for anticipated liabilities should invariably be made in Demands for Grants to be placed before Parliament.

**Rule 64 of GFR, Duties and Responsibilities of the Chief Accounting Authority:**

The Secretary of a Ministry / Department who is the Chief Accounting Authority of the Ministry / Department shall

(i) be responsible and accountable for financial management of his Ministry or Department.

(ii) ensure that the public funds appropriated to the Ministry or Department are used for the purpose for which they were meant.

(iii) be responsible for the effective, efficient, economical and transparent use of the resources of the Ministry or Department in achieving the stated project objectives of that Ministry or Department, whilst complying with performance standards.

(iv) appear before the Committee on Public Accounts and any other Parliamentary Committee for examination.

(v) review and monitor regularly the performance of the programmes and projects assigned to his Ministry to determine whether stated objectives are achieved.

(vi) be responsible for preparation of expenditure and other statements relating to his Ministry or Department as required by regulations, guidelines or directives issued by Ministry of Finance.

(vii) shall ensure that his Ministry or Department maintains full and proper records of financial

transactions and adopts systems and procedures that will at all times afford internal controls.

(viii) shall ensure that his Ministry or Department follows the Government procurement procedure for execution of works, as well as for procurement of services and supplies, and implements it in a fair, equitable, transparent, competitive and cost-effective manner;

(ix) shall take effective and appropriate steps to ensure his Ministry or Department : -

(a) collects all moneys due to the Government and

(b) avoids unauthorized, irregular and wasteful expenditure

#### **INTERNAL AUDIT:**

It is recognised that the continuing examination of the accounting and financial records, of systems and procedures, and of compliance with stated management policies, are essential elements of public policy and internal audit in this direction is a tool of positive help to public administration. Accordingly each ministry and department of the Union Government has a special unit under the direct control and supervision of Financial Advisers. The important findings of this unit are submitted to the Secretaries of the Ministries concerned for necessary corrective action.

The scheme of departmentalization of Union Government accounts provides for setting up of an efficient internal audit organization to ensure accuracy in accounts and efficiency in the operation of the accounts set up. Internal Audit organizations have accordingly been set up in most of the Ministries/Departments. The guidelines issued by the Controller General of Accounts regulate the working of these organizations. These guidelines are however, broad in nature and have to be supplemented by detailed instructions issued by each Ministry/Department.

#### **INTERNAL AUDIT PROVISIONS AS PER NEW CHARTER FOR FINANCIAL ADVISERS:**

As per the new charter of duties and responsibilities issued by the Secretary, Department of Expenditure, Ministry of Finance, as part of the Revised Redefined Charter for Financial Advisers, the following functions in relation to Internal Audit will be carried out by the Chief Controllers of Accounts as per the guidelines issued by the Controller General of Accounts from time to time-

- (i) The appraisal, monitoring and evaluation of individual schemes;
- (ii) Assessment of adequacy and effectiveness of internal controls in general, and soundness of financial systems and reliability

of financial and accounting reports in particular;

(iii) Identification and monitoring of risk factors including those contained in the Outcome Budget;

(iv) Critical assessment of economy, efficiency and effectiveness of service delivery mechanism to ensure value for money; and

(v) Providing an effective monitoring system to facilitate mid course corrections.

#### **OTHER BUDGET RELATED PROVISIONS IN THE DELEGATION OF FINANCIAL POWERS RULES (DFPR):**

Some other important and budget related Delegation of Financial Rules (DFPR) provisions are briefly as under-

**Rule 6, Effect of Sanction:** It provides that no expenditure shall be incurred against a sanction unless funds are made available to meet the expenditure or liability by valid Appropriation or Reappropriation.

**Rule 7, Provision of Funds by Parliament:** This rule mentions that the Demands for Grants and Appropriations for charged expenditure are presented to Parliament on behalf of the appropriate Ministry or authority concerned and that it is only after demands have been voted and the necessary Appropriation Act passed by Parliament, that the amounts so authorized become available to the Ministry or authority concerned for Appropriation or Reappropriation to meet sanctioned expenditure.

**Rule 8, Primary Units of Appropriation:** This Rule lists the standardized list of the Primary Units of Appropriation or the Object Heads and the six tier classification system in the Government accounts.

**Rule 9, Allotment of Funds:** This Rule provides that the Ministry or authority on whose behalf a Grant or Appropriation for charged expenditure is authorized by Parliament shall distribute the sanctioned funds, where necessary, among the controlling and disbursing officers subordinate to it.

It also provides that subject to special rules or orders issued by the President the whole or part of provision under a primary unit may be placed at the disposal of a controlling or a disbursing officer, or the primary unit may be broken into a number of secondary units and the provision under any of these, wholly or in part, may be placed at the disposal of the controlling or the disbursing officers.

**Rule 10, Appropriation and Re-appropriation-General Restrictions:** This rule lists out the general restrictions relating to the Appropriations and Re-appropriations.

**Rule 13, Powers of Subordinate Authorities:** This rule provides for the delegations in respect of

the subordinate authorities, including for Appropriations and Re-appropriations.

**Rule 18, Expenditure on Schemes and Projects:** This rule provides for the delegation of powers in relation to the sanction of expenditure on schemes and projects and the procedures relating to the Appraisal and Approval of Plan Schemes/Projects and the sanction of Non Plan expenditure.

#### **COMMON TYPES OF BUDGETARY ERRORS:**

The main criticisms in the Audit Reports of recent years and recommendations of the Public Accounts Committees thereon on the irregularities noticed in Appropriation Accounts have been directed towards the following irregularities:-

- (1) Defective or inaccurate budgeting, necessitating large surrenders or excesses.
- (2) Defective control of expenditure resulting in -
  - (a) Unnecessary or excessive supplementary grants,
  - (b) Unnecessary or excessive re-appropriations,
  - (c) Injudicious re-appropriations and surrenders causing excess over allotments,
  - (d) Unspent amount and surrendered appropriations,
  - (e) Un-remedied or uncovered Excess expenditure,
  - (f) Delayed allocations.
- (3) Misclassification of expenditure.

From a perusal of earlier chapters it will be seen that if the instructions given therein are closely and carefully followed and if the controlling and disbursing officers give the necessary personal attention to the control of expenditure, these irregularities can be avoided/satisfactorily reduced. To indicate how this is possible, each irregularity indicated above is, even at the cost of repetition dealt with seriatim.

As regards defective or inaccurate budgeting, foresight may not always be possible; but where the omission or inaccuracy is the result of lack of forethought, neglect of the obvious or slipshod estimating, it is not readily excusable. There is no reason why heads of departments should not be able to foresee the needs of their own departments. The check of the administrative or Finance Department, over the departmental estimates cannot be as close or as that of the estimating officers themselves and, therefore, accuracy in budgeting must start upwards from the lowest stage of estimating. The golden rule for all estimating officers should be to provide in the budget for everything that can be foreseen and to provide only as much as is necessary.

The administrative and Finance Departments should, in checking the estimates, apply unrelentingly the proven and well tried check of average of

previous actuals with known or reasonably foreseeable facts which may modify that average. Against the close and intimate knowledge of the estimating officers must be set the wider perspective of the administrative and Finance Wings and with a right combination of these requisites of sound budgeting, there is little possibility for normal expenditure to differ widely from the budget provision.

As regards defective control over expenditure, the statements for supplementary demands, surrenders, and re-appropriations are generally based on mid-year revised estimates, or even later i.e., at a stage when the figures of actuals of expenditure for a major part of the year are available and it only remains for the controlling officers to estimate the expenditure during the remaining portion of the year and allow for adjustments towards or at the end of the year. Thus the scope for the occurrence of any abnormal features is considerably reduced and consequently if the estimates are prepared with the required care, attention and foresight, the chances of excesses or savings should be very small,

The best remedy for avoiding these irregularities, therefore, is to devote considerable attention to the accuracy of the revised estimates. This cannot be done unless the heads of departments are fully conversant with the month to month progress of expenditure. For this purpose it is essential that they should insist on their staff following strictly the procedure laid down for the reconciliation of departmental accounts with the books of the Accounts Wing (Controllers/Chief Controllers of Accounts). It is also necessary that a careful watch should be kept of all liabilities for which debits may be raised by other departments or Governments and due allowance for such adjustments should be made before surrenders or re-appropriations from an allocation are decided upon.

When the need for surrender manifests itself, the controlling officers should carefully estimate the amounts that they can surrender. The aim should be to surrender as much as they can so as to keep the expenditure just within the modified grant. Surrenders are being made generally in the month of March, and a careful study of figures of expenditure incurred and watch over the progress of last month's expenditure should enable a controlling officer to fix upon his final requirements with a reasonable degree of exactness.

Re-appropriation is generally necessitated either due to excess requirements on items provided in the budget or by additional expenditure not contemplated in the budget. In either case a re-appropriation should not follow as a matter of course but after a careful estimate of the likely actual expenditure. More especially, in the latter case, the possibility of savings under the same head which can be utilized towards meeting the additional expenditure should be fully and thoroughly investigated. In addition to these, it has been pointed out many times in the audit reports

of the Comptroller and Auditor General that the necessary limits and restrictions relating to the Re-appropriations as laid down vide the Delegation of Financial Powers Rules are not abided by the Ministries/Departments.

No object is served by keeping back savings which should ideally be surrendered in time. For this reason appropriations which are likely to remain unspent must be reported for surrender as early as possible. If this is not done, other spending Ministries/Departments are deprived of the funds which they could have utilized and thus avoidable demands for supplementary grants are preferred.

An uncovered excess is a serious irregularity. It is open to a competent authority to sanction re-appropriations even at a very late stage of the financial year. There is, therefore, no reason whatsoever why large excesses should accrue. Large excesses unmistakably reveal a defective control of expenditure by the officer concerned and should be strictly avoided.

Efforts should also be made to see, as far as possible, that no expenditure is incurred in the absence of an allocation. In this connection it is useful to remember that phrases like "source will be pointed out later" or "necessary re-appropriation of funds will be sanctioned in due course" are no substitutes for definite allocations. At all events, allocations very late in the year should be avoided unless they are inevitable. Funds placed at the disposal of a disbursing officer late in the year may very often be looked upon as an invitation to extravagance or rush of expenditure.

Misclassification generally occurs, as a result of reluctance to consider the relevant accounts publications at the time of classification. In any case, at the time of reconciliation of the departmental accounts with the Chief Controllers of Accounts/Controllers of Accounts books, it should be possible to correct errors in classification. In cases of real doubt, the matter of classification should be settled with the Controller General of Accounts/Budget Division.

#### **SOME OTHER COMMON BUDGET RELATED ISSUES THAT REQUIRES TO BE WATCHED CLOSELY:**

(1) That there should be provision of funds authorized by competent authority fixing the limits within which expenditure can be incurred;

(2) that the expenditure incurred should conform to the relevant provisions of the Appropriation Act, the Constitution and the laws made thereunder and should also be in accordance with the financial rules and regulations framed by competent authority ;

(3) that there should exist sanction, either special or general, accorded by competent authority, authorizing expenditure;

(4) that the expenditure should be incurred with due regard to broad and general principles of financial propriety;

(5) Re-appropriations should be made in accordance with the rules in Delegation of Financial Power Rules, 1978;

(6) Expenditure on a service not covered by a vote of the Parliament should not be incurred, unless the requisite funds have been arranged by obtaining an advance from the Contingency Fund of India;

(7) Drawing from Consolidated Fund of India should not be resorted to if money is not required for immediate use.

(8) Abandonment of revenue without proper sanction e.g., sale of Government property below market rates, or reduction of dues payable under a license or lease without the sanction of the competent authority in each case, should not be resorted to.

(9) Any large claim against another Government local body or other outside party should not be allowed to remain outstanding for an unduly long time.

(10) Any irregularity connected with a grant-in-aid, such as neglect (i) by the sanctioning authority of conditions precedent to the grant or (ii) by the grantee of the conditions, expressed or implied, attached to the grant by the sanctioning authority.

(11) Any instance of the absence of administrative regulations and procedure sufficient to secure a proper and effective check upon monetary transactions.



## CHAPTER VII

### **BUDGET REPORTING AND EVALUATION**

#### **FRBM REVIEWS PLACED BEFORE PARLIAMENT:**

The FRBM Act, 2003 is an Act providing for the responsibility of Central Government to ensure inter-generational equity in fiscal management and long term macro-economic stability. This is sought to be attained by achieving sufficient revenue surplus and removing fiscal impediments in the effective conduct of monetary policy. The Act also aims at prudential debt management consistent with fiscal sustainability through limits on the Central Government borrowings, debt and deficits, greater transparency in fiscal operations of the Central Government and conducting fiscal policy in a medium term framework and for matters connected therewith or incidental thereto.

FRBM Act, 2003 stipulates that the Central Government shall lay in each financial year before both Houses of Parliament the following Statements of fiscal policy along with the Annual Financial Statement and Demands for Grants, namely:

- (a) The Medium Term Fiscal Policy Statement;
- (b) The Fiscal Policy Strategy Statement; and
- (c) The Macro-economic Framework Statement.

**(The detailed description of these statements and the other periodic reporting requirements under FRBM Act/Rules are at Annexure I of Chapter VII).**

#### **OUTCOME BUDGET:**

From the fiscal year 2006-07, Outcome Budget has been a part of the budgetary process, wherein every Ministry presents a preliminary Outcome Budget. All ministries send their Outcome Budgets to the Finance Ministry, which is responsible for compiling them. The procedure of Outcome budgeting aids the Government in examining the expenditure proposals before it is made, and therefore, putting in place a mechanism of checks and balances at the very stage of planning a programme, resulting in reduction of unnecessary expenses. The Finance Ministry, together with the Planning Commission, through a Programme Outcome and Response Monitoring Division, under the Planning Commission, is responsible for coordinating the Outcome Budget. The Outcome Budget, after its presentation in Parliament, is also put up on the Finance Ministry's Web site.

The Outcome Budget is also a kind of progress card on what various Ministries and Departments have done with the outlays announced in the previous annual budget. It is a performance measurement tool that helps in better service

delivery; decision-making; evaluating programme performance and results; communicating programme goals; and improving programme effectiveness. The Outcome Budget comprises of scheme- or project-wise outlays for all Central Ministries, Departments and organisations listed against corresponding outcomes (measurable physical targets) to be achieved during the year. It measures the development outcomes of all government programmes and whether the money has been spent for the purpose it was sanctioned including the outcome of the fund-usage. The Outcome Budget, however, will not necessarily include information of targets already achieved. The idea is to make government representatives more result-oriented with the focus shifting from 'outlays' to 'outcome.'

The Outcome Budgeting System is intended to help the Government make its budgets more cost effective, fix accountability and aid towards a better scheme management. It also aids in ensuring that programmes and schemes do not continue indefinitely from one Plan period to the next, without an independent, in-depth evaluation.

(The detailed guidelines for the preparation of Outcome Budget are placed at Annexure-II to Chapter VII).

#### **MID-TERM EVALUATION OF INDIVIDUAL SCHEMES BY DIFFERENT DEPARTMENTS:**

The mid-term evaluation is a means to improve the quality and relevance of the programmes and their implementation and to identify reorientations to the programming that may be needed to ensure the achievement of the original objectives. It may also help identify components of the programme that would benefit from a follow-up outside the programmes or in the following programming period.

The Cabinet Secretary advised (December, 2002) all the Ministries/ departments to carry out evaluation of all the ongoing schemes/ programmes/ projects which have not been evaluated so far. It has been further advised that it would be decidedly more useful if the impact assessment of the ongoing schemes is carried out by the Planning Commission or by an outside professional agency. In fact, the concept of periodic assessment should, henceforth, be adopted and in-built as a standard feature of new schemes.

## **C&AG REPORTS:**

With the advent of the planned era in India following national independence, there was a major growth of economic development and social welfare activities. This growth necessitated an attendant increase in both revenue and capital expenditure, and in receipts and borrowings to match such expenditure. These new responsibilities of the government and the complex nature of its expanded activities called for a change in the nature and scope of audit. Consequently audit by the Comptroller & Auditor General of India has evolved from an accountancy and regularity check to evaluation of the end results of the operations of government, including considerations of economy, efficiency and effectiveness.

The audit by the C&AG is conducted under a planned programme covering the accounts, systems, procedures, projects and programmes on the basis of the documents and information submitted to the Indian Audit and Accounts Department. Field audits of the various organisations involved are an essential part of the overall programme. The initial audit findings are taken up with the appropriate authorities for remedial action through audit notes and inspection reports. Important audit findings, performance reviews of projects and programmes, and comprehensive appraisals of public enterprises and other bodies and authorities are processed for inclusion in the reports of the C&AG which are laid before the Parliament. Apart from the certification of the Appropriation Accounts and Finance Accounts of the Union Government and submission of separate audit reports on statutory corporations and other autonomous bodies for which the C&AG is the sole auditor, the C&AG brings out a large number of audit reports every year. **(The details relating to the various Union Audit Reports of C&AG are at Annexure III of Chapter VII).**

## **PUBLIC ACCOUNTS COMMITTEE:**

The Committee on Public Accounts is constituted by Parliament each year for examination of accounts showing the appropriation of sums granted by Parliament for expenditure of Government of India, the annual Finance Accounts of Government of India, and such other Accounts laid before Parliament as the Committee may deem fit such as accounts of autonomous and semi-autonomous bodies (except those of Public Undertakings and Government Companies which come under the purview of the Committee on Public Undertakings).

The Examination of the Appropriation Accounts relating to the Railways, Defence Services, P&T Department and other Civil Ministries of the

Government of India and Reports of the Comptroller and Auditor-General of India thereon as also the Reports of the Comptroller and Auditor-General on Revenue Receipts mainly form the basis of the deliberation of the Committee. In scrutinising the Appropriation Accounts and the Reports of the Comptroller and Auditor-General thereon, it is the duty of the Committee to satisfy itself:

(a) that the money 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;

(b) that the expenditure conforms to the authority which governs it; and

(c) that every re-appropriation has been made in accordance with the provisions made in this behalf under rules framed by competent authority.

One of the duties of the Committee is to ascertain that money granted by Parliament has been spent by Government within the scope of the Demand. It considers the justification for spending more or less than the amount originally sanctioned. If any money has been spent on a service in excess of the amount granted by the House for the purpose, the Committee examines with reference to the facts of each case, the circumstances leading to such an excess and makes such recommendations as it may deem fit. The functions of the Committee extend however, "beyond, the formality of expenditure to its wisdom, faithfulness and economy". The Committee thus examines cases involving losses, nugatory expenditure and financial irregularities. While scrutinising the Reports of the Comptroller and Auditor-General on Revenue Receipts, the Committee examines various aspects of Government's tax administration. The Committee thus examines cases involving under-assessments, tax-evasion, non-levy of duties, misclassifications etc., identifies the loopholes in the taxation laws and procedures and makes recommendations in order to check leakage of revenue.

Government take action on the recommendations of the Committee and submit action taken notes to the Committee. The Committee then present an Action Taken Report after considering the views of the Government. The Government further submit an "Action Taken Statement" on the action taken by the Government on the "Action Taken Report" of the Committee. The Action Taken Statement is generally laid before the House without any further examination by the Committee. Normally, almost all the recommendations of the Committee are implemented by the Government.

**The detailed procedures relating to the Public Accounts Committee are at Annexure I of Chapter II.**

## **PART-II**

# **ANNEXURES**

## ANNEXURE-I of CHAPTER-I

### CONSTITUTIONAL PROVISIONS ON BUDGET AND BUDGET RELATED ISSUES

**109. Special procedure in respect of Money Bills.**—(1) A Money Bill shall not be introduced in the Council of States.

(2) After a Money Bill has been passed by the House of the People it shall be transmitted to the Council of States for its recommendations and the Council of States shall within a period of fourteen days from the date of its receipt of the Bill return the Bill to the House of the People with its recommendations and the House of the People may thereupon either accept or reject all or any of the recommendations of the Council of States.

(3) If the House of the People accepts any of the recommendations of the Council of States, the Money Bill shall be deemed to have been passed by both Houses with the amendments recommended by the Council of States and accepted by the House of the People.

(4) If the House of the People does not accept any of the recommendations of the Council of States, the Money Bill shall be deemed to have been passed by both Houses in the form in which it was passed by the House of the People without any of the amendments recommended by the Council of States.

(5) If a Money Bill passed by the House of the People and transmitted to the Council of States for its recommendations is not returned to the House of the People within the said period of fourteen days, it shall be deemed to have been passed by both Houses at the expiration of the said period in the form in which it was passed by the House of the People.

**110. Definition of “Money Bills”.**—(1) For the purposes of this Chapter, a Bill shall be deemed to be a Money Bill if it contains only provisions dealing with all or any of the following matters, namely:—

- (a) the imposition, abolition, remission, alteration or regulation of any tax;
- (b) the regulation of the borrowing of money or the giving of any guarantee by the Government of India, or the amendment of the law with respect to any financial obligations undertaken or to be undertaken by the Government of India;
- (c) the custody of the Consolidated Fund or the Contingency Fund of India, the

payment of moneys into or the withdrawal of moneys from any such Fund;

- (d) the appropriation of moneys out of the Consolidated Fund of India;
- (e) the declaring of any expenditure to be expenditure charged on the Consolidated Fund of India or the increasing of the amount of any such expenditure;
- (f) the receipt of money on account of the Consolidated Fund of India or the public account of India or the custody or issue of such money or the audit of the accounts of the Union or of a State; or
- (g) any matter incidental to any of the matters specified in sub-clauses (a) to (f).

(2) A Bill shall not be deemed to be a Money Bill by reason only that it provides for the imposition of fines or other pecuniary penalties, or for the demand or payment of fees for licences or fees for services rendered, or by reason that it provides for the imposition, abolition, remission, alteration or regulation of any tax by any local authority or body for local purposes.

(3) If any question arises whether a Bill is a Money Bill or not, the decision of the Speaker of the House of the People thereon shall be final.

