

## THE KARNATAKA BUDGET MANUAL

## CHAPTER-I

## INTRODUCTORY

*Annual Financial Statement*

Under Article 202 of the Constitution of India a statement of the estimated Receipts and Expenditure of the State for each financial year has to be laid before the two houses of the Legislature. This statement is known as the “Annual Financial Statement” or “Budget”.

*Structure*

2. The receipts and disbursements of the State Government are shown in the “Annual Financial Statement” in three separate parts, viz.,-

- I. Consolidated Fund of the State,
- II. Contingency Fund of the State.
- III. Public Account of the State

*Consolidated Fund*

3. All Revenues received by the State Government, all loans raised by the State Government and all moneys received by the Government in repayment of loans from one Consolidated Fund called “the Consolidated Fund of the State”. 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 of India (vide article 266 of the Constitution of India, extract of which is given in Appendix I).

### *Contingency Fund*

4. In pursuance of Article 267(2) of the Constitution of India, the State Legislature has established a contingency Fund which is the nature of an imprest and is intended to provide advances for meeting unforeseen expenditure arising in the course of a year, pending its authorisation by the Legislature by law (See Appendix II, for the Mysore Contingency Fund Act 1957, the Mysore Contingency Fund Rules, 1957 and the accounting procedure to be followed in respect of the expenditure met out of Contingency Fund). The corpus of the Fund is Rs. 20 crores, vide The Karnataka Contingency Fund (Amendment) Act, 1976.

### *Public Account*

5. "The Public Account" of the State pertains to all public moneys received by or on behalf of the State Government which are not creditable to the Consolidated Fund of the State [See Articles 266 (2) and 284 of the Constitution of India] Disbursements from the Public Account are not subject to the vote of the Legislature, as they are not moneys spent out of the Consolidated Fund.

### *Division of the Consolidated Fund*

6. The transaction relating to the Consolidated Fund are accounted for in two different divisions, namely:-

- I. Revenue-Consisting of sections for 'Receipt Heads (Revenue Account)' and

‘Expenditure Heads (Revenue Account)’

- II. Capital, Public Debt, Loans, etc.- Consisting of sections for ‘Receipt Heads (Capital Account)’ Expenditure Heads (Capital Account) and ‘Public Debt, loans and Advances, etc.

7. The division “revenue” is the account of current income and of expenditure of the State met from that income. The income is derived mainly from taxes and duties, fees for services rendered, fines and penalties revenue from Government estates such as Forests, Grants-in-aid from Union Government and other miscellaneous receipts.

8. The Section Receipt Heads (Capital Account) in the division ‘Capita’ shall deal with receipts of a capital nature which cannot be applied as a set off to Capital Expenditure. The section “Expenditure Head (Capital Account)” is the account of expenditure incurred with the object of either increasing the concrete assets of material permanent character such as construction of buildings, irrigation projects, or of reducing recurring liabilities. These concrete assets may not necessarily be of a productive character or revenue earning. The Capital account also includes receipts arising generally from sale of concrete assets intended to be applied as a set-off to capital expenditure. Expenditure on capital account is usually met from sources other than current revenues-example market loans, accumulated cash balances, surplus revenue and capital receipts.

Where, however the cost of such a scheme or project is below a fixed monetary limit, it is met out of revenue and is recorded as expenditure within the revenue account. It is within the discretion of Government to decide whether a particular item of expenditure shall be met from current revenues or from borrowed funds.

9. The Section "Public Debt, Loans and Advances, etc., comprises loans received by Government, loans of a purely temporary nature classed as 'Floating Debt', such as Treasury Bills and ways and means advances as well as loans classed as 'Permanent Debt' and loans and advances made by Government together with receipts of the former and recoveries of the latter. Transactions connected with Inter-State settlements are also accounted for under this division.