(4) There shall be endorsed on every Money Bill when it is transmitted to the Council of States under article 109, and when it is presented to the President for assent under article 111, the certificate of the Speaker of the House of the People signed by him that it is a Money Bill.

**112. Annual financial statement.**—(1) The President shall in respect of every financial year cause to be laid before both the Houses of Parliament a statement of the estimated receipts and expenditure of the Government of India for that year, in this Part referred to as the “annual financial statement”.

(2) The estimates of expenditure embodied in the annual financial statement shall show separately—

- (a) the sums required to meet expenditure described by this Constitution as expenditure charged upon the Consolidated Fund of India; and
- (b) the sums required to meet other expenditure proposed to be made from the Consolidated Fund of India, and shall

distinguish expenditure on revenue account from other expenditure.

(3) The following expenditure shall be expenditure charged on the Consolidated Fund of India—

- (a) the emoluments and allowances of the President and other expenditure relating to his office;
- (b) the salaries and allowances of the Chairman and the Deputy Chairman of the Council of States and the Speaker and the Deputy Speaker of the House of the People;
- (c) debt charges for which the Government of India is liable including interest, sinking fund charges and redemption charges, and other expenditure relating to the raising of loans and the service and redemption of debt;
- (d) (i) the salaries, allowances and pensions payable to or in respect of Judges of the Supreme Court;  
(ii) the pensions payable to or in respect of Judges of the Federal Court;  
(iii) the pensions payable to or in respect of Judges of any High Court which exercises jurisdiction in relation to any area included in the territory of India or which at any time before the commencement of this Constitution exercised jurisdiction in relation to any area included in a Governor's Province of the Dominion of India;
- (e) the salary, allowances and pension payable to or in respect of the Comptroller and Auditor-General of India;
- (f) any sums required to satisfy any judgment, decree or award of any court or arbitral tribunal;
- (g) any other expenditure declared by this Constitution or by Parliament by law to be so charged.

**113. Procedure in Parliament with respect to estimates.**—(1) So much of the estimates as relates to expenditure charged upon the Consolidated Fund of India shall not be submitted to the vote of Parliament, but nothing in this clause shall be construed as preventing the discussion in either House of Parliament of any of those estimates.

(2) So much of the said estimates as relates to other expenditure shall be submitted in the form of demands for grants to the House of the People, and the House of the People shall have power to assent, or to refuse to assent, to any demand, or to assent to any demand

subject to a reduction of the amount specified therein.

(3) No demand for a grant shall be made except on the recommendation of the President.

**114. Appropriation Bills.**— (1) As soon as may be after the grants under article 113 have been made by the House of the People, there shall be introduced a Bill to provide for the appropriation out of the Consolidated Fund of India of all moneys required to meet—

- (a) the grants so made by the House of the People; and
- (b) the expenditure charged on the Consolidated Fund of India but not exceeding in any case the amount shown in the statement previously laid before Parliament.

(2) No amendment shall be proposed to any such Bill in either House of Parliament which will have the effect of varying the amount or altering the destination of any grant so made or of varying the amount of any expenditure charged on the Consolidated Fund of India, and the decision of the person presiding as to whether an amendment is inadmissible under this clause shall be final.

(3) Subject to the provisions of articles 115 and 116, no money shall be withdrawn from the Consolidated Fund of India except under appropriation made by law passed in accordance with the provisions of this article.

**115. Supplementary, additional or excess grants.**— (1) The President shall—

- (a) if the amount authorised by any law made in accordance with 120

the provisions of article 114 to be expended for a particular service for the current financial year is found to be insufficient for the purposes of that year or when a need has arisen during the current financial year for supplementary or additional expenditure upon some new service not contemplated in the annual financial statement for that year, or

- (b) if any money has been spent on any service during a financial year in excess of the amount granted for that service and for that year, cause to be laid before both the Houses of Parliament another statement showing the estimated amount of that expenditure or cause to be presented to the House of the People a demand for such excess, as the case may be.

(2) The provisions of articles 112, 113 and 114 shall have effect in relation to any such

statement and expenditure or demand and also to any law to be made authorising the appropriation of moneys out of the Consolidated Fund of India to meet such expenditure or the grant in respect of such demand as they have effect in relation to the annual financial statement and the expenditure mentioned therein or to a demand for a grant and the law to be made for the authorisation of appropriation of moneys out of the Consolidated Fund of India to meet such expenditure or grant.

**116. Votes on account, votes of credit and exceptional grants.—**(1) Notwithstanding anything in the foregoing provisions of this Chapter, the House of the People shall have power—

- (a) to make any grant in advance in respect of the estimated expenditure for a part of any financial year pending the completion of the procedure prescribed in article 113 for the voting of such grant and the passing of the law in accordance with the provisions of article 114 in relation to that expenditure;
- (b) to make a grant for meeting an unexpected demand upon the resources of India when on account of the magnitude or the indefinite character of the service the demand cannot be stated with the details ordinarily given in an annual financial statement;
- (c) to make an exceptional grant which forms no part of the current service of any financial year; and Parliament shall have power to authorise by law the withdrawal of moneys from the Consolidated Fund of India for the purposes for which the said grants are made.

(2) The provisions of articles 113 and 114 shall have effect in relation to the making of any grant under clause (1) and to any law to be made under that clause as they have effect in relation to the making of a grant with regard to any expenditure mentioned in the annual financial statement and the law to be made for the authorisation of appropriation of moneys out of the Consolidated Fund of India to meet such expenditure.

**117. Special provisions as to financial Bills.—**(1) A Bill or amendment making provision for any of the matters specified in sub-clauses (a) to (f) of clause (1) of article 110 shall not be introduced or moved except on the recommendation of the President and a Bill making such provision shall not be introduced in the Council of States:

Provided that no recommendation shall be required under this clause for the moving of

an amendment making provision for the reduction or abolition of any tax.

(2) A Bill or amendment shall not be deemed to make provision for any of the matters aforesaid by reason only that it provides for the imposition of fines or other pecuniary penalties, or for the demand or payment of fees for licences or fees for services rendered, or by reason that it provides for the imposition, abolition, remission, alteration or regulation of any tax by any local authority or body for local purposes.

(3) A Bill which, if enacted and brought into operation, would involve expenditure from the Consolidated Fund of India shall not be passed by either House of Parliament unless the President has recommended to that House the consideration of the Bill.

**265. Taxes not to be imposed save by authority of law.—**No tax shall be levied or collected except by authority of law.

**266. Consolidated Funds and public accounts of India and of the States.—**(1) Subject to the provisions of article 267 and to the provisions of this Chapter with respect to the assignment of the whole or part of the net proceeds of certain taxes and duties to States, all revenues received by the Government of India, all loans raised by that Government by the issue of treasury bills, loans or ways and means advances and all moneys received by that Government in repayment of loans shall form one consolidated fund to be entitled "the Consolidated Fund of India", and all revenues received by the Government of a State, all loans raised by that Government by the issue of treasury bills, loans or ways and means advances and all moneys received by that Government in repayment of loans shall form one consolidated fund to be entitled "the Consolidated Fund of the State".

(2) All other public moneys received by or on behalf of the Government of India or the Government of a State shall be credited to the public account of India or the public account of the State, as the case may be.

(3) No moneys out of the Consolidated Fund of India or the Consolidated Fund of a State shall be appropriated except in accordance with law and for the purposes and in the manner provided in this Constitution.

**267. Contingency Fund.—**(1) Parliament may by law establish a Contingency Fund in the nature of an imprest to be entitled "the Contingency Fund of India" into which shall be paid from time to time such sums as may be determined by such law, and the said Fund shall be placed at the disposal of the

President to enable advances to be made by him out of such Fund for the purposes of meeting unforeseen expenditure pending authorisation of such expenditure by Parliament by law under article 115 or article 116.

(2) The Legislature of a State may by law establish a Contingency Fund in the nature of an imprest to be entitled "the Contingency Fund of the State" into which shall be paid from time to time such sums as may be determined by such law, and the said Fund shall be placed at the disposal of the Governor of the State to enable advances to be made by him out of such Fund for the purposes of meeting unforeseen expenditure pending authorisation of such expenditure by the Legislature of the State by law under article 205 or article 206.

*Distribution of Revenues between the Union and the States*

**268. Duties levied by the Union but collected and appropriated by the States.—**

(1) Such stamp duties and such duties of excise on medicinal and toilet preparations as are mentioned in the Union List shall be levied by the Government of India but shall be collected—

- (a) in the case where such duties are leviable within any Union territory, by the Government of India, and
- (b) in other cases, by the States within which such duties are respectively leviable.

(2) The proceeds in any financial year of any such duty leviable within any State shall not form part of the Consolidated Fund of India, but shall be assigned to that State.

**269. Taxes levied and collected by the Union but assigned to the States.—**(1)

Taxes on the sale or purchase of goods and taxes on the consignment of goods shall be levied and collected by the Government of India but shall be assigned and shall be deemed to have been assigned to the States on or after the 1st day of April, 1996 in the manner provided in clause (2).

*Explanation.*—For the purposes of this clause,-

- (a) the expression "taxes on the sale or purchase of goods" shall mean taxes on sale or purchase of goods other than newspapers, where such sale or purchase takes place in the course of inter-State trade or commerce;

- (b) the expression "taxes on the consignment of goods" shall mean taxes on the consignment of goods (whether the consignment is to the person making it or to any other person), where such consignment takes place in the course of inter-State trade or commerce.

(2) The net proceeds in any financial year of any such tax, except in so far as those proceeds represent proceeds attributable to Union territories, shall not form part of the Consolidated Fund of India, but shall be assigned to the States within which that tax is leviable in that year, and shall be distributed among those States in accordance with such principles of distribution as may be formulated by Parliament by law.

(3) Parliament may by law formulate principles for determining when a sale or purchase of, or consignment of, goods takes place in the course of inter-State trade or commerce.

**270. Taxes levied and distributed between the Union and the States.—**(1) All taxes and duties referred to in the Union List, except the duties and taxes referred to in articles 268 and 269, respectively, surcharge on taxes and duties referred to in article 271 and any cess levied for specific purposes under any law made by Parliament shall be levied and collected by the Government of India and shall be distributed between the Union and the States in the manner provided in clause (2).

(2) Such percentage, as may be prescribed, of the net proceeds of any such tax or duty in any financial year shall not form part of the Consolidated Fund of India, but shall be assigned to the States within which that tax or duty is leviable in that year, and shall be distributed among those States in such manner and from such time as may be prescribed in the manner provided in clause (3).

(2) Such percentage, as may be prescribed, of the net proceeds of any such tax or duty in any financial year shall not form part of the Consolidated Fund of India, but shall be assigned to the States within which that tax or duty is leviable in that year, and shall be distributed among those States in such manner and from such time as may be prescribed in the manner provided in clause (3).

(3) In this article, "prescribed" means, —

- (i) until a Finance Commission has been constituted, prescribed by the President by order, and
- (ii) after a Finance Commission has been constituted, prescribed by the President by order after considering the recommendations of the Finance Commission.

**271. Surcharge on certain duties and taxes for purposes of the Union.—**

Notwithstanding anything in articles 269 and 270, Parliament may at any time increase any of the duties or taxes referred to in those articles by a surcharge for purposes of the Union and the whole proceeds of any such surcharge shall form part of the Consolidated Fund of India.

**272.** *[Taxes which are levied and collected by the Union and may be distributed between the Union and the States.]—Rep. by the Constitution (Eightieth Amendment) Act, 2000, s .4.*

**273. Grants in lieu of export duty on jute and jute products.—**(1) There shall be charged on the Consolidated Fund of India in each year as grants-in-aid of the revenues of the States of Assam, Bihar, Orissa and West Bengal, in lieu of assignment of any share of the net proceeds in each year of export duty on jute and jute products to those States, such sums as may be prescribed.

(2) The sums so prescribed shall continue to be charged on the Consolidated Fund of India so long as any export duty on jute or jute products continues to be levied by the Government of India or until the expiration of ten years from the commencement of this Constitution whichever is earlier.

(3) In this article, the expression “prescribed” has the same meaning as in article 270.

**275. Grants from the Union to certain States.—**(1) Such sums as Parliament may by law provide shall be charged on the Consolidated Fund of India in each year as grants-in-aid of the revenues of such States as Parliament may determine to be in need of assistance, and different sums may be fixed for different States:

Provided that there shall be paid out of the Consolidated Fund of India as grants-in-aid of the revenues of a State such capital and recurring sums as may be necessary to enable that State to meet the costs of such schemes of development as may be undertaken by the State with the approval of the Government of India for the purpose of promoting the welfare of the Scheduled Tribes in that State or raising the level of administration of the Scheduled Areas therein to that of the administration of the rest of the areas of that State:

Provided further that there shall be paid out of the Consolidated Fund of India as grants-in-aid of the revenues of the State of Assam sums, capital and recurring, equivalent to—

- (a) the average excess of expenditure over the revenues during the two years immediately preceding the commencement of this

Constitution in respect of the administration of the tribal areas specified in Part I of the table appended to paragraph 20 of the Sixth Schedule; and

- (b) the costs of such schemes of development as may be undertaken by that State with the approval of the Government of India for the purpose of raising the level of administration of the said areas to that of the administration of the rest of the areas of that State.

(1A) On and from the formation of the autonomous State under article 244A,—

- (i) any sums payable under clause (a) of the second proviso to clause (1) shall, if the autonomous State comprises all the tribal areas referred to therein, be paid to the autonomous State, and, if the autonomous State comprises only some of those tribal areas, be apportioned between the State of Assam and the autonomous State as the President may, by order, specify;
- (ii) there shall be paid out of the Consolidated Fund of India as grants-in-aid of the revenues of the autonomous State sums, capital and recurring, equivalent to the costs of such schemes of development as may be undertaken by the autonomous State with the approval of the Government of India for the purpose of raising the level of administration of that State to that of the administration of the rest of the State of Assam.

(2) Until provision is made by Parliament under clause (1), the powers conferred on Parliament under that clause shall be exercisable by the President by order and any order made by the President under this clause shall have effect subject to any provision so made by Parliament:

Provided that after a Finance Commission has been constituted no order shall be made under this clause by the President except after considering the recommendations of the Finance Commission.

**280. Finance Commission.—**(1) The President shall, within two years from the commencement of this Constitution and thereafter at the expiration of every fifth year or at such earlier time as the President considers necessary, by order constitute a Finance Commission which shall consist of a Chairman and four other members to be appointed by the President.

(2) Parliament may by law determine the qualifications which shall be requisite for appointment as members of the Commission



and the manner in which they shall be selected.

(3) It shall be the duty of the Commission to make recommendations to the President as to—

- (a) the distribution between the Union and the States of the net proceeds of taxes which are to be, or may be, divided between them under this Chapter and the allocation between the States of the respective shares of such proceeds;
- (b) the principles which should govern the grants-in-aid of the revenues of the States out of the Consolidated Fund of India;
- (bb) the measures needed to augment the Consolidated Fund of a State to supplement the resources of the Panchayats in the State on the basis of the recommendations made by the Finance Commission of the State;
- (c) the measures needed to augment the Consolidated Fund of a State to supplement the resources of the Municipalities in the State on the basis of the recommendations made by the Finance Commission of the State;
- (d) any other matter referred to the Commission by the President in the interests of sound finance.

(4) The Commission shall determine their procedure and shall have such powers in the performance of their functions as Parliament may by law confer on them.

**281. Recommendations of the Finance Commission.**—The President shall cause every recommendation made by the Finance Commission under the provisions of this Constitution together with an explanatory memorandum as to the action taken thereon to be laid before each House of Parliament.

**282. Expenditure defrayable by the Union or a State out of its revenues.**—The Union or a State may make any grants for any public purpose, notwithstanding that the purpose is not one with respect to which Parliament or the Legislature of the State, as the case may be, may make laws.

**283. Custody, etc., of Consolidated Funds, Contingency Funds and moneys credited to the public accounts.**—(1) The custody of the Consolidated Fund of India and the Contingency Fund of India, the payment of moneys into such Funds, the withdrawal of moneys there from, the custody of public moneys other than those credited to such

Funds received by or on behalf of the Government of India, their payment into the public account of India and the withdrawal of moneys from such account and all other matters connected with or ancillary to matters aforesaid shall be regulated by law made by Parliament, and, until provision in that behalf is so made, shall be regulated by rules made by the President.

(2) The custody of the Consolidated Fund of a State and the Contingency Fund of a State, the payment of moneys into such Funds, the withdrawal of moneys there from, the custody of public moneys other than those credited to such Funds received by or on behalf of the Government of the State, their payment into the public account of the State and the withdrawal of moneys from such account and all other matters connected with or ancillary to matters aforesaid shall be regulated by law made by the Legislature of the State, and, until provision in that behalf is so made, shall be regulated by rules made by the Governor of the State.

**284. Custody of suitors' deposits and other moneys received by public servants and courts.**—All moneys received by or deposited with—

- (a) any officer employed in connection with the affairs of the Union or of a State in his capacity as such, other than revenues or public moneys raised or received by the Government of India or the Government of the State, as the case may be, or
- (b) any court within the territory of India to the credit of any cause, matter, account or persons, shall be paid into the public account of India or the public account of State, as the case may be.

**292. Borrowing by the Government of India.**—The executive power of the Union extends to borrowing upon the security of the Consolidated Fund of India within such limits, if any, as may from time to time be fixed by Parliament by law and to the giving of guarantees within such limits, if any, as may be so fixed.

**293. Borrowing by States.**—(1) Subject to the provisions of this article, the executive power of a State extends to borrowing within the territory of India upon the security of the Consolidated Fund of the State within such limits, if any, as may from time to time be fixed by the Legislature of such State by law and to the giving of guarantees within such limits, if any, as may be so fixed.

(2) The Government of India may, subject to such conditions as may be laid down by or

under any law made by Parliament, make loans to any State or, so long as any limits fixed under article 292 are not exceeded, give guarantees in respect of loans raised by any State, and any sums required for the purpose of making such loans shall be charged on the Consolidated Fund of India.

(3) A State may not without the consent of the Government of India raise any loan if there is still outstanding any part of a loan which has been made to the State by the Government of India or by its predecessor Government, or in respect of which a guarantee has been given by the Government of India or by its predecessor Government.

(4) A consent under clause (3) may be granted subject to such conditions, if any, as the Government of India may think fit to impose.

**356. Provisions in case of failure of constitutional machinery in States.—**(1) If the President, on receipt of a report from the Governor of a State or otherwise, is satisfied that a situation has arisen in which the Government of the State cannot be carried on in accordance with the provisions of this Constitution, the President may by Proclamation—

- (a) assume to himself all or any of the functions of the Government of the State and all or any of the powers vested in or exercisable by the Governor or any body or authority in the State other than the Legislature of the State;
- (b) declare that the powers of the Legislature of the State shall be exercisable by or under the authority of Parliament;
- (c) make such incidental and consequential provisions as appear to the President to be necessary or desirable for giving effect to the objects of the Proclamation, including provisions for suspending in whole or in part the operation of any provisions of this Constitution relating to any body or authority in the State:

Provided that nothing in this clause shall authorise the President to assume to himself any of the powers vested in or exercisable by a High Court, or to suspend in whole or in part the operation of any provision of this Constitution relating to High Courts.

(2) Any such Proclamation may be revoked or varied by a subsequent Proclamation.

(3) Every Proclamation under this article shall be laid before each House of Parliament and shall, except where it is a Proclamation revoking a previous Proclamation, cease to operate at the expiration of two months

unless before the expiration of that period it has been approved by resolutions of both Houses of Parliament:

Provided that if any such Proclamation (not being a Proclamation revoking a previous Proclamation) is issued at a time when the House of the People is dissolved or the dissolution of the House of the People takes place during the period of two months referred to in this clause, and if a resolution approving the Proclamation has been passed by the Council of States, but no resolution with respect to such Proclamation has been passed by the House of the People before the expiration of that period, the Proclamation shall cease to operate at the expiration of thirty days from the date on which the House of the People first sits after its reconstitution unless before the expiration of the said period of thirty days a resolution approving the Proclamation has been also passed by the House of the People.

(4) A Proclamation so approved shall, unless revoked, cease to operate on the expiration of a period of six months from the date of issue of the Proclamation:

Provided that if and so often as a resolution approving the continuance in force of such a Proclamation is passed by both Houses of Parliament, the Proclamation shall, unless revoked, continue in force for a further period of six months from the date on which under this clause it would otherwise have ceased to operate, but no such Proclamation shall in any case remain in force for more than three years:

Provided further that if the dissolution of the House of the People takes place during any such period of six months and a resolution approving the continuance in force of such Proclamation has been passed by the Council of States, but no resolution with respect to the continuance in force of such Proclamation has been passed by the House of the People during the said period, the Proclamation shall cease to operate at the expiration of thirty days from the date on which the House of the People first sits after its reconstitution unless before the expiration of the said period of thirty days a resolution approving the continuance in force of the Proclamation has been also passed by the House of the People:

Provided also that in the case of the Proclamation issued under clause (1) on the 11th day of May, 1987 with respect to the State of Punjab, the reference in the first proviso to this clause to "three years" shall be construed as a reference to five years.

(5) Notwithstanding anything contained in clause (4), a resolution with respect to the continuance in force of a Proclamation approved under clause (3) for any period beyond the expiration of one year from the date of issue of such Proclamation shall not be passed by either House of Parliament unless—

- (a) a Proclamation of Emergency is in operation, in the whole of India or, as the case may be, in the whole or any part of the State, at the time of the passing of such resolution, and
- (b) the Election Commission certifies that the continuance in force of the Proclamation approved under clause (3) during the period specified in such resolution is necessary on account of difficulties in holding general elections to the Legislative Assembly of the State concerned:

Provided that nothing in this clause shall apply to the Proclamation issued under clause (1) on the 11th day of May, 1987 with respect to the State of Punjab.

**360. Provisions as to financial emergency.**—(1) If the President is satisfied that a situation has arisen whereby the financial stability or credit of India or of any part of the territory thereof is threatened, he may by a Proclamation make a declaration to that effect.

(2) A Proclamation issued under clause (1)—

- (a) may be revoked or varied by a subsequent Proclamation;
- (b) shall be laid before each House of Parliament;
- (c) shall cease to operate at the expiration of two months, unless before the expiration of that period it has been approved by resolutions of both Houses of Parliament:

Provided that if any such Proclamation is issued at a time when the House of the People has been dissolved or the dissolution of the House of the People takes place during the period of two months referred to in sub-clause (c), and if a resolution approving the Proclamation has been passed by the Council of States, but no resolution with respect to such Proclamation has been passed by the House of the People before the expiration of that period, the Proclamation shall cease to operate at the expiration of thirty days from the date on which the House of the People first sits after its reconstitution unless before the expiration of the said period of thirty days a resolution approving the Proclamation has been also passed by the House of the People.

(3) During the period any such Proclamation as is mentioned in clause (1) is in operation, the executive authority of the Union shall extend to the giving of directions to any State to observe such canons of financial propriety as may be specified in the directions, and to the giving of such other directions as the President may deem necessary and adequate for the purpose.

(4) Notwithstanding anything in this Constitution—

- (a) any such direction may include—
  - (i) a provision requiring the reduction of salaries and allowances of all or any class of persons serving in connection with the affairs of a State;
  - (ii) a provision requiring all Money Bills or other Bills to which the provisions of article 207 apply to be reserved for the consideration of the President after they are passed by the Legislature of the State;
- (b) it shall be competent for the President during the period any Proclamation issued under this article is in operation to issue directions for the reduction of salaries and allowances of all or any class of persons serving in connection with the affairs of the Union including the Judges of the Supreme Court and the High Courts.

## ANNEXURE-I of CHAPTER-II

### THE DETAILED PROCEDURES RELATING TO THE PUBLIC ACCOUNTS COMMITTEE

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#### **Submission of Notes/Statements to the PAC:**

Copies of all memoranda, notes etc. submitted to the Public Accounts Committee in pursuant to action taken on the recommendations of the Committee or undertakings given to the Committee by the representatives of the Ministry at the time of examination of the Accounts should invariably be dated and signed by the Secretary or Joint Secretary in-charge of the Ministry in token of his having approved the same.

It is required to be ensured that comments etc. furnished to the Parliamentary Committees are couched in temperate language. The following observation made by the Committee on Subordinate Legislation may be kept in view-

*“The Committee impresses upon all Ministries and Departments of Government of India, to make it a point to ensure that comments/information furnished to them for consideration of the Committee from time to time are couched in temperate language conforming with the dignity and stature of a Parliamentary Committee and are not incorrect in their content. Use of disrespectful and intemperate language, in any manner whatsoever, should be avoided at all cost”.*

40 (forty) copies of English version and 10 (ten) copies of Hindi version of written information pursuant to the advance questionnaire issued by the Committee should be submitted within the stipulated period and in any case at least one week before the date fixed for oral evidence.

Similar number of copies of written information asked for on the points arising from the evidence given before the Committee or in pursuant to the undertakings given to the Committee at the time of examination of the accounts should be submitted within the time stipulated in the communication sent to the Ministry by the Lok Sabha Secretariat. Statements/Memos etc in pursuant to action taken on the recommendations of the Committee should be submitted in the prescribed form (Annexure VII of the Handbook of Parliamentary Procedure).

15 copies of English version and 10 copies of Hindi version of the Statements/Memoranda etc, showing action taken on the recommendations contained in Chapter I of Action Taken Report as also final replies in respect of those recommendations in respect of which interim replies/no replies had been furnished earlier should be submitted within a period of six months or less, as may be specified, from the date of presentation of the Action Taken Reports.

5 copies of all Notes/Memoranda etc if not vetted by the Audit, should be sent by the Ministries to their Principal Audit Officers while forwarding advance copies to the Lok Sabha Secretariat.

All Notes etc. should be invariably shown to audit before their formal submission to the Committee. In case of the written information asked for on points arising from the evidence, when it is not possible for the Ministry to send the information duly vetted by Audit within the stipulated period, advance copies of the Notes transmitted to Audit should simultaneously be sent to the Lok Sabha Secretariat to enable the Committee to finalize their Report without delay.

#### **Proceedings of the Parliamentary Committees:**

No part of the evidence oral or written, report or proceedings of a Committee which has not been laid on the Table should be open to inspection by anyone except under the authority of the Speaker. Copies of evidence or extracts there from cannot, therefore, be supplied to anyone. However, in accordance with Direction 65 of Directions by the Speaker, pages of verbatim proceedings of the sitting of the Public Accounts Committee, Estimates Committee, Committee on Public Undertakings, Railway Convention Committee, Joint or Select Committee as also other Parliamentary Committees, containing the speeches of the representatives of the Ministries who give evidence before the Committee are sent to them for confirmation and return. The corrections, if any, shall be made neatly and legibly by the witness in ink in his own handwriting and shall be confined to either grammatical errors or such other patent errors as wrong figures, etc. and inaccuracy which may have occurred in the process of reporting and not for the purpose of improving their literary form or altering their substance by additions and deletions. The corrected copy bearing the signature of the witness concerned should be returned in a sealed cover within 48 hours of its receipt failing which the copy as sent, is to be taken as authentic.

It is not possible to take copies of these proceedings, nor can they be quoted anywhere or made use of in any manner without the permission of the Committee, as such an act would constitute a breach of privilege of the Committee. These proceedings should be treated as SECRET.

#### **General Guidelines for Government Departments and Public Undertakings:**

The following are some of the general guidelines which may be kept in mind by the officers of the

Ministries/Departments/Public Undertakings while dealing with the Financial Committees of the Parliament.

- After the subjects are selected by the Committees the Ministries concerned are required to designate Officers not below the rank of Deputy Secretary, to act as Liaison Officers for the purpose of collecting and supplying material required by the Committee and for co-ordinating tour arrangements.
- The Heads of Organizations should be present in the meeting of Parliamentary Committees/Study Groups, while the Heads of Organization under the control of Ministry of Finance are requested to ensure that they are *invariably* present in those meetings whether such meetings are held in the Head Offices or in the Regional/Zonal Offices and should be fully prepared for answering questions raised by the Members.
- All discussions held by the Committee with the representatives of Ministries, etc. should be treated as secret and in no case should be disclosed to the press or to any unauthorized persons.
- Whereas list of points for discussion during the tour are sent in advance, notes etc. thereon should be prepared in advance by the Heads of Organizations to be visited and supplied to members before discussion, including Hindi version. The information in reply to the questionnaire should not be restricted to the zone or Region. Heads of Organizations must also ensure to send two sets of such papers to the Lok Sabha Secretariat in advance.

#### **Evidence of Officers:**

Where a Ministry/Department or Undertaking is required to give evidence before the Committee on any matter, it shall be represented by the Secretary or the Head of Undertaking as the case may be. The Chairman of the Committee may, on a request being made to him, permit any other senior officer to represent the Ministry/Department. The Secretary/Head of Public Undertaking may bring with him senior officers not below the rank of Joint Secretaries to assist him in giving evidence before the Committee. Financial Adviser may, if necessary accompany the Head of Undertaking.

If a witness fails to appear before the Committee when summoned, refuses to produce any document when so required by the Committee, his conduct constitutes contempt of the House and may be reported upon to the House. The evidence of official

witnesses helps in the clear understanding of the facts of the case/problems and seeking clarifications wherever necessary. It is not to score point over the executive by pinpointing their deficiencies or failures but to understand the difficulties of the administration in implementing them and to discuss practical solutions to these problems.

Witnesses appearing before Parliamentary Committees have to observe proper conduct and etiquette and act with due decorum. They should show due respect to the Chairman and the Committee by bowing while taking their seats. If so asked by the Chairman, they should take the oath or make affirmation. All submissions to the Chair and the Committee should be couched in courteous and polite language. When the evidence is completed and the witness is asked to withdraw, he should, while leaving, bow to the Chair.

#### **Production of Secret Papers and Records:**

A Parliamentary Committee has the power to send for papers and records. If any question arises whether the production of a document is relevant for the purpose of the Committee, the question is to be referred to the Speaker whose decision shall be final. Government may, however, decline to produce a document on the ground that its disclosure would be prejudicial to the safety or interest of the State. In the case of secret documents required by the Committee such papers may in the first instance, be made available by the Ministry, etc. confidentially to the Chairman unless it is certified by the Minister concerned that its disclosure would be prejudicial to the safety or interest of the State. The Chairman may give due consideration to the views of the concerned Ministry etc. before making any secret document available to the Members of the Committee. Any difference between the Ministry and the Chairman may be settled by discussion and if no satisfactory agreement is arrived at, the matter is to be placed before the Speaker for his decision.

#### **Coordination of Action Taken on Recommendations:**

Each ministry of Government of India is required to furnish the Committee with a Statement showing action taken on the recommendations contained in the Report of the Committee pertaining to that Ministry as soon as possible after it is presented to the House. The Government has laid down a procedure for examination of the recommendations and issue of replies thereto. The basic features of the procedure are as follows:

- (a) The recommendations of the Estimates Committee and Public Accounts Committee have been divided into three categories, viz.
  - (i) Recommendations of a purely administrative character relating to the Ministry concerned;

- (ii) Recommendations relating to a single Ministry but involving financial issues; and
- (iii) Recommendations which would concern not only the Ministry reported upon but a number of other Ministries or all the Ministries.

So far as recommendations of the first two categories are concerned it has been provided that they would be dealt with by the Ministry concerned and in consultation with the officers of the Finance Ministry accredited to it where financial issues are involved.

- (b) Recommendations of the Estimates Committee falling in the third category comprise two groups viz.
  - (i) Recommendations raising general questions of financial and budgetary nature; and
  - (ii) Recommendations dealing with more general policy questions.

It has been provided that the first group of recommendations should be referred to the Ministry of Finance (Department of Expenditure) who would co-ordinate action in consultation with the Ministries concerned, the final reply being issued either by the Ministry reported upon or the Ministry of Finance as might be mutually agreed upon.

As regards the recommendations falling in the second group, the Ministry concerned would prepare draft replies and refer them to the Cabinet Secretariat for consideration. The Cabinet Secretariat would advise the Ministry reported upon as to the further action to be taken.

#### **Timely Submission of Action Taken Notes:**

The institutional arrangements prescribed by the Ministry of Finance with regard to the timely submission of Action Taken Notes on the recommendations/observations made by the Public Accounts Committee is reproduced below-

“The Public Accounts Committee have taken a serious view of the delays on the part of the Government in initiating and reporting Action Taken on their recommendations/observations. It has been decided to have the following institutional arrangements to monitor timely submission of Action Taken Notes on the recommendations of the Public Accounts Committee.

- (a) The Integrated Financial Adviser in each Ministry would be responsible for examining the PAC report as a whole and would be ‘focal point’ responsible directly to the Secretary. He would also coordinate and watch progress, monitor delays and take necessary action to expedite the

Action Taken Notes. It will be the responsibility of the IFA to seek extension of time from the Lok Sabha Secretariat in respect of the Action Taken Notes which for unavoidable reasons, cannot be sent within the prescribed period of six months from the date the relevant PAC Report is presented to the Lok Sabha. Copies of all the communications addressed to the Lok Sabha Secretariat regarding action taken notes will also be endorsed to the Monitoring Cell, Ministry of Finance, Department of Expenditure.

- (b) The Ministry of Finance, Department of Expenditure (Monitoring Cell) will be the ‘focal point’ for the Government as a whole to co-ordinate and watch progress, monitor delays, etc. with the Ministries concerned.”

#### **Extension of Time for Submitting Action Taken Notes:**

No extension of time beyond 6 months for submitting Action Taken Reports on the Reports of Financial Committees (PAC, EC, RCC, and COPU) shall ordinarily be granted except in very exceptional circumstances upto another 3 months with the approval of the Chairman.

#### **Nomination of Officers for dealing with Parliamentary Committees:**

A senior officer in each Department should be nominated to be responsible for furnishing information called for by the Committees, for taking appropriate action or other requests and for dealing with their recommendations. The name and designation of the officer nominated for the purpose should be communicated to the Lok Sabha Secretariat. Any change in the incumbent should also be communicated immediately.

## ANNEXURE-I of CHAPTER-II

### CONSTITUTIONAL PROVISIONS RELATING TO THE COMPTROLLER & AUDITOR GENERAL OF INDIA148.

**Comptroller and Auditor-General of India.**—(1) There shall be a Comptroller and Auditor-General of India who shall be appointed by the President by warrant under his hand and seal and shall only be removed from office in like manner and on the like grounds as a Judge of the Supreme Court.

(2) Every person appointed to be the Comptroller and Auditor-General of India shall, before he enters upon his office, make and subscribe before the President, or some person appointed in that behalf by him, an oath or affirmation according to the form set out for the purpose in the Third Schedule.

(3) The salary and other conditions of service of the Comptroller and Auditor-General shall be such as may be determined by Parliament by law and, until they are so determined, shall be as specified in the Second Schedule:

Provided that neither the salary of a Comptroller and Auditor-General nor his rights in respect of leave of absence, pension or age of retirement shall be varied to his disadvantage after his appointment.

(4) The Comptroller and Auditor-General shall not be eligible for further office either under the Government of India or under the Government of any State after he has ceased to hold his office.

(5) Subject to the provisions of this Constitution and of any law made by Parliament, the conditions of service of persons serving in the Indian Audit and Accounts Department and the administrative powers of the Comptroller and Auditor-General shall be such as may be prescribed by rules made by the President after consultation with the Comptroller and Auditor-General.

(6) The administrative expenses of the office of the Comptroller and Auditor-General, including all salaries, allowances and pensions payable to or in respect of persons serving in that office, shall be charged upon the Consolidated Fund of India.

**149. Duties and powers of the Comptroller and Auditor-General.**—The Comptroller and Auditor-General shall perform such duties and exercise such powers in relation to the accounts of the Union and of the States and of any other authority or body as may be prescribed by or under any law made by

Parliament and, until provision in that behalf is so made, shall perform such duties and exercise such powers in relation to the accounts of the Union and of the States as were conferred on or exercisable by the Auditor-General of India immediately before the commencement of this Constitution in relation to the accounts of the Dominion of India and of the Provinces respectively.

**150. Form of accounts of the Union and of the States.**—The accounts of the Union and of the States shall be kept in such form as the President may, on the advice of the Comptroller and Auditor-General of India, prescribe.

**151. Audit reports.**—(1) The reports of the Comptroller and Auditor-General of India relating to the accounts of the Union shall be submitted to the President, who shall cause them to be laid before each House of Parliament.

(2) The reports of the Comptroller and Auditor-General of India relating to the accounts of a State shall be submitted to the Governor of the State, who shall cause them to be laid before the Legislature of the State.

## ANNEXURE I of CHAPTER-III

### CONTINGENCY FUND OF INDIA RULES:

The provisions under the Contingency Fund of India Rules are as follows:

1. These rules may be called the Contingency Fund of India Rules.

2. The Contingency Fund of India shall be held on behalf of the President by the Secretary to the Government of India, Ministry of Finance, Department of Economic Affairs.

3. From out of the Balance in the Fund, such amounts as may be agreed upon from time to time shall be placed at the disposal of the Financial Commissioner of Railways for the purpose of meeting the unforeseen expenditure of the Railways.

4. Subject to the provisions of Rule 5 below, all applications for advances from the Fund shall be made to the Secretary to the Government of India, Ministry of Finance, Department of Economic Affairs. The applications shall give -

- (i) brief particulars of the additional expenditure involved.
- (ii) the circumstances in which provision could not be included in the budget,
- (iii) why its postponement is not possible,
- (iv) the amount required to be advanced from the Fund with full cost of the proposal for the year or part of the year, as the case may be, and
- (v) the grant or appropriation under which supplementary provision will eventually have to be obtained.

5. Applications for advances required by Railways shall be made to the Financial Commissioner of Railways in the manner provided for in Rule 4.

6. Advances from the Fund shall be made for the purpose of meeting unforeseen expenditure including expenditure on a new service not contemplated in the Annual Financial Statement.

7. A copy of the order sanctioning the advance, which shall specify the amount, the grant or appropriation to which it relates and give brief particulars by sub-heads and units of appropriation of the expenditure for meeting which it is made, shall be forwarded by the Ministry of Finance or the Financial Commissioner of Railways, as the case may be, to the Audit and Accounts Officers concerned. In addition, the Ministry of Finance and the Financial Commissioner of Railways shall forward copies of such orders to the Accountant-General, Central Revenues and the Director of Railway Audit respectively.

8. (1) Supplementary Estimates for all expenditure so financed shall be presented to Parliament at the first

session meeting immediately after the advance is sanctioned unless such advance has been resumed to the Contingency Fund in accordance with the provisions of sub-rule (2).

NOTE 1. -While presenting to Parliament Estimates for expenditure financed from the Contingency Fund, a note to the following effect shall be appended to such Estimates :-

'A sum of ` ..... has been advanced from the Contingency Fund in ..... and an equivalent amount is required to enable repayment to be made to that Fund.'

NOTE 2.- If the expenditure on a new service not contemplated in the Annual Financial Statement can be met, 'wholly or partly' from savings available within the authorized appropriation, the note appended to the Estimates submitted shall be in the following form:-

'The expenditure is on a new service. A sum of ` ..... has been advanced from Contingency Fund in ..... and an equivalent amount is required to enable repayment to be made to that Fund.' The amount, viz., ` ..... can be found by reappropriation. 'A part of that amount, viz., ` ..... of savings within the grant and a token vote only is now required, viz., ` ..... only. a vote is required for the balance

(2) As soon as Parliament has authorized additional expenditure by means of a Supplementary Appropriation Act, the advance or advances made from the Contingency Fund, whether for meeting the expenditure incurred before the Supplementary Estimates were presented to the Parliament or after they were so presented, shall be resumed to the Fund to the full extent of the appropriation made in Act."

8. A. If in any case, after the order sanctioning an advance from the Contingency Fund has been issued in accordance with Rule 7 and before action is taken in accordance with Rule 8, it is found that the advance sanctioned will remain wholly or partly unutilized, an application shall be made to the sanctioning authority for cancelling or modifying the sanction, as the case may be.

8. B. All advances sanctioned from the Contingency Fund to meet expenditure in excess of the provision for the service included in an appropriation (Vote on Accounts) Act shall be resumed to the Contingency Fund as soon as the Appropriation Act in respect of the expenditure on the service for the whole year,



including the excess met from the advances from the Contingency Fund has been passed.

8. C. If during an Election year, two Budgets are presented to the Parliament, all advances, sanctioned from the Contingency Fund of India during the period between the presentation of first and second Budgets or during the period between the presentation of the second Budget and the passing of the connected Appropriation Act to meet expenditure on a service not included in an Appropriation (Vote on Account) Act and the advances outstanding at the end of the preceding financial year being advances the estimates for which are included in the second Budget, shall be resumed to the Contingency Fund as soon as the Appropriation Act in respect of the expenditure on the service for the whole year has been passed.

NOTE. - A suitable explanation regarding the advance and the recoument thereof shall be incorporated in the "Notes on Demands for Grants". Wherever required, such a case will be included in the statement of 'New Service' / 'New Instrument of Service' appended at the end of the demands.

9. A copy of the order resuming the advance, which shall give a reference to the number and date of the order in which the original advance was made and to the Supplementary Appropriation Act referred to in Rule 8, shall be forwarded by the Ministry of Finance and the Financial Officers concerned. In addition, the Ministry of Finance and the Financial Commissioner of Railways, as the case may be, shall forward copies of such orders to the Accountant General, Central Revenues, and the Director of Railways Audit respectively.

10. An account of the transactions of the Fund shall be maintained by the Ministry of Finance in the prescribed Form 'A' annexed to these rules.

NOTE. - The Financial Commissioner of Railways shall maintain in the same form an account of the sum placed at his disposal under Rule 3 above.

11. Actual expenditure incurred against advances from the Contingency Fund shall be recorded in the account relating to the Contingency Fund in the same details as it would have been shown if it had been paid out of the Consolidated Fund.

## ANNEXURE - II of CHAPTER III

### DIVISIONS UNDER PUBLIC ACCOUNT- DEPOSITS & ADVANCES, REMITTANCES, SMALL SAVINGS, NSSF AND VARIOUS OTHER FUNDS AND THE ACCOUNTING GUIDELINES RELATED TO PUBLIC ACCOUNTS

The Public Account of India has been divided into following Sectors and Sub Sectors-

Sector- I: Small Savings, Provident Funds etc.

Sector- J: Reserve Funds.

- (a) Reserve Funds Bearing Interest; and
- (b) Reserve Funds Not Bearing Interest.

Sector- K: Deposits and Advances.

- (a) Deposits Bearing Interest;
- (b) Deposits Not Bearing Interest; and
- (c) Advances.

Sector- L: Suspense and Miscellaneous.

Sector -M: Remittances.

#### **Small Savings, Provident Funds etc:**

All Deposits under small savings schemes are credited to the 'National Small Savings Fund' (NSSF), established in the Public Account of India with effect from 1.4.1999. All withdrawals by the depositors are made out of the accumulations in the Fund. Balance in the Fund is invested in special Government Securities as per norms decided from time to time by the Central Government. States' share of net collections under small savings (deposits minus withdrawals by subscribers) schemes under each State and Union Territory (with legislature) is advanced to the concerned State/Union Territory as investment in its special Securities and the balance if any, is invested in special Central Government Securities (forming part of the internal debt of the Government of India).