#### *Division of the Public Account*

10. There are two main divisions of the Public Account, namely-

- I. Debt and Deposits, and
- II. Remittances

The First division comprises receipts and payments (other than debt heads pertaining to the Consolidated Fund) in respect of which Government acts as Bankers receiving amounts, which they

afterwards repay and paying out amounts which they subsequently recover, i.e., State Provident Fund, Insurance Fund, Depreciation and Local Funds and Civil Deposits, Permanent Advances etc. The second division comprises merely adjusting heads under which appear remittances of cash between Treasuries and transfers between different accounting circles. The initial debits or credits to the heads in this Division are cleared eventually by corresponding receipts and payments either within the same circle of the account or in another accounting circle.

11. Article 202 (2) (b) of the Constitution requires that the estimate of expenditure embodied in the Annual Financial Statement shall distinguish expenditure on revenue account from other expenditure.

#### Structure of Accounts and Estimates

12. Under Article 150 of the Constitution, it is the Constitutional responsibility of the President to prescribe with the concurrence of the Comptroller and Auditor General, the form of Accounts of the Union and State Governments. In pursuance of the powers vested under Article 150 of the Constitution, the President has prescribed the principles of accounting and classification, the classification structure and the loans of account upto minor head level, for classification of the various types of transactions of Government, the form in which the treasuries and departmental accounts offices like Public Works Divisions, Forest

Divisions, etc., shall keep the initial and subsidiary accounts and the form in which they shall render accounts to the Accountant General. One of the important characteristics of the accounting structure is the uniformity in classification of transactions of the Union and the State Governments which enable a comprehension and comparison of the enormous size and variety of financial transactions of the Central and State Governments. The general structure of the budget is the same as the structure of the accounts. Both the accounts and the estimates are divided into the three sections described in para 2. The manner in which they are further sub-divided is dealt with in the following paragraphs.

13. Each of the divisions under the Consolidated Fund and the Public Account are divided into different sectors to indicate the grouping of various functions of the Government. These sectors are further sub-divided into major heads to indicate the functions of the Government, such as, agriculture, education, health, etc. The major heads are sub-divided into minor heads to denote the various plan and non-plan programmes under each function. The next tier of classification is the sub-head of account under each minor head. The sub-head will reflect and identify the schemes undertaken in pursuance of the programme represented by that minor head. In some cases especially in regard to non-development expenditure or expenditure of an administrative nature as distinct from schemes, the sub-heads will denote the components of a

particular programme represented by the minor head. For example minor head "Direction and administration" under the major head "Police" may have sub-heads to correspond to the organizations wings of the Police headquarters. In the accounts, the fifth tier of classification is called a detailed head of account to indicate the nature and form of expenditure, such as, salaries, travel expenses, investment, loan, etc., otherwise known as objects of expenditure. Intermediate heads of accounts known a sub-sector and sub-major heads are some times introduced when the major-minor heads are numerous and can conveniently be grouped together under such intermediate heads.

14. The transactions of Government are classified into different functions representing major divisions of the activities of Government. The functions have been grouped into the following sectors:

*Group 'A'*.- General Services covering services, such as, defence, police general administration, etc., which are indispensable to the existence of an organized State and cannot be conceptually allocated to particular groups of beneficiaries.

*Group 'B'*.- Social and Community services covering activities associated with the provision of basic social services to consumers, such as education, health and social security services as also provision of services needed for community living such as sanitation and water supply.

*Group 'C'*.- Economic services dealing with activities or assistance provided to agencies in the

fields of production and trade such as agriculture, industry, power, transport, storage, communications etc.

*Group 'D'*.- Grants-in-aid and Contributions and Loans and advances.