#### **Reserves and Reserve Funds:**

There are a number of Reserve Funds in the Deposit Section of the accounts of the Union Government, which have been created for specific and well defined purposes and are fed by contributions or grants from the Consolidated Fund of India or from outside agencies. The method of accounting applied to the three different classes of Reserve Funds is as follows-

##### **1. Funds Accumulated From Grants Made By Another Government:**

The grants from another Government in the first instance be taken to the relevant head in the Deposit Section of the accounts of the Government to which the grant is made. The expenditure from the grants accumulated in the fund, where the Government making the grant has not reserved any control to itself, will be entered in the relevant Service head of expenditure while an equivalent amount will be transferred to the corresponding Revenue head of account by debit to the Major/Minor Head to which the grants were originally taken. In cases where the

other Government desires to retain some measure of control over expenditure from the grants made by it the procedure will be as laid down in category 3 below.

##### **2. Reserve Funds Fed By The Consolidated Fund Of India:**

The amounts voted by the legislature for transfer to the Reserve Fund are taken to the Deposit head reserved for the purpose. A second vote for the expenditure from the fund is not necessary but in order to bring the expenditure from the fund into the Appropriation Accounts, it should be accounted for under the relevant Service head and an equivalent amount transferred from the Deposit head concerned and shown as a deduct entry under the Service head concerned. Where, however, the legislature does not desire to retain any detailed control over the expenditure from the fund, the expenditure may be adjusted by direct debit from the fund.

##### **3. Funds Fed By Grants By Outside Agencies:**

The grants received from an outside agency will be taken to the appropriate head in the Deposit Section of account. In cases where outside agencies retain control over expenditure from the grants made by them, the expenditure from these funds is adjusted directly against the Deposit head under which the grants have been credited. If the outside agencies exercise no such control, then the expenditure will be entered under the relevant Service Major Head while an equivalent amount will be transferred to the corresponding Revenue head of account by debit to the Deposit head.

These principles and procedures do not apply to certain Reserve Funds, which are governed by special arrangements.

##### **Deposits:**

In the case of moneys received to be held as deposits with Government, it should be satisfied that these moneys can be properly credited to the Public Account of India by virtue of statutory provision or general or special orders of Government, since no item should be credited as deposit which should otherwise be credited as revenue receipt or in reduction of ordinary expenditure of the Government. It has to be ensured that the balances in deposit accounts are correctly carried over from year to year and that any deposit remaining unclaimed for such period as may be prescribed Government are duly credited as revenue receipts of the Government.

##### **Advances:**

Government occasionally makes loans and advances to public and quasi-public bodies and to individuals, some under special laws and others for

special reasons or as a matter of recognized policy. The Accounts officers are required to see that the conditions of repayment of a loan or advance are complied with by the debtor and should exercise a close watch over repayment of principal and realization of interest, if any.

### **Suspense and Miscellaneous Accounts:**

Under Suspense heads are recorded all such transactions as are ultimately removed either by payment or recovery in cash or by book adjustments. Unless otherwise provided for by rules, the use of Suspense heads for provisional adjustment of transactions ultimately adjustable under ordinary Revenue and Service heads should be avoided. It has to be ensured by the accounting authorities responsible-

1. That the unadjusted balance under these heads continue to represent bonafide assets or liabilities of Government capable of being realized or settled, as the case may be, and
2. That the satisfactory action towards such realization or settlement is being taken by officers responsible therefore.

All balances suspense heads must be reviewed at short intervals and in reviewing the balances it should be secured that no item remains unadjusted longer than is reasonably necessary to bring about its clearance in the ordinary course with due regard to the rules applicable to each case, as prescribed by the Controller General of Accounts in consultation with the C&AG.

### **Remittances:**

In the case of Remittance transactions, it should be seen that debits and credits are cleared either by receipt or payment in cash or by book adjustment under the relevant Service or Revenue heads of accounts, or are paired off by corresponding credits or debits within the same or in another accounting circle. An important part of the accounting responsibility is the scrutiny of balances from month to month in order to effect their early clearance and to determine the accuracy of the outstandings at the end of the year.

### **The Accounting Guidelines Relating to Public Account:**

The monthly figures posted in the various broadsheets pertaining to debt, deposit, suspense and remittance heads are to be compared with the figures of that month's transactions under relevant heads in the monthly account, to verify that the two sets of figures tally. Discrepancy if any between the two sets of figures are to be analyzed forthwith to set right errors, like un-posted item or misclassification.

The balances under debt, deposit, suspense and remittance heads are to be individually closed to 'Balance'. However, the balances under the head

'8680-Miscellaneous Govt. Account' will be closed annually to Govt. Account. Similarly, balances under '8675-Deposits with Reserve Bank' held in the books of Principal Accounts Offices will be closed annually to Government account, but those held in the books of the Controller General of Accounts will be transferred to the head '8999-Cash Balance', every month.

The Ledger for Debt Deposit Suspense and Remittance heads closing to balance viz. those under Sectors E, F, I, J, K, and L, may be prepared half-yearly for the first six months of April to September after the accounts of September are closed. Thereafter, it will be prepared quarterly for October to December and for January to March including March Supplementary, by using the prescribed Form. (This will however exclude major heads '8675 -Deposits with Reserve Bank and "8680- Miscellaneous Government Account and "M" of the List of Major and Minor Heads of Account). The ledger is prepared by the P.A.O. up to sub/detailed heads, as may be necessary, based on the figures of first six months and subsequently for the two quarters as mentioned above, and sent to the Principal Accounts Office by the 5th November, 5th February and 5th July of each year respectively. The amounts of balances adopted or transferred, on "Proforma" basis in terms are clearly indicated. The amounts adopted by transfer consequent to the Departmentalization of Accounts from Accountants General are similarly exhibited in the Ledger of the year in which the 'Proforma' transfer was carried out.

The Principal Accounts Office puts together and prepares a Ledger incorporating the transactions of all P.A.Os under his jurisdiction. This is done with minor head-wise details based entirely on the figures furnished periodically by the PAOs. The Ledger is then submitted to the respective Pr.CCA/CCA/CA for review by the 10th November, 10th February and 10th July of each year. For the purposes of regular monitoring, a copy of the Periodical Statement along with the comments of the respective Pr.CCA/CCA/CA is sent to the Finance Accounts Section of the Controller General of Accounts by 15th November, 15th February and 15th July respectively every year. The Pr.CCAs/CCAs/CAs comments are specifically regarding the action initiated for liquidating the outstanding balances and settling adverse balances under various Debt, Deposit Suspense and Remittance Heads. It is also checked to ensure that the progressive figures for the year tally with those appearing in the Statement of Central Transactions, including the effect of all Journal Entries incorporated therein. Balances under Public Sector Bank Suspense head maintained by P.A.Os is not required to be included in the 'Ledger', since clearance against this head for adjustment against Reserve Bank Deposits head of account is carried out at the level of Principal Accounts Office itself. After this, the Principal Accounts Office prepares a sector wise abstract of balances in the form prescribed by the Controller General of Accounts.

## ANNEXURE - III of (CHAPTER III)

### THE DETAILS RELATING TO THE MATERIAL OF FINANCE ACCOUNTS, THE PROCEDURES FOR ITS COMPILATION AND VARIOUS STATEMENTS THEREIN

#### Material For Finance Accounts:

The Finance Accounts is prepared on the basis of-

- (1) Statement of Central Transactions;
- (2) Journal Entries;
- (4) Proforma Adjustments; and
- (5) Progressive figures upto the end of the previous year.

While the first four inputs mentioned above are received from the various accounting authorities, progressive figures upto the end of previous year are available in the records of Finance Accounts Section. The Statements of Central Transactions constituting the base material are furnished by the designated authorities to the Controller General of Accounts.

#### The Statement of Central Transactions:

The Statement of Central Transactions includes the progressive figures up to March (Supplementary) accounts and correcting entries made after that, until the date of submission to the Controller General of Accounts. After its submission to the Controller General of Accounts, any further correction to the Statement of Central Transactions that becomes necessary, are carried out by proposing a Journal Entry after obtaining the approval of Controller General of Accounts.

#### COMPONENTS OF FINANCE ACCOUNTS:

Apart from introductory portion and the required certificates, the Finance Accounts contains 17 Statements giving details as under-

##### Part-I:

Part I of Finance Accounts contains five summarised statements (Statements No. 1 to 5).

##### *Statement No.1 – Summary of Transactions:*

This statement shows a summary of all transactions of the Union Government for the current and the previous year, with the Receipts and Expenditure transactions shown separately. Grand Total of Receipts should be equal to Grand Total of Disbursements. After the Summary of Transactions, there is an Annexure which contains major headwise details of Taxes and Duties assigned to States during the year. The total Revenue Receipts and Expenditure for the current year are compared with those of the previous year. The increase in respect of Defence, Railways and Posts is shown as a single figure, while the reasons for increase in civil departments are explained for those major heads where the increase is substantial.

At the end of the Statement, transactions of Ministry of Railways are analyzed, showing their Revenue Receipts and Revenue Expenditure, the net surplus and the distribution of net revenue into dividend for General Revenues and Appropriation to the respective Reserve Funds. This write up is vetted by the Ministry of Railways before incorporating in the Statement.

##### *Statement No.2 – Summary of Debt Position:*

This statement has three parts-

##### **(i) Statement of Borrowings**

This part contains the debt position at the commencement of the year, Receipts and Repayments during the year, the debt position at the end of the year and the net increase during the year. This part of the statement includes heads under Public Debt and Small Savings, Provident Funds, etc with the components of Market Loans raised during the year also being indicated. A new section depicting the correct position of outstanding liability of the Central Government has been inserted from the year 2004-05.

##### **(ii) Other Obligations**

This part of the statement gives similar information as mentioned in (i) above, in respect of Reserve Funds and Deposits (separately for those bearing interest and not bearing interest).

##### **(iii) Service of Debt**

In this part of the statement, transactions of the current year and the previous year are compared in relation to total interest paid by the Government indicating the interest on (a) Public Debt and Small Savings and Provident Funds, (b) Reserve Funds and (c) other obligations. A footnote showing the amount of Dividend received on investments in the commercial undertakings is also incorporated.

##### *Statement No.3 – Loans and Advances by the Union Government:*

This statement contains the following details: -

- (i) The balance of loans at the commencement of the year, amount of loans paid and repaid during the year, balance of loans at the end of the year and net addition/decrease during the year;
- (ii) The loans granted to State and UT Governments to cover gap in resources;

- (iii) Loans to State Governments written off in terms of recommendations of Finance Commission;
- (iv) The amount of loan paid as Ways and Means Advances to State Governments for clearance/avoidance of overdrafts from RBI and also the repayments made during the year;
- (v) Details of loans sanctioned by the Government where the terms and conditions of the loans were not settled;
- (vi) Ministry wise and State/UT Government wise information on loans other than rehabilitation loans in which repayment of loans and/or payment of interest was defaulted;
- (vii) Ministry wise information on loans in which repayment of loans and /or payment of interest was defaulted by a loanee other than State/UT Government.

**Statement No. 4 Guarantees Given by the Union Governments:**

As per requirements of the FRBM Rules, a new format for disclosing guarantees given by the Government has been introduced in the Finance Accounts from the year 2004-05. At the outset, the purposes for which Government stands guarantee are stated. The maximum amount of guarantee for which Government had entered into agreements and sums guaranteed outstanding at the end of the year are mentioned in crores of Rupees. The Ministry/ Department-wise details of guarantees under different categories (6 categories) are given.

**Statement No. 5-Summary of Balances:**

Under the Indian Government Accounts book-keeping system, the amounts booked under Receipts and Expenditure heads in Revenue and Capital Account and those under major heads '7810 Inter-State Settlement', '7999- Appropriation to the Contingency Fund' and '8680 Miscellaneous Government Account', are closed to a single head with the nomenclature 'Government Account'. The balances under this head represent the cumulative result of all such transactions. The closing cash balance at the end of the year can be worked out and proved by adding the balances under 'Government Account' and those under Debt, Deposit, Suspense and Remittance heads and the Contingency Fund. This statement is prepared in thousands of Rupees having three parts, and shows the balances as at the end of the year under various sectors of account, with the total debit balances. The information available in this Statement in brief, is as follows-

- i) The sector-wise details of Prior Period Adjustments (PPAs) made in the account, along with the debit and credit totals of the PPAs;

- (ii) The significance of "Government Account" head and the closing balance under it;
- (iii) The debit or credit balance (as on 31st March of the year) for each sector of the account.

**PART – II Detailed Accounts and Other Statements:**

**A – Receipts and Expenditure**

This part contains seven statements i.e. Statements 6 to 12 of the Finance Accounts

**Statement No. 6- Statement showing Percentage Distribution of Revenue Receipts and Revenue Expenditure for the year:**

This statement is prepared with the information furnished in three columns. In the first half of the statement, the total Revenue Receipts is depicted component wise, along with the percentage against the total Revenue Receipts. In the second half the various components of Revenue Expenditure are similarly depicted.

**Statement No. 7- Statement showing the distribution between Charged and Voted Expenditure:**

This statement depicts, in a nutshell, the distribution of total expenditure between Charged and Voted expenditure and

- (i) The distribution of the expenditure under the Consolidated Fund; and
- (ii) Breakup of disbursement under Public Debt, Loans and Advances, Inter-State Settlement and Transfer to Contingency Fund.

**Statement No. 8- Detailed Account of Revenue Receipts and Capital Receipts by Minor Heads:**

This statement shows minor head wise details of the following Revenue and Capital Receipts. (a) The totals at the Sub-Major, Major Head, and Sector levels as also the, (b) Total Revenue Receipts, (c) Capital Receipts and (d) The total of Revenue and Capital Receipts. The reasons for minus transactions at Minor head levels except those under deduct heads are recorded as footnotes at relevant pages.

**Statement No. 9- Detailed Account of Revenue Expenditure by Minor Head and Capital Expenditure by Major Head:**

This statement depicts the details of Revenue expenditure by minor heads and Capital expenditure by major heads. The breakup, if any, of expenditure into Charged and Voted components is also shown, with the charged expenditure shown in italics. The reasons for minus expenditure except those under deduct heads are recorded as footnotes at the relevant pages.

*Statement No.10- Statement of Expenditure on Capital Account during and to the end of the year:*

The expenditure on Capital Account during and to the end of the year, is depicted minor headwise in this statement. However, due to non – availability of progressive figures at minor head levels, the figures are shown at sub – major head level for major head 4076 and at the major head levels for major heads 5002 and 5003. An Annexure is added indicating the minor head – wise details of expenditure incurred during the year under the Major Heads 4076, 5002 and 5003. The reasons for minus expenditure except those under deduct heads are recorded as footnotes at relevant pages.

*Statement No.11- Statement showing the Investments of the Union Government in Statutory Corporations, Government Companies, Other Joint Stock Companies, Co-operative Banks and Societies, etc. upto end of the year:*

This statement, contains full details of investments made by the Government in Statutory Corporations, Government Companies, Other Joint Stock Companies, Co-operative Banks and Societies, etc. upto the end of the year. Those enterprises which are under construction/expansion are included in Part I of the statement while the enterprises already in operation are covered in Part II of the statement. Dividend received during the year is mentioned in column (9) of the statement, and if no dividend is received, the reasons thereof are recorded in the remarks column. Any PPA that affects the investment is suitably explained in the footnote.

*Statement No. 12 - Statement showing Capital and Other expenditure (outside the Revenue Account) to end of the year and the principal sources from which funds were provided for that expenditure:*

The figures depicted in this statement are shown in two parts. The first part indicates the expenditure on Capital account and on Loans and Advances while the second part indicates the sources of funds for that expenditure. The net provision of funds for the current year should be equal to the total capital and loan expenditure during the current year. Figures in respect of investment heads are shown separately and are not included in the concerned sectors.

**B – Debt, Deposit, Remittances and Contingency Fund:**

This part contains five statements i.e. Statement Nos. 13, 14, 14A, 15 & 16.

*Statement No. 13- Statement of Receipts, Disbursements and Balances under heads of account relating to Debt, Deposits, Remittances and Contingency Fund:*

This statement contains the following: -

- (i) Details of Consolidated Fund at the beginning of the statement, with the Receipts and Disbursements under Revenue and Capital account are shown in respective columns. As these heads close to Government Account, there are no opening and closing balances of these heads;
- (ii) The balances against Major Head 8000 – Contingency Fund of India;
- (iii) The details of transactions and balances under Public Account, with the details for every minor head with sub-sector-wise breakup;
- (iv) Aggregate totals are made at all levels viz sub – major head, major head, sub – sector and sector levels. The total for the Public Account is also depicted;
- (iv) Minor head wise details of the major head 8999 Cash Balance under the ‘Sector N Cash Balance’. The opening balance under this major head is equal to the figure under the column for Receipts while the closing balance is equal to the figure under the column for Disbursements. A footnote comparing the closing balance under head 8999 – 102 Balance with Reserve Bank in this statement with the closing balance as reported by RBI, CAS, Nagpur is also recorded.

*Statement No. 14- Statement of Debt and other interest bearing obligations of Government:*

This Statement depicts:

- (1) Minor - head wise details under the - (i) Sector E-Public Debt (ii) Sub-Sectors (iii) State Provident Fund and (iv) Other Accounts below the Sector I Small Savings, Provident Funds etc.
- (2) A statement showing details of foreign loans in foreign Currencies/Rupees in Crores and the exchange rate adopted (as on 31st March of the year) is appended to statement No.14.

This is furnished by CAAA.

*Statement No. 14 A- Details of Market Loans raised in India and securities issued to International Financial Institutions:*

This statement supplements statement No. 14, furnishing details of each loan, under major head “6001”, even below the minor head level. Head wise details of loans shown at minor head level in statement No.14 are furnished in this statement, which is obtained separately from the concerned department(s) and incorporated.

*Statement No. 15- Statement of loans and advances showing the amounts advanced and repaid, interest received during the year and the balances of such loans and advances at the commencement and close of the year:*

The Minor head wise figures of loans are given in this statement. This statement also contains the breakup of the State/UT Government wise under major heads 7601 and 7602. In addition, an Annexure is added to indicate the major head-wise details of loans advanced during the year for “Plan” purposes.

*Statement No. 16- Statement showing the position of National Small Savings Fund:*

This statement was introduced in Finance Accounts in the year 1999-2000 and depicts the minor head-wise details of balances under National Small Savings Fund that also includes Savings Deposits and Savings Certificates etc. At the end of the Statement, two Appendices are added – (i) Showing the details of Income & Expenditure of National Small Savings Fund and (ii) Showing State-wise details of investments made by Government of India in Special State Government Securities.

## ANNEXURE-IV of (CHAPTER- III)

### THE VARIOUS STAGES AND THE PROCESSES INVOLVED IN THE PREPARATION OF APPROPRIATION ACCOUNTS

The Appropriation Accounts are prepared in two stages for expediting audit scrutiny:

#### **Stage - I: Grant Statement of Head wise Appropriation Accounts:**

After the beginning of the new financial year, each Principal Accounts Office will complete Stage I of the Head wise Appropriation Accounts. This shall be done with the help of that year's Main and Detailed Demands for Grants, Supplementary Demands for Grants, Re-appropriation Orders issued by the Ministry/Department controlling the grant/appropriation, and the Surrender Orders if any issued by them, as accepted by Ministry of Finance. The Budget Wing of the concerned Ministry/Department shall verify the (Stage-I) Grant Statement before it is issued under the signatures of Pr.CCA/CCA/CA etc. The Principal Accounts Office will furnish one copy of this Grant Statement to the Principal Audit Officer i.e. Office of the Director General of Audit, Central Revenues(DGACR), New Delhi, three copies to the accredited Audit Officer and two copies to CGA, as per the annual time table issued each year by the Controller General of Accounts.

In Stage I, only the basic details are given as detailed below-

#### ***In Col.1***

- a. Various sub-heads as per Detailed Demands for Grants; and
- b. The appropriation/provision in respect of each sub head, with Original denoted by letter 'O', Supplementary denoted by letter 'S' and the Surrender or Re-appropriations denoted by letter 'R' for charged/voted appropriations and grants. The Plan and Non-Plan appropriations/grants are shown together.

#### ***In Col.2***

- a. The figures of total grant or appropriation indicating the net effect of Original, Supplementary & Re-appropriations. As surrendered amounts are accounted under 'R', the surrendered amounts as accepted by Ministry of Finance are shown by opening the head "Surrenders/Withdrawals within Grant/Appropriation". This is to ensure that the actual grants including the Original & Supplementary as voted by the Parliament are shown under concerned segment or section.
- b. Explanations for the variation denoted by 'R' should also be included in Column1, as

per given norms e.g. saving/excess was mainly due to....."

- c. In columns 1 & 2 of the Statement of Recoveries, the original budget estimates and the supplementary estimates, if any, will also be given.

**Note:** The actual recovery should be shown against the correct head from which the amount has actually been reduced while computing the 'Statements for Central Transactions' (S.C.T.) figures. The nomenclature in Annexure II should be in conformity with those shown in the S.C.T. It may be noted that even if a head does not appear in the Detailed Demands for Grants, it can still be adopted in Annexure II to depict the actual recovery without obtaining formal approval of the Ministry of Finance, Budget Division.

#### **Stage-II - Head wise Appropriation Accounts:**

After complying with all the observations made on the Grant Statement (Stage I) by the accredited Audit Officer, Pr. Audit Officer, the Controller General of Accounts and the Pr. Accounts Office will initiate action for Stage II of the Head wise Appropriation Accounts, indicating-

#### ***In Col.3***

The figures of actual expenditure.

#### ***In Col.4***

The variations of (+) Excess or (-) Savings between the figures of Columns 2 and 3. The reasons for variation in Col.4 will also be given in Column 4, for example, saving/excess was due to .....". In the Statement of Recoveries etc, the actual expenditure will be shown alongside the total estimates, as well as indicating the variation (+) More or (-) Less.

The Stage II Appropriation Accounts shall also be rendered to Audit/CGA, as per the timetable issued by the Controller General of Accounts every year, indicating that-

- (a) the statement is complete and contains all the Re-appropriation/Surrender Orders issued in respect of the particular grant/appropriation during the financial year, and that
- (b) all Surrender Orders have been accepted by the Ministry of Finance vide its Audit Order No(s)..... dated .....
- (i) Attested copies of all Re-appropriation and Surrender Orders issued during the financial year and taken into



account for preparing the Grant Statement.

- (ii) Statement of funds re-appropriated to and from different sub-heads, in the prescribed Form. (v)
- (iii) Statement of Recoveries adjusted in reduction of expenditure.
- (iv) Statement showing the distribution of Supplementary Demands for Grants up to sub-head level both for Gross and Deduct recoveries, as furnished by the Administrative Ministries/Departments.
- (v) Certificate to the effect that there is no/are case(s) that attract the provisions of 'New Service or New Instrument of Service'.
- (vi) Certificate to the effect that "Increase of budget provision by ` five crore and above under a sub-head has been made with the approval of Secretary Expenditure".

**Note:** A few Demands would encompass provision for more than one Department under a Ministry. In such cases the provision would be made department wise within the Revenue and Capital Section, and thereafter the grand total would be struck under each section. A separate sheet showing major head wise-combined provision of all the departments will be attached after both Revenue and Capital sections. Each account will be accompanied by the following certificates and statements:

- (a) "Certified to the best of my knowledge and belief that all expenditure included in the Head wise Appropriation Accounts: Union Government (Civil): for the year ..... has been sanctioned by the competent authority (except for the cases mentioned in the Annexure). This certificate shall be recorded at the end of the body of the Account itself.
- (b) Statement showing Reconciliation of expenditure figures included in the Head wise Appropriation Accounts and the Statement of Central Transactions.
- (c) Statement showing sub-head wise Reconciliation of figures in the Head wise Appropriation Accounts as well as Statement of Recoveries adjusted in accounts in reduction of expenditure. This will be done up to and Minor Head wise in the Statement of Central Transactions.
- (d) Statement showing the "Amounts met from Advances out of Contingency Fund of India", but remaining un-recouped at the end of the year. If there is no such case of

any advance remaining un-recouped, a nil statement shall be furnished.

- (e) Account(s) of Earmarked Fund(s) containing the brief description of the Fund, its accounting operation, the year's receipts and payments along with opening and closing balances.

A certificate in the following form must also be given on a separate sheet to be enclosed with the Head wise Appropriation Accounts:

- (i) "Certified that the earmarked funds included in the Union Government (Civil) Appropriation Accounts for the year ..... are eligible for inclusion and have the prior concurrence of the C&AG of India".
- (ii) "Certified that there is/are no fund(s) which is/are eligible for inclusion in the Union Govt. Appropriation Accounts (Civil) for the year .....". (Deleting whichever is not applicable.)

- (f) If the expenditure has exceeded the sanctioned provision or appropriation in any segment, viz. Revenue-Voted, Revenue-Charged, Capital-Voted, or Capital-Charged of the grant or appropriation, a certificate shall be furnished to the effect that the expenditure has not exceeded due to misclassification/erroneous adjustment in the accounts, with the actual figures of excess amount in units also shown.
- h) Reasons for variations between figures of total grant or appropriation in Column 1 (Original + Supplementary) if any, and actual expenditure in Column 3 under various sub-heads will be obtained by the Pr. Accounts Office from the Budget Wing etc. of the Ministry/Department and incorporated in the Head wise Appropriation Accounts. Such reasons will be obtained in the cases qualifying for comments. The copies of Appropriation Accounts will be sent for audit scrutiny to the accredited Audit Officer, Pr. Audit Officer (DGACR), and the Controller General of Accounts, duly signed by the Pr. Accounts Officer.
- (i) Statement indicating major head wise /grant wise totals of the Consolidated Fund of India as appearing in SCT.

If any important feature is seen in the Head wise Appropriation Accounts, the Principal Accounts Officer shall bring them to the notice of the Chief Accounting Authority, through the Financial Adviser.

**Stage-III Headwise Appropriation Accounts: Duly Audited, And Approved By The Chief Accounting Authority On File:**

After the Appropriation Account of each grant/appropriation pertaining to the Ministry/Department is audited and "No Comments" certificate is issued by the Audit Officer, the finalized Account would be put up on file to the Secretary, for his approval. This shall be put up through the Financial Adviser of the Ministry, bringing to notice any important variations, points or features arising out of the audit scrutiny.

**Note:** The Audited Head wise Appropriation Accounts has to be submitted within one week of receiving 'No Comments' certificates from Audit. If the 'No Comments' Certificate received is subject to some Audit Observations, the audit observations must be complied with and the accounts finalized at the earliest, without waiting for a clear 'No Comments' Certificate from Audit.

The copies of the finalized Account will be furnished for condensation at this stage as under :

- a. To the Pr. Audit Officer (DGACR), 2 copies; and
- b. To the Controller General of Accounts, 2 copies.

The fact that the Chief Accounting Authority has approved the Accounts on file will also be indicated in the forwarding letters sent with the copies.

**Norms For Recording Reasons For Variations And Their Presentation:**

The sub-heads for which reasons for variations of savings and excesses are required to be included in the Head wise Appropriation Accounts, will be selected on the following laid down working principles:

- (a) If the variation in a sub-head exceeds `100.00 lakhs:

This includes all variations irrespective of the percentage under both savings and excesses, against the sanctioned provision of Original or Supplementary grants/appropriations or both taken together.

- (b) If the variation in a sub-head does not exceed `100.00 lakhs:

(i) *Where variation is an excess* - This includes all cases where the excess exceeds either 10% of the total sanctioned provision or `50.00 lakhs, whichever is higher. The total sanctioned provision in this clause means Original provision if there is no supplementary provision, Supplementary provision if there is no

Original provision, and the Original and Supplementary provision taken together, if both of them exist.

(ii) *Where the variation is a saving* - This includes all cases where the savings exceed 10% of the original provision or `50.00 lakhs whichever is higher, if there is no supplementary provision in that sub-head. If there is a supplementary provision in a sub-head either with or without any original provision, all cases in which the savings exceed 10% of the supplementary provision or `5.00 lakhs, whichever is higher, will be included.

(c) ***If the Grant/Appropriation as a whole has been exceeded*** - This includes all cases where excess has occurred in any of the four segments as a whole viz. Revenue-Voted, Capital-Voted, Revenue-Charged and Capital-Charged. In such instances only the sub-heads that involve an excess of over `1.00 lakh each, may be picked up. If none of the individual sub-heads involve an excess of over `1.00 lakh, the sub-heads that mainly account for the overall excess may be included. The criteria laid down in (a) and (b)(i) will also be followed for the purpose.

**Note (1):** Notwithstanding the working principles mentioned in the preceding para, occasions may arise where it may be considered necessary at any stage of the processing of the Appropriation Accounts, to include any additional sub-heads for the purpose of explaining the variations. This may occur either during Audit, or after the completion of Audit of the Head wise Accounts, or even at the stage of condensation. In such cases, explanations for variations in those sub-heads shall also be included in the Head wise Appropriation Accounts, before they are signed by the Secretary of the Ministry/Department as the Chief Accounting Authority.

**Note (2):** For the purpose of this para, variation implies the variations under column 1 (re-appropriation including surrender element only) and column 4 taken together.

The reasons for variations should be brief, lucid and analytical to be mentioned as per their importance. Vague observations like 'due to over estimates', 'based on actual expenditure', 'due to less (or more) expenditure', 'due to less (or more) demands' etc. should be avoided and Ministry/Department shall be requested to elucidate correct and specific reasons.

The Public Accounts Committee (10th Lok Sabha, 1990-91) in its 60th Report vide paras 1.22 and 1.24 had observed that savings of `100.00 crores

or above are indicative of defective budgeting as well as shortfall in performance in a Grant or Appropriation. It has therefore been decided by the Public Accounts Committee, that each year a detailed Explanatory Note in respect of savings of `100 crores or above shall be furnished by the respective Ministry/Department, to the Committee.

**Note:** Explanatory Note for savings of `100.00 crores or more for all excess expenditure may be submitted to audit for vetting, with a copy to the Controller General of Accounts by the concerned Ministries/Departments. It should be submitted along with the Head wise Appropriation Accounts (of this Stage), to enable the Controller General of Accounts to send it along with the condensed accounts. This will facilitate both checking of facts and figures of the Notes as well as prevent delays in submission of the detailed explanatory notes to PAC.

**Corrigendum To The Head Wise Appropriation Accounts:**

Corrections necessitated in the Head wise Appropriation Accounts after submission to Audit/CGA whether due to reconciliation of expenditure with departmental authorities or otherwise and carried out in the Statement of Central Transactions through Journal Entries, may be communicated to Audit/CGA in the prescribed format.

**Condensation Of Head Wise Appropriation Accounts In Accordance With The Recommendations Of The Public Accounts Committee:**

As soon as the C&AG of India furnishes three signatory (diglot) copies of the Union Govt. Appropriation Accounts (Civil) to the President, 10 (diglot) copies will be supplied by the organization of Controller General of Accounts to the Budget Division of Ministry of Finance. This is done for advance action towards presentation of the Accounts un nt. This is done in accordance with the recommendations of the Public Accounts Committee on the subject and the changes advised from time to time by the C&AG of India.

- (i). The audited Head wise Appropriation Accounts of various grants/appropriations will be condensed by the organization of the Controller General of Accounts in the form in which these are required to be printed and presented to Parliament. This is done in accordance with the recommendations of the Public Accounts Committee on the subject and the changes advised from time to time by the C&AG of India.
- (ii). Two copies of the condensed accounts shall be signed by Controller General of Accounts and the balance three copies will be authenticated by the Jt. CGA/Dy.CGA/Asstt. CGA, and furnished to

Principal Audit Officer (DGACR, New Delhi), for obtaining final Audit clearance from the Comptroller & Auditor General of India, before it is sent for printing.

- (iii). In case the Controller General of Accounts is not in office on account of tour or leave, two copies of Condensed Accounts will be signed by the Addl. Controller General of Accounts. Ex-post-facto approval of the CGA will however be obtained in all such cases.
- (iv). Ten (diglot) signatory copies bound in Rexine with the Title embossed in Gold will be signed in manuscript by the Controller General of Accounts, countersigned on behalf of the Government by the Secretary to the Government of India, Ministry of Finance, Department of Expenditure.
- (v). Seven of the signatory (diglot) copies, along with a certificate by the Assistant Director (Official Language) to the effect that Hindi version is the true translation of the English version appended to it, will be furnished to DGACR, New Delhi. DGACR will obtain the signatures of the Comptroller & Auditor General of India on the Audit Certificate, before the C&AG submits it to the President through the Finance Secretary to the Govt. of India.
- (vi). The allotted Government of India Press is simultaneously asked to go ahead with the printing of the balance ordinary copies. A certificate will also be recorded in the forwarding letter addressed to DGACR, to the effect that the reconciliation of Grant wise/Major Head wise figures for the purpose of Union Govt. Appropriation Accounts (Civil) has been completed with the Major and Minor Head wise figures of the Union Govt. Finance Accounts. Diglot copies will be supplied to Lok Sabha Secretariat and Rajya Sabha Secretariat, on the specified date.
- (vii). When intimation is received by the Controller General of Accounts that the Accounts have been laid on the Tables of Parliament, diglot copies of the Union Govt. Appropriation Accounts(Civil) as per numbers indicated will be supplied to the following authorities.
  - (i) Press Information Bureau; 50
  - (ii) Public Accounts Committee; 40
  - (iii) C&AG of India; 60
  - (iv) Director General of Audit, Central Revenues; 88

- (v) Pr. Director of Audit, Economic & Service Ministries; 10
- (vi) Pr. Director of Audit, Scientific Departments; 5
- (vii) Director General of Audit, Defence Services; 5

The organization of Controller General of Accounts will simultaneously send intimation to the Controller of Publications, Civil Lines, Delhi, to release the remaining copies of the Union Govt. Appropriation Accounts (Civil) to concerned Ministries/Departments/Offices according to the free mailing list already sent to him for the purpose.

**STAGE - IV - HEADWISE APPROPRIATION ACCOUNTS:**

Principal Chief Controllers/Chief Controllers/Controllers of Accounts etc will carry out the corrections in the Audited Head wise Appropriation Accounts, on receipt of intimation from CGA about any additions or alterations etc made in the Audited Head wise Appropriation Accounts. Such corrections may be based on the Audit Comments and are included in the Condensed Appropriation Accounts, before their final printing and presentation. After carrying out such corrections, three copies of the Head wise Appropriation Accounts including the Statement of Recoveries adjusted in accounts in reduction of expenditure, will be got signed by the Chief Accounting Authority. The Pr. CCA/CCA/CA functioning as the Head of the Organization signs the enclosures.

## ANNEXURE-I (A to F) of (CHAPTER-V)

### A. Four Letters to Lok Sabha for presentation of Finance Bill and making of Demands (to be issued before the presentation of the Budget in the Parliament)

1.

D.O. No.

February

Sir,

The President, having been informed of the subject matter of the Demands for Grants for expenditure of the Central Government (Excluding Railways) for the year \_\_\_\_\_ recommends, under article 113(3) of the Constitution, the making of the Demands to the Lok Sabha.

Yours sincerely,

Minister of Finance

To

The Secretary General  
Lok Sabha  
Parliament House  
New Delhi.

2.

D.O. No.

February

Sir,

The President having been informed of the subject matter of the Finance(No. ) Bill, (Year), recommends , under clause (1) and (3) of article 117 read with clause (1) of article 274 of the Constitution of India, the introduction of the Finance (No. ) Bill, (Year) to the Lok Sabha and also recommends to the Lok Sabha the consideration of the Bill.

2. The Bill will be introduced in the Lok Sabha immediately after the presentation of the Budget on (Date).

Yours sincerely,

(Minister of Finance)

To

The Secretary General  
Lok Sabha Secretariat  
Parliament House  
New Delhi.

3.

D.O. No.

February ,

Sir,

I give notice of my intention to move the following motions during the current Session of the Lok Sabha:

- ( i ) To move for leave to introduce the Finance (No. ) Bill, (year); and
- ( ii ) Also to introduce the Bill.

Yours sincerely,

Minister of Finance

To

The Secretary General  
Lok Sabha  
Parliament House  
New Delhi.

4.

D.O. No.

February

Sir,

I give notice of my intention to move the following motions during the current Session of the Lok Sabha:

- ( i ) "That the Finance (No. ) Bill (year) be taken into consideration".
- ( ii ) "That the Bill be passed".

Yours sincerely,

Minister of Finance

To

The Secretary General  
Lok Sabha  
Parliament House  
New Delhi.



5.

**STATEMENT OF OBJECTS AND REASONS**

The object of the Bill is to give effect to the financial proposals of the Central Government for the financial year \_\_\_\_\_. The notes on clauses explain the various provisions contained in the Bill.

Minister of Finance

New Delhi, the            February, (Year)

*Note : to be printed at the end of the Finance Bill (before notes on clauses).*

**B. Other Letters to be issued in connection with the presentation of the Budget in the Parliament.**

**1.**

D.O. No.

Finance Secretary

Dear

The Government has scheduled to present the Regular Budget for the year \_\_\_\_\_ in the Lok Sabha on (Day), February \_\_\_\_\_ at \_\_\_\_\_ A.M.

2. As per tradition and practice, the Finance Minister seeks an audience with the Her Excellency the President of India on the morning of February \_\_\_\_\_ before the meeting of the Cabinet, which is normally scheduled at \_\_\_\_\_ A.M. on the same day. During the meeting, the Finance Minister will: (i) brief Her Excellency on the main features of the Budget; (ii) seek her permission for making the Demands for Grants, (Year) under Clause (3) of Article 113; and (iii) seek her permission for introduction and consideration by the Lok Sabha of the Finance Bill (Year) under Clause (1) and (3) of Article 117 read with Clause (1) of Article 274 of the Constitution of India.

3. I request you to kindly confirm the convenience of Her Excellency the President of India for the proposed audience on February \_\_\_\_\_.

Yours sincerely,

(Finance Secretary)

Secretary to the President of India  
Rashtrapati Bhawan  
New Delhi .

2.

D.O. No.

Finance Minister

New Delhi, the February,

Dear

The Budget for the fiscal \_\_\_\_\_ is to be presented to Parliament (Lok Sabha) on February \_\_\_\_\_ at 11.00 A.M. The Finance Bill (Year) will also be introduced.

2. In keeping with past precedent, I request you to please have the Question Hour on February \_\_\_\_\_, suspended.

With regards,

Yours sincerely,

(Finance Minister)

Minister of Parliamentary Affairs,  
Parliament House,  
New Delhi.

3.

BUDGET MATTER

D.O. No.

Joint Secretary(Budget)

New Delhi, the

As you are aware, the Union Budget \_\_\_\_\_ is scheduled to be presented on (Date), (Year). In keeping with the practice of previous years, the Budget speech is to be web cast live through Internet. This task has been assigned to National Informatic Centre (NIC).

2. I shall be grateful if you could kindly advise your office to extend necessary assistance to NIC for transmitting the Budget Speech through video screening on internet as the feed for the web-cast will be from Doordarshan.

**Yours sincerely,**

**JS (Budget)**

Secretary,  
Ministry of Information & Broadcasting,  
Shastri Bhavan,  
New Delhi.

4.

**BUDGET MATTER**

D.O. No.

**Joint Secretary(Budget)**

New Delhi, the

Dear

As you are aware, the Union Budget \_\_\_\_\_ is scheduled to be presented on February (\_\_\_\_\_ Year). In keeping with the practice of previous years, the task of web casting live, the Budget speech through Internet, is to be entrusted to National Informatic Centre (NIC).

2. I shall be grateful if you could kindly advise the concerned officers to handle the task of transferring the Budget Speech through video screening on internet. Ministry of Information & Broadcasting has separately been requested for extending necessary assistance to NIC in this regard.

With regards,

Yours sincerely,

JS(Budget)

Director General,  
National Informatic Centre, CGO Complex,  
Lodhi Road, New Delhi.

5.

**SECRET**

**MOST IMMEDIATE**

No.  
**Government of India  
Ministry of Finance  
Department of Economic Affairs  
(Budget Division)**

New Delhi, the February, \_\_\_\_\_.

**Subject:** Audience of Finance Minister with Her Excellency, the President of India for briefing on the main features of Budget (Year).

The undersigned is directed to refer to President Secretariat's letter No. \_\_\_\_\_ dated \_\_\_\_\_ addressed to Finance Secretary on the above mentioned subject and to inform that the following Ministers/Officers will accompany the Finance Minister at the time of audience with Her Excellency, the President of India at \_\_\_\_\_ A.M. on the February, \_\_\_\_\_ for briefing on the main features of Budget \_\_\_\_\_

1. MOS (E&FS)
2. MOS (Revenue)
3. Finance Secretary
4. Secretary, Department of Expenditure
5. Secretary, Department of Revenue
6. Secretary, Department of Financial Services
7. Secretary, Department of Disinvestment
8. Chief Economic Adviser
9. Joint Secretary (Budget)

2. It is requested that necessary arrangements may kindly be made to facilitate the same.
3. This issues with the approval of Finance Minister.

Deputy Secretary (Budget)  
Tel.No. \_\_\_\_\_

President Secretariat,  
(Atten: Shri \_\_\_\_\_ **Joint Secretary**),  
Rashtrapati Bhavan,  
**New Delhi.**

**SECRET**  
**MOST IMMEDIATE**

6.

No.  
**Government of India**  
**Ministry of Finance**  
**Department of Economic Affairs**  
**(Budget Division)**

New Delhi, the February, \_\_\_\_\_.

**Subject:** Union Budget (Year).

The Union Budget (Year) will be presented to the Parliament on February, \_\_\_\_\_. As per standard procedure, Cabinet Meeting is held in connection with the Budget to be presented on the same day.

2. Considering that the President's briefing has been scheduled at \_\_\_\_\_ A.M., the Finance Minister has suggested that the Cabinet Meeting may be scheduled at \_\_\_\_\_ A.M. on the February, \_\_\_\_\_.

3. It is requested that the following officers of the Ministry of Finance may be permitted to remain present during the Cabinet meeting:

1. Finance Secretary
2. Secretary (Expenditure)
3. Secretary (Revenue)
4. Secretary (Financial Services)
5. Secretary (Disinvestment)
6. Chief Economic Adviser
7. Joint Secretary (Budget)

4. This issues with the approval of Finance Minister.

Deputy Secretary (Budget)  
Tel. No. \_\_\_\_\_

Cabinet Secretariat,  
(Atten: **Shri** \_\_\_\_\_ **Director**),  
Rashtrapati Bhawan,  
**New Delhi.**

7.

**Most Immediate**  
**Budget Matter**

**F.No.**  
**Government of India**  
**Ministry of Finance**  
**Department of Economic Affairs**  
**(Budget Division)**

New Delhi, the February, \_\_\_\_\_

**Subject:- Budget of the Central Government for (Year).**

Finance Minister will be presenting the Annual Financial Statement for the financial year \_\_\_\_\_ and introducing the Finance Bill, (Year) in Lok Sabha on February, \_\_\_\_\_ at \_\_\_\_\_ A.M.

2. In addition, the following statements under Section 3(1) of the Fiscal Responsibility and Budget Management (FRBM) Act, 2003 are also required to be laid in Lok Sabha on February, \_\_\_\_\_ at \_\_\_\_\_ A.M.:

- (i) Macro-Economic Framework Statement
- (ii) Medium-term Fiscal Policy Statement
- (iii) Fiscal Policy Strategy Statement

3. These statements being a part of the Budget Documents, it is requested that the laying of these statements may be included in the List of the Business for February, \_\_\_\_\_

4. It is requested that the above items may be included in the List of the Business for February, \_\_\_\_\_.

Under Secretary to the Govt. of India

Lok Sabha Secretariat,  
(Table Office),  
Parliament House,  
New Delhi.



8.