15. The plan and non-plan components of provisions for various programmes, activities and schemes are to be shown against each sub-head in separate columns. At the sub-head level, the provisions for plan expenditure are indicated distinctly for-

- I. State Plan Schemes,
- II. Central Plan schemes, and
- III. Centrally Sponsored schemes

16. Revenue receipts are classified under the following sectors:

- A. Tax revenue
- B. Non-tax revenue, and
- C. Grants-in-aid and contributions

The sector 'Tax revenue' has the following further sub-sectors:

- (a) Taxes on income and expenditure
- (b) Taxes on Property and Capital transactions
- (c) Taxes on commodities and services

The sector, 'Non-tax revenue' has the following three sub-sectors:



- (a) Currency, Coinage and Mint,
- (b) Interest Receipts, Dividends and Profits,
- (c) Other non-tax revenue

The sub-sector "Other non-tax revenue" comprises receipts relating to General Services and Community Services and Economic Services.

17. The sectoral classification in the Public account is as follows:-

- I. Small Savings, Provident Fund, etc.,
- J. Reserve Funds,
- K. Deposits and Advances,
- L. Suspense and Miscellaneous,
- M. Remittances,
- N. Cash balance.

18. A list of authorized major and minor heads of account is given in Appendix VIII. The introduction of a new major or minor head and abolition or change of nomenclature of any of the existing major or minor heads require the prior approval of the President. In respect of matters concerning opening of new sub-heads and detailed heads, the concurrence of the President through the Controller General of Accounts, Ministry of Finance. The object classification read which could be the primary unit of appropriation in the demands for grant has been standardized and a list of common standard objects and the scope of each object are given in Appendix VII.

19. As a measure towards streamlining the primary units appropriation, in the case of individual activities/ schemes/organizations of the State Government, break-up of the provisions by object classification need not be shown if the cost is not considerable. Homogeneous schemes under a programme especially those involving small outlays could be grouped under suitable sub-heads.

*Charged expenditure*

20. Article 202 (2) of the Constitution of India requires that the estimates of expenditure embodied in the Annual Financial Statement should show separately the sums required to meet the expenditure described by the Constitution as expenditure “charged” on the Consolidated Fund of the State and Article 202 (3) specifies the kinds of expenditure to be so charged on the Consolidated Fund under Article 203 (1) of the Constitution. The estimates of charged expenditure are not submitted to the vote of the Legislative Assembly, but this will not prevent discussion in the Legislature of any of these estimates. A detailed list of items of expenditure which are charged on the Consolidated Fund of the State is given in Appendix IV.

*Preparation of the Budget*

21. The Budget is prepared by the Finance Department and for this purpose it has power to request the Departments of the Secretariat, Heads

of Departments and other Estimating Officers to furnish material on the basis of which the estimates are finalized. The Heads of Departments in turn depend on material furnished by District and other Officers who collect revenues for incur expenditure. Thus the heads of Departments prepare the estimates on the basis of the material furnished by their subordinate officers in respect of the Heads of accounts with which they are concerned and forward them by *prescribed dates* to the Finance Department in the forms supplied by that Department earlier. The departmental estimates should take cognizance only what are called “standing sanctions” i.e., of revenues based on existing law, rule or order and all expenditure incurred by virtue of existing rules and orders.

22. Proposals which will have the effect on reducing or increasing the revenues, otherwise than in pursuance of authorized codes, or rules and proposals for “new expenditure” should be submitted to Government separately in proper time and they should not be taken into account in preparing the departmental estimates.

23. Proposals for “new expenditure” are examined with reference to availability of resource and comparative urgency of proposals. Only such proposals as are finally accepted by Government will be provided for in the Budget.

24. The Accountant General has no direct part in the preparation of the Budget estimates. He, however, submits estimates under certain heads of

account and renders such assistance as may be reasonably asked for by the Finance Department.

*Presentation of Budget to the Legislature*

25. The Finance Department consolidates the Estimates embodying the decision of Government and prepares,-

- I. Summary statement of the financial position of the budget year,
- II. Detailed estimates of receipts, and
- III. Statement of Demands for grants followed by detailed estimates of expenditure.