**Most Immediate**  
**Budget Matter**

**F.No.**  
**Government of India**  
**Ministry of Finance**  
**Department of Economic Affairs**  
**(Budget Division)**

New Delhi, the February, \_\_\_\_\_

**Subject:- Budget of the Central Government for \_\_\_\_\_.**

Finance Minister will be laying the Annual Financial Statement for the financial year \_\_\_\_\_ in Rajya Sabha on February, \_\_\_\_\_ at \_\_\_\_\_ P.M.

2. In addition, the following statements under Section 3(1) of the Fiscal Responsibility and Budget Management (FRBM) Act, 2003 are also required to be laid in Rajya Sabha on February, \_\_\_\_\_ at \_\_\_\_\_ P.M.:

- (i) Macro-Economic Framework Statement
- (ii) Medium-term Fiscal Policy Statement
- (iii) Fiscal Policy Strategy Statement

3. These statements being a part of the Budget Documents, it is requested that the laying of these statements alongwith the above items may be included in the List of the Business for February, \_\_\_\_\_

Under Secretary to the Govt. of India

Rajya Sabha Secretariat,  
(Leg.I Branch),  
Parliament House,  
New Delhi.

**C. Summary to President and 5 Letters ((In Finance Minister's official Letter Head) to Lok Sabha for Appropriation Bill (Vote on Account) to be issued before the introduction of the bill (to be got signed by Finance Minister in Advance).**

1.

Government of India  
Ministry of Finance  
Department of Economic Affairs  
(Budget Division)

**S U M M A R Y**

Subject:- Vote on Account for expenditure of the Central Government for (financial year) and the Appropriation (Vote on Account) Bill, (year).

Pending detailed consideration of the Demands for Grants for (financial year), it is proposed to seek Parliament's approval for a "Vote on Account" (for an amount of \_\_\_\_\_) under Article 116 of the Constitution. The Vote will be for two months' supply, viz. April to May, (year). The President's recommendation is required for the introduction and consideration of the Appropriation (Vote on Account) Bill by the Lok Sabha under clauses (1) and (3) of Article 117 of the Constitution of India, read with clause (2) of Article 116 thereof and may kindly be accorded.

Joint Secretary (Budget)

Minister  
of Finance

President of India

---

MOF( DEA ) U.O. No,

dated

March, (year).

2.

D.O. No.

Dated

Sir,

The President having been informed of the subject matter of the proposed Appropriation (Vote on Account) Bill, \_\_\_\_\_ to provide for the withdrawal of certain sums from and out of the Consolidated Fund of India for the services of a part of the financial year \_\_\_\_\_, recommends the introduction and consideration of the Bill in the Lok Sabha under Article 117(1) and (3) of the Constitution of India read with Article 116(2) thereof.

Yours sincerely,

(Finance Minister)

To

The Secretary General  
Lok Sabha  
Parliament House  
New Delhi.

3.

D.O. No.

Dated

Dear Speaker,

The demands 'on account' for (year) is likely to be put to the vote of the House on        March, (year). In view of the limited time available for the passage of financial business in both the Houses, I would request that immediately after the demands 'on account' are voted by the Lok Sabha, you may kindly allow the related Appropriation Bill to be introduced considered and passed by the House.

Yours sincerely,

(Finance Minister)

To

The Speaker  
Lok Sabha  
Parliament House  
New Delhi.

4.

D.O. No.

Dated

Sir,

I give notice of my intention to move the following motion during the current session of the Lok Sabha:

“That the respective sums not exceeding the amounts on Revenue Account and Capital Account shown in the third column of the Statement annexed, be granted to the President out of the Consolidated Fund of India, on account, for or towards defraying the charges during the year ending on the 31<sup>st</sup> day of March, (year) in respect of the heads of Demands entered in the Second column thereof against Demands No. \_\_\_\_\_.

Yours sincerely,

(Finance Minister)

To

The Secretary General  
Lok Sabha  
Parliament House  
New Delhi.

5.

D.O. No.

March, \_\_\_\_\_

Sir,

I give notice of my intention to move the following motions during the current session of the Lok Sabha:

- (i) to move for leave to introduce the Appropriation (Vote on Account) Bill, \_\_\_\_\_ to authorise payment and appropriation of certain sums from and out of the Consolidated Fund of India for the services of a part of the financial year \_\_\_\_\_, and
- (ii) ALSO to introduce the Bill.

Yours sincerely,

(Finance Minister)

To

The Secretary General  
Lok Sabha  
Parliament House  
New Delhi.

6.

D.O. No

Dated

Sir,

I give notice of my intention to move the following motions during the current session of the Lok Sabha:-

- (i) to move that the Bill to authorise payment and appropriation of sums from and out of the Consolidated Fund of India for the services of a part of the financial year \_\_\_\_\_ be taken into consideration.
- (ii) ALSO to move that the Bill be passed.

Yours sincerely,

(Finance Minister)

To

The Secretary General  
Lok Sabha  
Parliament House  
New Delhi.

## **STATEMENT OF OBJECTS AND REASONS**

This Bill is introduced in pursuance of article 114(1) of the Constitution of India, read with Article 116 thereof, to provide for the appropriation from and out of the Consolidated Fund of India, of the moneys required to meet the expenditure charged on the Consolidated Fund and the grants made in advance by the Lok Sabha in respect of the estimated expenditure of the Central Government, excluding Railways, for a part of the financial year \_\_\_\_\_.

Minister of Finance

*Note: The above statement has to be accompanied with appropriation bill.*



Immediate

Government of India  
Ministry of Finance  
Department of Economic Affairs  
(Budget Division)

\*\*\*

Subject:- The Appropriation (Vote on Account) [No. ] Bill (Year).

Two advance copies of the draft Appropriation (No. ) Bill, (Year) connected with Demands for Grants, \_\_\_\_\_ of the Central Government (Excluding Railways) are enclosed herewith for further necessary action. The Bill will be introduced in Lok Sabha soon after the Demands are voted by the House.

2. The 'Statement of Objects and Reasons' signed by the Minister of Finance is also enclosed.

2. A copy of the President's recommendation would be made available immediately after it is received from the President Secretariat.

**Under Secretary to the Government of India**

The Ministry of Law & Justice(Legislative Department) , Leg.I Section, Shastri Bhawan, New Delhi

Min. of Fin.(DEA) U.O. No. \_\_\_\_\_ dated \_\_\_\_\_.

*Note : To be issued immediately after the issue of Summary to the President.*

Immediate/By Hand

Government of India  
Ministry of Finance  
Department of Economic Affairs  
(Budget Division)  
\*\*\*

Subject:- The Appropriation (Vote on Account) [No. ] Bill (Year).

In continuation of this Ministry's U.O. note of even number dated \_\_\_\_\_, a copy of the President's recommendation for introduction and consideration of the Bill by Lok Sabha is enclosed for further necessary action.

**Under Secretary(Budget)**

The Ministry of Law & Justice(Legislative Department) Shastri Bhawan, New Delhi

Min. of Fin.(DEA) U.O. No \_\_\_\_\_ dated \_\_\_\_\_.

D. Summary to the President and 3 Letters to Rajya Sabha for Appropriation Bill (Vote on account) to be issued after the bill is passed by Lok Sabha (to be got signed by Finance Minister in Advance).

1.

Government of India  
Ministry of Finance  
Department of Economic Affairs  
(Budget Division)

.....

S U M M A R Y

Subject:- The Appropriation (Vote on Account) Bill, (year).

The Appropriation (Vote on Account) Bill, (year) providing for the withdrawal of \_\_\_\_\_ crore from and out of the Consolidated Fund of India for the services of a part of the financial year \_\_\_\_\_, appended to this Summary, having been passed by the Lok Sabha on \_\_\_\_\_ March, (year), President's recommendation is required for the consideration of the Bill by the Rajya Sabha under clause (3) of the Article 117 of the Constitution of India, read with clause (2) of Article 116 thereof, and may kindly be accorded.

**Joint Secretary (Budget)**

**Minister of Finance**

**President of India**

MOF(DEA) Budget Divn. U.O. \_\_\_\_\_, dated \_\_\_\_\_

2.

D.O. No.

Dated:

Sir,

The President having been informed of the subject matter of the proposed Bill to provide for the withdrawal of certain sums from and out of the Consolidated Fund of India for the services of a part of the financial year \_\_\_\_\_, recommends to the Rajya Sabha under clause (3) of Article 117 of the Constitution of India read with clause (2) of Article 116 thereof, the consideration of the Appropriation (Vote on Account) Bill, 2010 as passed by the Lok Sabha.

The aforesaid recommendation was made by the President on \_\_\_\_\_.

Yours sincerely,

(Finance Minister)

To

The Secretary General,  
Rajya Sabha,  
Parliament House,  
New Delhi.

3.

D.O. No.

Dated:-

Sir,

The Appropriation (Vote on Account) Bill No.      of (year) has been passed by the Lok Sabha. However owing to shortage of time, it is not possible to circulate the Bill two days in advance before consideration by the Rajya Sabha as required under Rule 123 of the Rules of procedure of Rajya Sabha.

2. It is, therefore, requested that applicability of this Rule 123 may kindly be relaxed in the case of consideration of this Bill by the Rajya Sabha.

Yours sincerely,

(Finance Minister)

To

The Chairman,  
Rajya Sabha,  
Parliament House,  
New Delhi.

4.

D.O. No.

Dated:

Sir,

I give notice of my intention to move the following motions during the current session of the Rajya Sabha:

- (i) That the Bill to provide for the withdrawal of certain sums from and out of the Consolidated Fund of India for the services of a part of the financial year \_\_\_\_\_, as passed by the Lok Sabha, be taken into consideration.
- (ii) ALSO to move that the Bill be returned.

Yours sincerely,

(Finance Minister)

To

The Secretary General,  
Rajya Sabha,  
Parliament House,  
New Delhi.

**E. Summary to President and 5 Letters ((In Finance Minister's official Letter Head) to Lok Sabha for Appropriation Bill (Main) to be issued before the introduction of the bill.**

**Ministry of Finance  
Department of Economic Affairs  
(Budget Division)**

.....

**1.**

**S U M M A R Y**

Subject:- The Appropriation (No ) Bill, (year)

The recommendation of the President, under Article 113(3) of the Constitution for making of the Demands for Grants, (year) relating to the expenditure of the Central Government (excluding Railways), to the Lok Sabha was obtained before the presentation of the Budget on \_\_\_\_ February, \_\_\_\_ The Demands for Grants are at present under consideration of the Lok Sabha. As soon as these Grants are voted, an Appropriation Bill (**for an amount of `\_\_\_\_\_**) is to be introduced in the Lok Sabha to provide for the appropriation out of the Consolidated Fund of India of the moneys required to meet the expenditure charged on the Consolidated Fund and the grants made by the Lok Sabha for the services of the financial year \_\_\_\_\_. A draft of the Bill has been prepared in advance and a copy thereof is enclosed. The amounts shown in the Bill are inclusive of the two months' supply obtained earlier under the Appropriation (Vote on Account) Act, \_\_\_\_ (No.\_\_\_\_of year)

2. The recommendation of the President is required to the introduction and consideration of the Bill by the Lok Sabha under Clause (1) and (3) of Article 117 of the Constitution of India and may kindly be accorded.

Joint Secretary (Budget)

Minister of Finance

**President of India**

Min. of Finance(DEA) U.O. No.. \_\_\_\_\_ dated the

2.

D.O. No

Dated:

Sir,

The President having been informed of the subject matter of the Appropriation (No. ) Bill, (year) to authorise payment and appropriation of certain sums from and out of the Consolidated Fund of India for the services of the financial year \_\_\_\_\_, recommends under Article 117(1) and (3) of the Constitution the introduction of the Appropriation ( No. ) Bill, (year) in the Lok Sabha and also the consideration of the Bill.

2. The Bill will be introduced in the Lok Sabha after the Demands for Grants for expenditure of the Central Government (Excluding Railways) for the year \_\_\_\_\_ have been voted.

Yours sincerely,

( Finance Minister )

To

The Secretary General  
Lok Sabha  
Parliament House  
New Delhi.



3.

D.O. No.

Dated

Sir,

I hereby give notice of my intention to move the following motion during the current session of the Lok Sabha:-

“That the respective sums not exceeding the amounts on Revenue Account and Capital Account shown in the fourth column of the Statement annexed be granted to the President out of the Consolidated Fund of India, to complete the sums necessary to defray the charges that will come in course of payment during the year ending the 31st day of March (Year), in respect of the heads of demands entered in the second column thereof, against Demands No.

---

Yours sincerely,

( Finance Minister )

To

The Secretary General  
Lok Sabha  
Parliament House  
New Delhi.

4.

D.O. No.

Dated

Dear Speaker,

The discussion on Ministries' Demands for Grants is presently scheduled to conclude in Lok Sabha on \_\_\_\_\_ and immediately thereafter, the Appropriation (No. \_\_\_\_\_) Bill, (year) to provide for expenditure for the full year is proposed to be introduced. After the Appropriation Bill is passed, the Finance Bill is to be taken up by the House.

2. Unless the Appropriation Bill is taken up for consideration and passing in Lok Sabha immediately after its introduction, there may not be adequate time left for consideration and passing of the Finance Bill in the Lok Sabha. I would, therefore, request that you may kindly allow, as a special case, consideration and passing of the Appropriation (No. \_\_\_\_\_) Bill, (year) immediately after the Demands are voted by the House and the Bill is introduced.

Yours sincerely,

( Finance Minister )

To

The Speaker  
Lok Sabha  
Parliament House  
New Delhi.

5.

D.O. No

Dated:

Sir,

I hereby give notice of my intention to move the following motions during the current Session of the Lok Sabha:-

(i) To move for leave to introduce the Appropriation ( No. ) Bill, (Year) to authorise payment and appropriation of certain sums from and out of the Consolidated Fund of India for the services of the financial year \_\_\_\_\_; and

(ii) ALSO to introduce the Bill.

Yours sincerely,

( Finance Minister )

To

The Secretary General  
Lok Sabha  
Parliament House  
New Delhi.

6.

D.O. No.

Dated:

Sir,

I hereby give notice of my intention to move the following motions during the current Session of the Lok Sabha:-

(i) to move that the Appropriation( No. ) Bill, (year) be taken into consideration.

(ii) ALSO to move that the Bill be passed.

Yours sincerely,

( Finance Minister )

To

The Secretary General  
Lok Sabha  
Parliament House  
New Delhi.

## **STATEMENT OF OBJECTS AND REASONS**

This Bill is introduced in pursuance of Article 114(1) of the Constitution of India to provide for the appropriation out of the Consolidated Fund of India of the moneys required to meet the expenditure charged on the Consolidated Fund and the grants made by Lok Sabha for expenditure of the Central Government, excluding Railways, for the financial year \_\_\_\_\_.

**Minister of Finance**

*Note: The above statement has to be accompanied with appropriation bill.*

Government of India  
Ministry of Finance  
Department of Economic Affairs  
(Budget Division)  
\*\*\*

Subject:- The Appropriation ( No. ) Bill (Year).

Two advance copies of the draft Appropriation (No. ) Bill, (Year) connected with Demands for Grants, \_\_\_\_\_ of the Central Government (Excluding Railways) are enclosed herewith for further necessary action. The Bill will be introduced in Lok Sabha soon after the Demands are voted by the House.

2. The 'Statement of Objects and Reasons' signed by the Minister of Finance is also enclosed.
3. A copy of the President's recommendation would be made available immediately after it is received from the President Secretariat.

**Under Secretary to the Government of India**

The Ministry of Law & Justice(Legislative Department) , Leg.I Section, Shastri Bhawan, New Delhi  
Min. of Fin.(DEA) U.O. No. \_\_\_\_\_ dated \_\_\_\_\_.

*Note : To be issued immediately after the issue of Summary to the President.*

Immediate/By Hand

Government of India  
Ministry of Finance  
Department of Economic Affairs  
(Budget Division)  
\*\*\*

Subject:- The Appropriation ( No. ) Bill,(Year).

In continuation of this Ministry's U.O. note of even number dated April, \_\_\_\_\_, a copy of the President's recommendation for introduction and consideration of the Bill by Lok Sabha is enclosed for further necessary action.

**Under Secretary(Budget)**

The Ministry of Law & Justice(Legislative Department) Shastri Bhawan, New Delhi

Min. of Fin.(DEA) U.O. No \_\_\_\_\_ dated \_\_\_\_\_.

**F. Summary to the President and 3 Letters to Rajya Sabha for Appropriation Bill (Main) to be issued after the bill is passed by Lok Sabha.**

Government of India  
Ministry of Finance  
Department of Economic Affairs  
(Budget Division)  
\*\*\*

1.

**S U M M A R Y**

Subject:- The Appropriation ( No. ) Bill, (year).

The Appropriation (No. ) Bill, year to authorise payment and appropriation of ` \_\_\_\_\_ crore from and out of the Consolidated Fund of India for the services of the financial year \_\_\_\_\_, appended to this Summary, having been passed by the Lok Sabha on \_\_\_\_\_, the recommendation of the President is required for the consideration of the Bill by the Rajya Sabha under clause (3) of Article 117 of the Constitution of India, and may kindly be accorded.

Joint Secretary (Budget)

Minister of Finance

**President of India**

Min. of Finance(DEA) U.O. No.. \_\_\_\_\_ dated the



2.

D.O. No. \_\_\_\_\_

Dated: \_\_\_\_\_,

Sir,

The President having been informed of the subject matter of the proposed Bill to authorise payment and appropriation of certain sums from and out of the Consolidated Fund of India for the services for the financial year \_\_\_\_\_, recommends to the Rajya Sabha under Article 117(3) of the Constitution, the consideration of the Appropriation ( No \_\_\_\_\_ ) Bill, (year), as passed by the Lok Sabha.

The aforesaid recommendation was made by the President on \_\_\_\_\_

Yours sincerely,

( Finance Minister )

To

The Secretary General,  
Rajya Sabha,  
Parliament House,  
New Delhi.

3.

D.O. No. \_\_\_\_\_

Dated: \_\_\_\_\_,

Sir,

The Appropriation (No. ) Bill, (year) has been passed by Lok Sabha. However owing to shortage of time, it is not possible to circulate the Bill two days in advance before consideration by the Rajya Sabha as required under Rule 123 of the Rules of procedure of Rajya Sabha.

2. It is, therefore, requested that applicability of this Rule 123 may kindly be relaxed in the case of consideration of this Bill by Rajya Sabha.

Yours sincerely,

( Finance Minister )

To

The Chairman,  
Rajya Sabha,  
Parliament House,  
New Delhi.

4.

D.O. No. \_\_\_\_\_

Dated:

Sir,

I hereby give notice of my intention to move the following motions during the current session of the Rajya Sabha:-

- (i) That the Bill to authorise payment and appropriation of certain sums from and out of the Consolidated Fund of India for the services of the financial year \_\_\_\_\_ as passed by the Lok Sabha, be taken into consideration.
- (ii) ALSO to move that the Bill be returned.

Yours sincerely,

( Finance Minister )

To

The Secretary General,  
Rajya Sabha,  
Parliament House,  
New Delhi.

## **ANNEXURE-I of (CHAPTER-VI)**

Summary to the President seeking recommendation for the making of the Supplementary Demands for Grants in the Lok Sabha and Rajya Sabha together with requisite notices to Lok Sabha (6 letters) and Rajya Sabha (3 letters) are approved and signed by the Finance Minister in advance . The format of the same is appended below :

*Ministry of Finance*  
**Department of Economic Affairs**  
**(Budget Division)**

### SUMMARY

**Subject: Supplementary Demands for Grants, F.Y. \_\_\_\_\_ (Month \_\_\_\_\_) and the connected Appropriation Bill, \_\_\_\_\_.**

It is proposed to lay before both Houses of Parliament, in its \_\_\_\_\_ Session, a Statement of Supplementary Demands for Grants of a further sum of ` \_\_\_\_\_ as shown in the attached Schedule, to meet the additional requirements of various Ministries/Departments, including those resulting from specific items of new service and new instrument of service, which cannot be met from within the existing provisions. The recommendation of the President of India is sought for the making of the Demands for Supplementary Grants, as shown in the attached schedule, under clause (3) of article 113 of the Constitution read with clause (1) (a) and (2) of article 115 thereof.

2. A copy of the Appropriation Bill providing for appropriation out of the Consolidated Fund of India, for the moneys, which will be available through the Supplementary Grants, is also placed below. The recommendation of the President of India is also solicited under clauses (1) and (3) of article 117 of the Constitution read with clause (2) of article 115 thereof, to the introduction and consideration of the Bill by Lok Sabha after the Supplementary Demands for Grants have been voted.

**Joint Secretary (Budget)**

**Minister of Finance**

F.No. : \_\_\_\_\_

To  
**The President of India**

## STATEMENT OF OBJECTS AND REASONS

This Bill is introduced in pursuance of article 114 (1) of the Constitution of India, read with article 115 thereof, to provide for the appropriation out of the Consolidated Fund of India of the moneys required to meet the supplementary expenditure charged on the Consolidated Fund of India and the grants made by the Lok Sabha for expenditure of the Central Government, excluding Railways, for the financial year\_\_\_\_\_.

**Minister of Finance**

Note : 6 letters to Lok Sabha as per format appended below is submitted after receipt of the President's recommendation.

(In Finance Minister's official Letter Head)

F.No. \_\_\_\_\_

Sir,

The President, having been informed of the subject matter of the proposed Supplementary Demands for Grants for expenditure of the Central Government (excluding Railways) for the year \_\_\_\_\_, recommends under clause (3) of Article 113 of the Constitution read with clauses (1) and (2) of the Article 115 thereof, the making of the Supplementary Demands for Grants in the Lok Sabha.

Yours sincerely,

(Finance Minister)

The Secretary General,  
Lok Sabha,  
Parliament House,  
**New Delhi.**

(In Finance Minister's official Letter Head)

F.No. \_\_\_\_\_

Sir,

The President, having been informed of the subject matter of the proposed Bill to authorise payment and appropriation of certain further sums from and out of the Consolidated Fund of India for the services of the financial year\_\_\_\_\_, recommends under article 117 (1) and (3) of the Constitution, the introduction of the Appropriation (No. ) Bill, \_\_\_\_\_ in the Lok Sabha and also the consideration of the Bill.

The Bill will be introduced in the Lok Sabha after all the Supplementary Demands for Grants for expenditure of the Central Government (excluding Railways) for the year \_\_\_\_\_ have been voted.

Yours sincerely,

(Finance Minister)

The Secretary General,  
Lok Sabha,  
Parliament House,  
**New Delhi.**

(In Finance Minister's official Letter Head)

F.No. \_\_\_\_\_

Sir,

I hereby give notice of my intention to move the following motions during the current Session of the Lok Sabha:

- (i) to move that the Bill to authorise payment and appropriation of certain further sums out of the Consolidated Fund of India for the services of the financial year \_\_\_\_\_ be taken into consideration; and
- (ii) also to move that the Bill be passed.

Yours sincerely,

(Finance Minister)

The Secretary General,  
Lok Sabha,  
Parliament House,  
**New Delhi.**



(In Finance Minister's official Letter Head)

F.No. \_\_\_\_\_

Sir,

I hereby give notice of my intention to move the following motion during the current Session of the Lok Sabha:

"That the respective sums not exceeding the amounts on Revenue Account and Capital Account shown in the third column of the Statement annexed be granted to the President out of the Consolidated Fund of India, of certain further sums necessary to defray the charges that will come in course of payment during the year ending the 31st day of March, \_\_\_\_\_ in respect of the heads of demands entered in the Second column thereof, against Demand Nos.

\_\_\_\_\_.

Yours sincerely,

(Finance Minister)

The Secretary General,  
Lok Sabha,  
Parliament House,  
**New Delhi.**

(In Finance Minister's official Letter Head)

F.No. \_\_\_\_\_

Dear Speaker,

The \_\_\_\_\_ Batch of Supplementary Demands for Grants of the Central Government (excluding Railways) which are likely to be presented to the Lok Sabha on \_\_\_\_\_, (Year) are expected to be taken up for discussion soon thereafter. In view of the limited time available and pressure of other legislative work, I would request that immediately after the Supplementary Demands are voted by the Lok Sabha, you may kindly allow the related Appropriation Bill to be introduced, considered and passed by the House.

Yours sincerely,

(Finance Minister )

(Name)  
Speaker,  
Lok Sabha,  
Parliament House,  
**New Delhi.**

(In Finance Minister's official Letter Head)

F.No. \_\_\_\_\_

Sir,

I hereby give notice of my intention to move the following motions during the current Session of the Lok Sabha:

- (i) to move for leave to introduce the Appropriation (No. ) Bill, (Year) to authorise payment and appropriation of certain further sums from and out of the Consolidated Fund of India for the services of the financial year \_\_\_\_\_; and
- (ii) also to introduce the Bill.

Yours sincerely,

(Finance Minister)

The Secretary General,  
Lok Sabha,  
Parliament House,  
**New Delhi.**

Note : President's recommendation is obtained for consideration of the Appropriation Bill after Lok Sabha passes the same. Format for seeking President's recommendation is as follows :

*Ministry of Finance*  
**Department of Economic Affairs**  
**(Budget Division)**  
\*\*\*

**SUMMARY**

**Subject: The Appropriation (No.     ) Bill,(Year).**

The Appropriation (No.     ) Bill, (Year) to authorise payment and appropriation of further sum of ` \_\_\_\_\_ from and out of the Consolidated Fund of India, for the services of the year ending on the 31<sup>st</sup> day of March, \_\_\_\_\_ appended to this summary, having been passed by the Lok Sabha, the recommendation of the President is required for the consideration of the Bill by the Rajya Sabha. The President may be pleased to accord such recommendation under clause (3) of Article 117 of the Constitution read with Article 115 thereof.

**Joint Secretary (Budget)**

**Minister of Finance**

F.No. : \_\_\_\_\_

To  
**The President of India**

Note : 3 letters to Rajya Sabha as per format appended below is submitted after receipt of the President's recommendation.

(In Finance Minister's official Letter Head)

F.No. \_\_\_\_\_

Sir,

I hereby give notice of my intention to move the following motions during the current Session of the Rajya Sabha:

(i) "That the Bill to authorise payment and appropriation of certain further sums from and out of the Consolidated Fund of India for the services of the financial year ending on the 31<sup>st</sup> day of March, (Year) , as passed by the Lok Sabha, be taken into consideration; and

(ii) that the Bill be returned".

Yours sincerely,

**(Finance Minister)**

The Secretary General,  
Rajya Sabha,  
Parliament House,  
**New Delhi.**

(In Finance Minister's official Letter Head)

F.No. \_\_\_\_\_

Sir,

The President, having been informed of the subject matter of the Appropriation Bill (No. ), (Year) to authorise payment and the Appropriation of certain further sums from and out of the Consolidated Fund of India for the services of the financial year ending on the 31<sup>st</sup> day of March, (Year), recommends to the Rajya Sabha under Article 117 (3) of the Constitution read with Article 115, the consideration of the Appropriation Bill (No. ), (Year) as passed by the Lok Sabha.

Yours sincerely,

**(Finance Minister)**

The Secretary General,  
Rajya Sabha,  
Parliament House,  
**New Delhi.**

(In Finance Minister's official Letter Head)

F.No. \_\_\_\_\_

Sir,

The Appropriation Bill (No. ), 2010 has been passed by the Lok Sabha. However, owing to shortage of time, it is not possible to circulate the Bill two days in advance before consideration by the Rajya Sabha as required under Rule 123 of the Rules of Procedure of Rajya Sabha.

2. It is, therefore, requested that applicability of this Rule 123 may kindly be relaxed in the case of consideration of this Bill by the Rajya Sabha.

Yours sincerely,

(Finance Minister)

The Chairman,  
Rajya Sabha,  
Parliament House,  
**New Delhi.**

## ANNEXURE-II of (CHAPTER-VI)

### Financial limits to be observed in determining the cases relating to 'NEW SERVICE'/NEW INSTRUMENT OF SERVICE'

| Nature of transaction   | Limits upto which expenditure can be met by reappropriation of savings in a Grant subject to report to Parliament | Limits beyond which prior approval of Parliament is required for expenditure from the Consolidated Fund |
|---|---|---|
| 1   | 2   | 3   |
| <b>I. CAPITAL EXPENDITURE</b>   | ...   | All cases   |
| <b>A. Departmental Undertakings</b>   |   |   |
| (i) Setting up a new undertaking, or taking up a new activity by an existing undertaking.   | Above ₹2.50 crore but not exceeding ₹5 crore.   | Above ₹5 crore  |
| (ii) Additional investment in an existing undertaking   |   |   |
| <b>B. Public Sector Companies/Corporations</b>  |   |   |
| (i) Setting up of a new Company, or splitting up of an existing Company, or amalgamation of two or more Companies, or taking up a new activity by an existing Company | Above ₹50 lakhs but not exceeding ₹1 crore  | All cases<br><br>Above ₹1 crore   |
| (ii) Additional investment in/ loans to an existing company   | 20% of appropriation already voted or ₹10 crore, whichever is less  | Above 20% of appropriation already voted or ₹10 crore, whichever is less.                               |
| (a) Where there is no   | less  | Above 20% of  |

|  |  |  |
|--|--|--|
| Budget Provision   | 20% of appropriation already voted or ₹20 crore, whichever is less | appropriation already voted or ₹20 crore, whichever is less. |
| (b) Where Budget Provision exists for investment and/or loans Paid up capital of the Company |  |  |
| (i) Upto ₹50 crore   |  |  |
| (ii) Above ₹50 crore   |  |  |

### C. All bodies or authorities within the administrative control/management of Central Government or substantially financed by the Central Government.

|       |   |  |
|-------|---|--|
| Loans | Upto 10% of the appropriation already voted or ₹10 crore, whichever is less | More than 10% over the appropriation already voted by Parliament or ₹10 crore, whichever is less |
|-------|---|--|

**Note:** Where a lumpsum provision is made for providing 'Loans' under a particular scheme, the details of substantial apportionment (10% of lumpsum or ₹1 crore, whichever is higher) should be reported to Parliament, in the case of lumpsum provision of loans to States, the State-wise distribution should be reported to Parliament.

| Nature of transaction | Limits upto which expenditure can be met by reappropriation of savings in a | Limits beyond which prior approval of Parliament is required for expenditure from |
|-----------------------|---|---|
|-----------------------|---|---|



|  | Grant subject to report to Parliament  | the Consolidated Fund   |
|--|--|---|
| 1  | 2  | 3   |
| <b>D. Expenditure on new Works (Land, Buildings and/or Machinery)</b>  | Above `50 lakhs but not exceeding `2.5 crore or not exceeding 10% of the appropriation already voted, whichever is less. | Above `2.5 crore or above 10% of the appropriation already voted.                                 |
| <b>II REVENUE EXPENDITURE</b>  |  |   |
| <b>E. Grants-in-aid to any body or authority</b>   |  |   |
| <i>Note: Where a lumpsum provision is made for providing grants-in-aid under a particular scheme, the details of substantial apportionment (10% of lumpsum or `1 crore, whichever is higher) should be reported to Parliament. In the case of lumpsum provision of grants to States, the State-wise distribution should be reported to Parliament.</i> |  |   |
| <b>F. Subsidies</b>  |  |   |
| (i) New Cases  | ...  | More than 10% over the appropriation already voted by Parliament or `10 crore, whichever is less. |
| (ii) Enhancement of provision in the existing appropriation  | Upto 10% of the appropriation already approved by the Parliament or `10 crore, whichever is less                         |   |
| Payments against cess collections  | Limits as applicable to grants-in-aid to statutory or public institutions will apply                                     | All cases   |
| New Commissions or Committees of Enquiry   | ...  | Above `20 lakhs (total expenditure)   |
| <b>G. Write off of Government loans</b>  | Above `50,000 but not exceeding `1 lakh  | Above `1 lakh (individual cases)  |

|  |  |  |
|--|--|--|
| <b>H. Other cases of Government expenditure</b>  | Each case to be considered on merits.  |  |
| <b>I. Posts</b>  | The aforesaid limits, including those relating to Works expenditure, will also apply to these Departments subject to considerations of security in the case of Defence | The aforesaid limits, including those relating to Works expenditure, will also apply to these Departments subject to considerations of security in the case of Defence Services Estimates. |
| <b>Railways</b>  |  |  |
| <b>Defence</b>   |  |  |
| <p><i>Note 1: For investment in Ordnance Factories, the limit of `5 crore mentioned in item A (ii) will be applicable with reference to investment in all the factories as a whole.</i></p> <p><i>Note 2: Civil Works, which do not form part of any project of the departmental undertakings (Ordnance Factories) should be treated as ordinary Defence works. As such, prior approval of Parliament will be necessary if the cost of individual works exceeds `2.5 crore and in cases where the individual works cost `50 lakhs or more but not exceeding `2.5 crore, a report to Parliament will be required. A list of such works should, however, be supplied to Director of Audit, Defence Services.</i></p> |  |  |

## ANNEXURE-I of (CHAPTER-VII)

### FRBM RELATED STATEMENTS AND THE GUIDELINES FOR THEIR PREPARATION:

#### The Medium Term Fiscal Policy Statement:

The FRBM Act stipulates that the Medium Term Fiscal Policy Statement shall set forth a three year rolling target for prescribed fiscal indicators with specification of underlying assumptions. The FRBM Rules notified on 2<sup>nd</sup> July 2004, further provides that the Medium Term Fiscal Policy Statement will contain three year rolling targets in respect of revenue deficit as a percentage of GDP; fiscal deficit as a percentage of GDP; tax revenues as a percentage of GDP; and total outstanding liabilities of the Central Government as a percentage of GDP.

The Statement is also required to provide an assessment of sustainability relating to-

- (i) *The balance between revenue receipts and revenue expenditures-* the Statement may specify the tax-GDP ratio for the current year and subsequent two years with an assessment of the changes required for achieving it. It may discuss the non tax revenues and the policies concerning the same. An assessment of the capital receipts may be made, including the borrowings and other liabilities, as per policies spelt out. The Statement may also give projections for GDP and discuss it on the basis of assumptions underlying the indicators. Expenditure on revenue account, both Plan and Non Plan, may also be made with particular emphasis on the measures proposed to meet the overall objectives.
- (ii) *The use of capital receipts including market borrowings for generating productive assets-* the Statement may specify the proposed use of capital receipts for generating productive assets in different categories. It may also spell out proposed changes among these categories and discuss it in terms of the overall policy of the Government in achieving the national objective.

Finally, relating to the Assumptions underlying the Fiscal Indicators, the following have been indicated:

1. Revenue Receipts
  - (a) Tax Revenue- Sectoral and GDP growth rates;
  - (b) Non Tax Revenue- Policy stance; and
  - (c) Devolution to States- Finance Commission.
2. Capital Receipts-Debt stock, repayment, fresh loans and policy stance
  - (a) Recovery of loans;

- (b) Other Receipts; and
  - (c) Borrowings- Public debt and other liabilities.
3. Total Expenditure- Policy stance
  - (a) Revenue Account
    - (i) Interest payments;
    - (ii) Major subsidies; and
    - (iii) Others.
  - (b) Capital Account
    - (i) Loans and advances
    - (ii) Capital outlay.
4. GDP Growth

#### Fiscal Policy Strategy Statement:

The FRBM Act provides that the Fiscal Policy Strategy Statement, shall, *interalia* contain-

- (a) The policies of the Central Government for the ensuing financial year relating to taxation, expenditure, market borrowings and other liabilities, lending and investments, pricing of administered goods and services, securities and description of other activities such as underwriting and guarantees which have potential budgetary implications;
- (b) The strategic priorities of the Central Government for the ensuing financial year in the fiscal area;
- (c) The key fiscal measures and rationale for any major deviation in fiscal measures pertaining to taxation, subsidy, expenditure, administered pricing and borrowings; and
- (d) An evaluation as to how the current policies of the Central Government are in conformity with the fiscal management principles set out in section 4 of the Act and the objectives set out in the Medium Term Fiscal Policy Statement.

The FRBM Rules notified on 2<sup>nd</sup> July 2004, further provides the form in which the Statement is required to be prepared, which is as under-

#### **A: Fiscal Policy Overview:**

This paragraph will present an overview of the fiscal policy currently in vogue.

#### **B: Fiscal Policy for the Ensuing Financial Year:**

This paragraph shall have five sub-paragraphs dealing with-

- 1) Tax Policy- In the sub-paragraph on tax policy, major changes proposed to be introduced in direct and indirect taxes in the ensuing financial year will be presented. It shall contain an assessment of income tax exemption limits and how far it relates to per capita income, principles regarding tax exemptions and target group for exemptions.
- 2) Expenditure Policy- Under expenditure policy, major changes proposed in the allocation of expenditure shall be indicated. It shall also contain an assessment of principles regarding the benefits and target group of beneficiaries.
- 3) Government Borrowings, Lending and Investment- In this sub-paragraph on Government borrowings, the policy relating to internal debt, external debt, Government lending, investments and other activities; including principles regarding average maturity structure, bunching of repayments, etc. shall be indicated.
- 4) Contingent and Other Liabilities- Any change in the policy on contingent and other liabilities and in particular guarantees which have the potential budgetary implications shall be indicated.
- 5) Pricing of Administered Goods- Any change proposed in the pricing of administered products, including the progress towards market-based principles shall be spelt out.

**C: Strategic Priorities for the Ensuing Year:**

- 1) Resource mobilization for the ensuing financial year through tax, non-tax and other receipts shall be spelt out.
- 2) The broad principles underlying the expenditure management during the ensuing year shall be spelt out.
- 3) Priorities relating to management of public debt proposed during the ensuing year shall be indicated.

**D: Rationale for Policy Changes:**

- 1) The rationale for policy changes consistent with the Medium Term Fiscal Policy Statement, in respect of direct and indirect taxes proposed in the ensuing budget shall be spelt out.
- 2) The rationale for major policy changes in respect of budgeted expenditure including expenditure on subsidies shall be indicated.

- 3) Rationale for changes, if any, proposed in the management of public debt shall be indicated.
- 4) The need for changes, if any, proposed in respect of pricing of administered goods shall be spelt out.

**E: Targets for the Ensuing Year:**

At the end of the second quarter, a mid-year assessment shall be made of the trends in receipts and expenditures and achievement of targets of deficit reduction in relation to Budget Estimates. In case the total non-debt receipts are less than 40 percent of Budget Estimates for that year; or the fiscal deficit is higher than 45 percent of the Budget Estimates for that year; or the revenue deficit is higher than 45 percent of the Budget Estimates for that year, the Central Government shall take action as required, under sub-sections (2) and (3) of section 7 of the FRBM Act.

**F: Policy Evaluation:**

This paragraph shall contain an evaluation of the changes proposed in the fiscal policy for the ensuing year with reference to fiscal deficit reduction and objectives set out in the Medium Term Fiscal Policy Statement.

**Macro-Economic Framework Statement:**

As per the FRBM Act, the Macro-economic Framework Statement shall contain an assessment of the growth prospects of the economy with specification of underlying assumptions. In particular, and without prejudice to the generality of the foregoing provisions, the Macro-economic Framework Statement shall contain an assessment relating to-

- (a) The growth in Gross Domestic Product;
- (b) The fiscal balance of the Union Government as reflected in the revenue balance and gross fiscal balance;
- (c) The external sector balance of the economy as reflected in the current account balance of the balance of payments.

The format of the Macro Economic Framework Statement as prescribed in the FRBM Rules is as under-

1. Overview of the Economy- This paragraph shall contain a synoptic analysis of trends in growth rates, prices, output, external sector, money and capital markets. Information on key macro-economic indicators will be presented in the format appended.
2. GDP Growth- This paragraph shall contain an analysis of trends in overall GDP growth and its sectoral composition.

3. External Sector- Under this paragraph, trends in exports, imports, foreign exchange reserves, current account balance and balance of payments shall be presented.
4. Money, Banking and Capital Markets- This paragraph shall present an account of the trends in money supply, bank deposits and credit and developments in the capital market.
5. Central Government Finances- Under this paragraph, an analysis of trends in revenue collections and expenditure shall be presented. Trends in important fiscal deficit and debt indicators shall be presented. Trends in Central Government finances shall be presented in the format appended.
6. Prospects- Based on the trends in major sectors presented in the previous sections, an assessment shall be made regarding the growth prospects, along with the underlying assumptions.

#### **Quarterly Reviews:**

FRBM Act [sub-section 7 (1)] prescribes that the Minister in charge of the Ministry of Finance shall review, every quarter; the trends in receipts and expenditure in relation to the budget and place before both the Houses of Parliament the outcome of such reviews. The sub-section 7 (2) of the Act further provides that, whenever there is either shortfall in revenue or excess of expenditure over the pre-specified levels mentioned in the Fiscal Policy Strategy Statement and the rules made under the FRBM Act, during any period in a financial year, the Central Government shall take appropriate measures for increasing revenue or for reducing the expenditure (including curtailing of the sums authorized to be paid and applied from and out of the Consolidated Fund of India under any Act so as to provide for the appropriation of such sums); provided that nothing in this sub-section shall apply to the expenditure charged on the Consolidated Fund of India under clause (3) of Article 112 of the Constitution or to any other expenditure which is required to be incurred under any agreement or contract or such other expenditure which cannot be postponed or curtailed.

Except as provided under the FRBM Act no deviation in meeting the obligations cast on the Central Government under this Act, shall be permissible without approval of Parliament. Where owing to unforeseen circumstances, any deviation is made in meeting the obligations cast on the Central Government under this Act, the Minister in charge of the Ministry of Finance shall make a statement in both Houses of Parliament explaining-

- (i) Any deviation in meeting the obligations cast on the Central Government under this Act;
- (ii) Whether such deviation is substantial and relates to the actual or the potential budgetary outcomes; and
- (iii) The remedial measures the Central Government proposes to take.

#### **Mid Year Reviews:**

Mid Year Review under FRBM Act takes place in terms of FRBM Rules (Rule 7), that lays down the Measures to enforce compliance with regard to the Quarterly Review Statements. It provides that in case the outcome of the quarterly review of trends in receipts and expenditure, made under sub-section (1) of section 7, at the end of second quarter of any financial year beginning with the financial year 2004-05 shows that-

- (i) The total on-debt receipts are less than 40 percent of Budget Estimates for that year; or
- (ii) The fiscal deficit is higher than 45 percent of the Budget Estimates for that year; or
- (iii) The revenue deficit is higher than 45 percent of the Budget Estimates for that year, then,-
  - (a) as required under sub-section (2) of that section (section) 7, the Central Government shall take appropriate corrective measures; and
  - (b) as required under sub-section (3) of that section,, the Minister in charge of the Ministry of Finance shall make a statement in both the Houses of Parliament during the session immediately following the end of the second quarter detailing the corrective measures taken, the manner in which any supplementary demands for grants are proposed to be financed and the prospects for the fiscal deficit for that financial year.

## ANNEXURE-II (CHAPTER- VII)

### GUIDELINES FOR PREPARATION OF OUTCOME BUDGET:

As per the Department of Expenditure Office Memorandum dated 30<sup>th</sup> December, 2005- a need was felt to address certain weaknesses of the performance budget documents such as lack of clear one-to-one relationship between the Financial Budget and the Performance Budget and inadequate target-setting in physical terms for the ensuing year. It also mentions about growing concern to track not just the intermediate physical “outputs” that are more readily measurable but the “outcomes”, which are the end objectives of State intervention, as articulated by the Finance Minister in Para 100 of his Budget Speech (Budget 2005-06) and the Prime Minister’s letter, dated March 17, 2005 addressed to all Union Ministers urging them to examine the programmes/schemes being implemented and convert their financial outlays into physical outcomes with quarterly targets in respect of each.

#### Scope of coverage in Outcome Budget:

The Outcome Budget documents are to be prepared separately by each Ministry/Department in respect of all Demands / Appropriations controlled by them, except those exempted from this requirement and to the extent disclosures are not barred on considerations of security etc. However, even the Ministries/Departments and other authorities “exempted” from preparation of Outcome Budget and placing it in public domain have been requested to carry out this exercise for internal use and voluntarily deciding to place it in public domain, fully or partially.

Another important feature perceived for the Outcome Budget is in terms of sub-targets for coverage of women and SC/ST beneficiaries of State intervention and schemes for the benefit of the North-Eastern Region. Without making it mandatory, the Ministries/Departments are encouraged to attempt this as far as feasible.

#### Identification Of ‘Outcomes’ And Process Of Converting ‘Outlays’ Into ‘Outcomes’:

Converting ‘outlays’ into ‘outcomes’ is a complex process addressing “value for money” concerns; being more a management process than merely a financial process; and admitting possibilities of different approaches and modalities, which may differ from Ministry to Ministry and programme to programme. Preparation of the Outcome Budget is an evolving and dynamic process, which will require detailed scrutiny and examination on yearly basis, with value addition based on the preceding year’s experience. Some of the important steps in this conversion process are as follows:-

- a) Defining intermediate and final outcomes specifically in measurable and monitorable terms;

- b) Standardizing unit cost of delivery;
- c) Benchmarking the standards/quality of outcomes and services;
- d) Capacity building for requisite efficiency at all levels, in terms of equipment, technology, knowledge and skills;
- e) Ensuring adequate flow of funds at the appropriate time to the appropriate level, avoiding both delay and ‘parking’ of funds;
- f) Setting up effective monitoring and evaluation systems, to indicate the directions for further calibration and honing the processes, to deliver the intended outcomes;
- g) Involving the community/target groups/recipients of the service, with easy access and feedback systems.

### **Revised Guidelines for Preparation of Outcome Budget 2010-11.**

#### **Introduction**

1. Outcome budgets have become an integral part of the budgeting process since 2005-06 OUTCOME BUDGET, 2010-11 will broadly indicate the physical dimensions of the financial budgets as also the actual physical performance in 2008-09, performance for the first 9 months of the year (2009-10) and the targeted performance during 2010-11.

#### **Scope of Coverage in Outcome Budget 2010-11**

2. The Outcome Budget documents will be prepared separately by each Ministry/Department in respect of all Demands/Appropriations controlled by them, except those exempted from this requirement and to the extent disclosures are not barred on considerations of security etc. A list of exempted Demands/Appropriations is enclosed at Annexure. I. However, even the Ministries/Departments and other authorities ‘exempted’ from preparation of Outcome Budget and placing it in public domain are requested to carry out this exercise for internal use and voluntarily decide to place it in public domain fully or partially.

3. As far as feasible, sub-targets for coverage of women and SC/ST beneficiaries under various developmental schemes and the schemes for the benefit of the North-Eastern Regional should be separately indicated.

## Broad format Outcome Budget 2010-11

4. The Outcome Budget 2010-11 will be prepared on the basis of Budget 2010-11 in the form of a document, separate for each Ministry/Department, broadly consisting of the chapters detailed below:

Executive summary: Apart from summarizing relevant chapters, this portion should prominently highlight the details of the monitoring mechanism and the public information system put in place by the Ministry/ Department to regularly monitor physical and financial progress during the course of the year and inform the general public about it.

Chapter I: A brief introductory note on the functions of the Ministry/Department, organizational set up, list of major programmes/schemes implemented by the Ministry/department, its mandate, goals and policy framework. This introduction should highlight, in particular, if the Ministry has goals, or major programmes or schemes in respect of women/gender equality.

Chapter II: This will contain a tabular format, which may be visualized as “vertical compression and horizontal expansion” of the Statement of Budget Estimate (SBE) included in the Expenditure Budget Vol. II (with suitably adapted format for Railways). There may be separate tables for separate Demands/appropriations controlled by the Ministry/Department. The main objective is to establish a one-to-one correspondence between (financial) Budget 2010-11 and Outcome Budget 2010-11. The details will comprise of the financial outlays, projected physical outputs and projected/budgeted outcomes (intermediate/partial and final, as the case may be). Projected physical output should be disaggregated by sex, wherever possible and appropriate i.e. here delivery is to individuals. An indicative format for these Demand/appropriation-wise tables is enclosed Annexure II. Explanatory notes may be liberally added, wherever necessary.

Chapter III: This will detail reform measures and policy initiatives, if any, taken by the Ministry/department and how they relate to the intermediate outputs and final outcome in areas such as public private partnerships, alternate delivery mechanisms, social and women’s empowerment processes, greater decentralization, transparency etc.

Chapter IV: Review of past performance: At the very least, this should indicate the performance during 2008-09 and 2009-10 (i.e. upto 31 December, 2009) in terms of targets already set. The analysis of physical performance should be Scheme-wise with the reasons for variations; explaining the scope and objectives of individual programs/schemes, giving their physical targets and achievements. Indicators of

performance relating to individuals should be sex-disaggregated.

Chapter V: Financial Review covering overall trends in expenditure vis-a-vis Budget Estimates/ revised Estimates in recent years, including the current year. Data should be segregated scheme-wise, object head-wise, and institution wise in the case of autonomous institutions. Position of outstanding utilization certificates and unspent balances with States and implementation agencies should also be brought out.

Chapter VI: Review of performance of Statutory and Autonomous Bodies under the administrative control of the Ministry/department. The same principles as in reporting on the Ministry’s own performance should be followed. These principles include segregation of performance indicators relating to individuals.

5. The following points may be noted in respect of the contents of Chapter II of Outcome Budget 2010-11 giving targets for 2010-11:-

- i) The description of items should match with the description shown for the different items in the Statement of Budget Estimates (SBE) as included in Expenditure Budget Vol. II of the Budget 2010-11. However minor items may be clubbed to avoid cluttering up and focusing attention on significant items.
- ii) The terms “complementary extra-budgetary resources” refers to the resources committed for the purpose by the entities other than the Central Government. Typically, it would include matching share from the State Governments for Centrally Sponsored Schemes or resource contribution by Public Sector Undertakings or by private parties in the case of public private partnership projects.
- iii) There should be a separate table for each Central Public Sector Enterprise (CPSE) under the administrative control of the Ministry, with itemized listing of major projects in hand. The Outcome Budget should be prepared on the basis of the Central Plan Outlay’ comprising of both the Gross Budgetary support component as well as the Internal & Extra Budgetary Resources (IEBR) component of the Central Plan Outlay. Thus, the Outcome Budget in respect of CPSEs may be prepared even if there is no budgetary support.
- iv) Wherever a Ministry/Department has large autonomous Bodies substantially dependent upon Government for financial support, separate tables may also be considered for each such organization as per the assessment of the Ministry/Department.
- v) The tables concerning PSEs or Autonomous Bodies should list out important projects in hand give such details as sanctioned cost, scheduled date of completion, total Cumulative expenditure till the

beginning of the year, total expenditure planning during 2010-11, likely date of completion, and the related "outputs" and "outcomes". The latter should be sex-disaggregated where they relate to projects oriented to individuals.

vi) The 'final outcome' need not necessarily be co-terminus with the annual outlays and 'intermediate' physical outputs'. 'Final outcomes' may span a longer time frame than the annual final outlays and corresponding intermediate outputs. Wherever the 'final outcomes' are estimated to take longer than one year, the estimated time frame should be clearly indicated. In case, the gestation is four to five years or longer, the 'partial outcomes' need to be tracked on an annual basis to ensure that the 'final outcomes' once indicated as achievable after five years are not forgotten or mechanically repeated in the document from one year to the other, and that the progress made towards achieving the final goal is reflected. Information should be provided whether the project is in the 'initial' stage, 'intermediate' stage or 'final' stage.

vii) Wherever 'physical outputs' are in a sense the 'final outcomes', assessment of 'quality of output' through 'appropriate indicators of quality' should be brought out.

viii) Wherever 'final outcomes, are not the direct results of the annual outlays and are the cumulative effect of past several years' outlays, this should be clearly explained.

ix) The 'final outcome' component of the Outcome Budget need not necessarily have yearly targets, as final outcomes will vary by Ministry and Programme "Final Outcome' wherever possible can be measured in a five year time frame in line with five year Plans. The 'partial outcome' may be mentioned in these cases in the Outcome Budget of that year.

x) Where the final outcomes' are not measurable and quantifiable, the likely benefit that will accrue may be incorporated.

xi) The explanatory notes should attempt to bring out the role and financial commitment of other agencies that is required to fructify the intended outcomes of a particular scheme of the Ministry/Department, even though such agencies may or may not be directly involved in the implementation and may be providing complementary services.

xii) Non-Plan expenditures are necessary to maintain the basic infrastructure without which the Plan interventions are bound to fail in meeting the intended objectives. Role of non-Plan expenditure is therefore supplementary and facilitative. Hence, outcomes cannot be categorized as Plan outcomes and non-Plan outcomes. The Outcome Budget 2010-11 will cover non-Plan expenditure as far as possible. The column on Budget Support would have two sub-columns "Plan" and "non-Plan" and the outcomes will be related to the total budget provision.

Schemes/items in the Statement of Budget Estimates having any non-Plan expenditures, which can be linked to certain deliverable outputs, should find mention in the Outcome Budget.

6. The outcomes reflect the ultimate aims of Government policy through budgetary support, tax exemption/concessions and preferential treatment in procurement of goods and services. It would be desirable if the Ministries/Departments may include a chapter in the Outcome Budget detailing such extra-budgetary measures and their impact. The revenue forgone in promotion of certain policy objectives is defined as 'tax expenditures' and it would be useful if the impact of this implicit expenditure is also assessed.

#### **Certain presentational features :**

7. It is desirable that the above documents brought out by different Ministries/Departments have a common level of detailing, at least for a minimum set of disclosure parameters; separately in Hindi and English; be reader-friendly and adopt certain common printing formats. Accordingly, the following may be kept in view:

- In the case of Departments having total budget provision of less than `100 crore (as per the netted figure shown in the Expenditure Budget Vol. II), all amounts may be shown in "Rs in lakhs" with two decimal places. For others, the amount may be shown in "Rs in crore" with two decimal places. The amounts may be shown with comma separators.
- Each page may be given a running header giving the chapter number, title and page number running for the whole document from the 1st page of Chapter I. The documents may be printed on the size of paper used for Detailed Demands for Grants.
- Any other addition/alteration, inclusion of graphics/charts etc. to improve readability of the document.

8. However, the above guidelines, are not intended to prescribe a rigid format. These are indicative of minimum disclosure requirements and do not preclude any value addition that the Ministries/Departments decide to carry out on their own.

#### **Planning for future refinements**

9. The Ministries / Departments are advised to put in place, if not already there, systems of data collection,, with the help of specialized agencies wherever necessary, for the purpose of (i) developing measurable 'indices of performance' to measure and

assess quality of implementation; (ii) developing norms of standard unit cost of delivery of a service; (iii) quantification/factoring in of environmental outcomes; (iv) quantification of community and empowerment outcomes through social capital formation; (v) quantification of impact of funds earmarked for publicity/awareness generation; and (vi) disaggregation, by sex and other relevant factors, of indicators of performance and impact. This will not only involve collection of data on past trends but also on present developments in markets and technology. The Ministries/Departments are encouraged to make use of the services of the Cost Accounts branch of this Department in addressing the costing issues.

### **Independent Evaluation**

10. The Ministries / Departments may engage independent evaluators and assessment agencies for scrutiny evaluation of the achievements against physical outputs and final outcomes of major flagship schemes. Due care may be taken to avoid duplication of efforts with evaluation studies conducted by the Planning Commission or the Department of Programme Implementation.

### **Time schedule and responsibility**

11. The Outcome Budget 2010-11 documents should be laid before both the Houses of Parliament, after final approval of the Minister-in-charge, latest by March 20, 2010 or such date as may be necessary to ensure that the process is complete before the Houses go into recess. In exceptional cases, where laying of documents is not feasible, these may be circulated to Hon. Members of Parliament through the Secretariat of the House. These should be available to the Departmental Standing committees of Parliament for examination during the recess period. The Ministries/Departments should also place these documents in the public domain by putting it on their website after presentation in Parliament.

12. Responsibility for preparation of this document will rest essentially with the Ministries/Departments. The Financial Adviser of the Ministry/Department will be the nodal officer for coordinating the whole exercise and organizing 'need-based consultations' with various officers whether within the administrative Ministry/Department, or with the Ministry of Finance, the Planning commission and outside experts, with due regard to the confidentiality of the budget process. Head of various Divisions handling different schemes may be instructed to provide necessary draft write-ups and other material to the Financial Advisor sufficiently in advance. The draft Outcome Budget 2010-11 in respect of "Flagship Programmes" may be got vetted from the Department of Expenditure as well as from the Planning commission.

### **Follow up action after presentation of Outcome Budget**

13. The real value of Outcome Budget lies in its utility as a policy tool to establish effective linkage with allocation and disbursement of public funds on the basis of measurable performance.

14. As mentioned in paragraph 4 above, the Ministries/Departments should indicate their monitoring mechanism and the public information system in the Outcome Budget. This will result in periodic progress reports being made available to the Ministry/Department by the implementing agencies. This next logical step would be to link release of funds with progress in achieving monitorable physical progress against commitments made in the Outcome Budget.

15. As the Ministries are aware, Rule 212 of the General Financial rule, 2005 introduced significant changes in the system of "Utilization Certificates". Besides financial certification of having fully spent the amount for approved purposes, the Utilization Certificate should also disclose whether the specified, quantified and qualitative targets that should have been reached against the amount utilized, were in fact reached, and if not, the reasons therefore. Utilization Certificates would contain an output bases performance assessment instead of input based performance assessment.

16. Accordingly, the Ministries / Departments should revise the guidelines and practices applicable to their schemes to ensure a staggered and controlled release of funds. In combination with other expenditure management measures like e-banking it should be feasible to ensure that funds are made available in time for actual requirement and that the funds are neither delayed, not diverted nor parked outside Government account.

For preparation of the Outcome Budget, the latest guidelines issued by Ministry of Finance should be referred to.

### **Independent Evaluation:**

The Ministries/Departments may engage independent evaluators and assessment agencies for scrutiny / evaluation of the achievements against physical outputs and final outcomes of major flagship schemes. Due care may be taken to avoid duplication of efforts with evaluation studies conducted by the Planning Commission or the Ministry of Programme Implementation.

### **Time Schedule And Responsibility:**

The Outcome Budget and the Performance Budget should be presented to both the Houses of Parliament, after final approval of the Minister in charge, by the prescribed date (before the Houses go into recess) so that these are available to the Departmental Standing Committees of Parliament for examination during the recess period. The Ministries/Departments should also place these documents in the public domain by putting it on their website after presentation in Parliament.



Responsibility for preparation of both these documents will rest essentially with the Ministries/Departments. The Financial Adviser of the Ministry/Department will be the nodal officer for coordinating the whole exercise and organizing "need-based consultations" with various officers whether within the administrative Ministry/Department, or with the Ministry of Finance, the Planning Commission and outside experts, with due regards to the confidentiality of the budget process.

(Ministries/Departments may refer to the latest instructions for the preparation of Outcome Budget for a year).

## ANNEXURE-III of (CHAPTER- VII)

### UNION AUDIT REPORTS OF C&AG

The Union Audit Reports of the Comptroller and Auditor General of India, contain the findings of transaction audit and performance audit in the areas of:

- Civil Audit
- Audit of Autonomous Bodies
- Defence Services
- Railways
- Receipts of the Government
- Central Commercial

The Audit of the CAG is bifurcated into two streams namely **Performance Audit** and **Regularity (Compliance) Audit**. While audit of the Civil Departments, Railways and Defence are conducted as per the direct mandate in the constitution and relevant provisions of the DPC Act, the Commercial Audit is conducted under the provisions of Company Act. Autonomous Bodies are audited as per the mandate in the act establishing the body. The list of C&AG Audit Reports of 2008, for example, are indicated as under.

#### Compliance Audit- Year 2008:

##### **Civil:**

- Report No. 2 Autonomous Bodies
- Report No. 3 - Scientific Departments

##### **Direct Taxes:**

- Report No. 8 - Direct Taxes

##### **Indirect Taxes:**

- Report No. 7 - Indirect Taxes - Central Excise, Service Tax & Customs

##### **Commercial Audit:**

- Report No. 9 - Financial Reporting by Public Sector Undertakings

- Report No. 11 - Compliance Audit Observations

- Report No. 12 - Telecommunications Sector

#### Performance Audit - Year 2008:

##### **Direct Taxes:**

- Report No. 7 - Direct Taxes

- Report No. 6 - Indirect Taxes - Central Excise, Service Tax & Customs

The reports of the CAG after presentation to the Parliament are remitted to the related Committees of Parliament for consideration and appropriate recommendations to the executive for remedial action which is further followed up by the Committees.

#### Performance Audits:

The concept and technique of audit has undergone a major change during the last fifty years. Before India became independent, the government audit was mostly confined to check against provision of funds, rules and orders and competence of authority concerned to sanction expenditure. With the launching of the Five Year plans for economic and social development there has been change in the pattern of government expenditure necessitating shift in the emphasis, concept and practice of audit as scrutiny of individual transactions became inadequate as it tended to mistake wood for the tree. The Parliament and the public are more interested to know whether various development and welfare programmes are being executed efficiently and whether they were producing the expected results. This led Audit department to enter in the area of *Performance Evaluation and Value for Money Audit*.

The traditional audit conducted by the supreme audit institutions (SAI) known as **Regularity audit** implies checking upon the legality of an action taken by a public official or a person using public funds and whether the decision or its implementation is according to the law, rules or regulations governing that activity. Gradually its dimension was extended to *Financial audit* and now to *Value for Money audit*. **Financial Audit** basically means audit of financial statement and whether they provide reasonable assurance that they present fairly the financial position, results of operations, and cash flows of an audited entity in accordance with generally accepted accounting principles. In Financial audit, State auditors do almost the same kind of job which the Chartered Accountants do while auditing a public limited company.

**Value for Money or 3E's Audit:** also known as Performance audit is an independent assessment of the performance of an organisation, programme, project or an activity in terms of its goals and objectives- how far expected results have been achieved from the use of available resources of money, men and material. Put it differently an examination is made regarding economy, efficiency and effectiveness of public spending, which has come to be known as 3E's audit, viz.

- Economy: minimizing the cost of resources used or required - *spending less*;
- Efficiency : the relationship between the output of goods and services and the resources to produce them- *spending well*;
- Effectiveness: the relationship between the intended and actual results of public spending - *spending wisely*.

In contrast to regularity audit, which is subject to fairly specific requirements and expectations, performance audit is wide-ranging in nature and is more open to judgment and interpretation; coverage is also more selective and may be carried out over a cycle of several years, rather than in one financial period; and it does not normally relate to particular financial or other statements. As a consequence performance audit reports are varied and contain more discussion and reasoned argument. The Performance Audit Standards of the C&AG stipulates that-

- a. The performance audit report should state clearly the objectives and scope of the audit. Reports may include criticism (for example where, in the public interest or on grounds of public accountability, matters of serious waste, extravagance or inefficiency are drawn to attention) or may make no significant criticism but give independent information, advice or assurance as to whether and to what extent economy, efficiency and effectiveness are being or have been achieved.
- b. The auditor is not normally expected to provide an overall opinion on the achievement of economy, efficiency and effectiveness by an audited entity in the same way as the opinion on financial statements. Where the nature of the audit allows this to be done in relation to specific areas of an entity's activities, the auditor should provide a report, which describes the circumstances and arrives at a specific conclusion rather than a standardised statement. Where the audit is confined to consideration of whether sufficient controls exist to secure economy, efficiency or effectiveness, the auditor may provide a more general opinion.
- c. Auditors should recognise that their judgement is being applied to actions resulting from past management decisions. Care should therefore be exercised in making such judgments, and the report should indicate the nature and extent of information reasonably available (or which ought to have been available) to the audited entity at the time the decisions were taken. By stating clearly the scope, objectives and findings of the audit, the report demonstrates to the reader that the auditor is being fair. Fairness also implies the presentation of weaknesses or critical findings in such a way as to encourage

correction, and to improve systems and guidance within the audited entity. Accordingly the facts are generally agreed with the audited entity in order to ensure that they are complete, accurate and fairly presented in the audit report. There may also be a need to include the audited entity's responses to the matters raised, either verbatim or in summary, especially where an auditor presents its own views or recommendations.

- d. Performance reports should not concentrate solely on criticism of the past but should be constructive. The auditor's conclusions and recommendations are an important aspect of the audit and, where appropriate, are written as a guide for action. Generally these recommendations suggest what improvements are needed rather than how to achieve them, though circumstances sometimes arise which warrant a specific recommendation, for example to correct a defect in the law in order to bring about an administrative improvement.
- e. In formulating and following up recommendations, the auditor should maintain objectivity and independence and thus focus on whether identified weaknesses are corrected rather than on whether specific recommendations are adopted.
- f. In formulating the audit opinion or report, the auditor should have regard to the materiality of the matter in the context of the financial statements audit or regularity audit as the case may be or the nature of the audited entity or activity being audited where performance audit is being conducted.
- g. If the auditor concludes that, judged against the criteria most appropriate in the circumstances, the matter does not materially affect the view given by the financial statements, the opinion should not be qualified. Where the auditor decides that a matter is material the opinion should be qualified, having determined the type of qualification.
- h. In the case of performance audits judgement will be more subjective as the report does not relate as directly to financial or other statements. Consequently, the auditor may find that materiality by nature or by context is a more important consideration than materiality by monetary amounts involve.

Audit department is now producing a large number of performance reviews every year covering almost every facet of Government's working.