These statement include both expenditure charged on the Consolidated Fund of the State and expenditure not so charged. A memorandum explaining the variations in these statements is also prepared by the Finance Department. After obtaining the recommendation of the Governor in terms of Article 203 (3) of the Constitution of India, the Budget is presented to both the houses of the Legislature by the Finance Minister normally by the end of February each year. The procedure adopted by the Legislature after the presentation of the budget is detailed in Chapter IX. After the Appropriation Bill authorizing the expenditure out of the Consolidated Fund of the State is passed by both the Houses of the Legislature and after it has also received the assent of the Governor, the amounts shown therein can be expended during the financial year concerned.

*Other Estimates*

26. Occasions may arise for approaching the Legislature with proposals for 'votes on account', 'votes of credit' and 'exceptional grants' besides supplementary estimates.

*Authorisation of expenditure*

27. Except where the expenditure is covered by standing sanctions or where necessary powers have been delegated to the Administrative Departments, Heads of Departments and subordinate authorities in this behalf with the concurrence of the Finance Department, provision of funds in the Budget itself conveys no sanction to the subordinate authorities to incur expenditure.

*Committee on Estimates*

28. There is a Committee on Estimates constituted by the Legislative Assembly to examine such of the estimates as may seem fit to the Committee or are specifically referred to it by the Assembly or the Speaker. The rules relating to the constitution and functions of this Committee are reproduced in Chapter XV.

*Committee on Public Accounts*

29. The Appropriation Act has the effect of determining the objects on which money may be spent from the Consolidated Fund of the State and the amount which can be spent on such objects. The amount of expenditure which can be incurred in thus strictly controlled by the Legislature. The extent to which the wishes of the Legislative

Assembly are actually complied with is investigated and brought to the notice of the Legislature by the Committee on Public Accounts. The constitution and functions of the Committee on Public Accounts are dealt with in Chapter XV.

*Committee on Public Undertakings*

30. A Committee on Public Undertakings is constituted for the examination of the working of the Public Undertaking of the State. Details of the functions of this Committee are given in Chapter XV.

*CHAPTER-II*

DEFINITIONS

31. In this Manual, unless the context otherwise requires, the following words and phrases have the

meaning hereby assigned to them. Words and phrases used in this Manual which are defined in the Constitution of India or in this rules and Orders framed thereunder bear the meanings assigned to them in those definitions.

*Accounts or Actuals of a year*

32. 'Accounts or actuals of a year' are the amounts of receipts and disbursements for the year beginning on first April and ending on the last day of March following as finally recorded in the books of the Accountant General.

*Administrative approval*

33. 'Administrative approval' of a scheme, proposal or work is the formal approval or acceptance thereof by the competent authority for the purpose of incurring expenditure thereon. For every work (excluding petty works and repairs) it is necessary to obtain, in the first instance, the concurrence of the competent authority of the Administrative Department requiring the work except where the power of administrative approval is delegated to the Head of the Department or other departmental officers. Administrative approval is not by itself sufficient authority to take up work unless there is provision of funds and technical sanctions accorded to the detailed estimates.

*Administrative Department*

34. 'Administrative department' means the Secretariat Department to which the subject under

consideration is assigned for disposal under the Rules of Business.

*Annual Financial Statement or Budget*

35. 'Annual Financial Statement or Budget' means the statement of the estimated receipts and the expenditure of the State in respect of each financial year to be laid before the Legislature.

*Appropriation*

36. 'Appropriation' means the amount authorized by the Assembly for expenditure under a major, minor, or sub-head or other unit of appropriation or part of that amount placed at the disposal of a disbursing officer. The word is also technically used in connection with the provision made in respect of 'charged' expenditure.

*Appropriation Bill and Appropriation Act*

37. 'Appropriation Bill and Appropriation Act'-See paragraph 25 of Chapter I

*Assembly*

38. 'Assembly' means the Karnataka Legislative Assembly.

*Appropriation Accounts*

39. 'Appropriation Accounts' are the accounts of the State prepared by the Comptroller and Auditor General of India for each grant and charged appropriation in which is indicated the amount of the final grant and charged provision included in



the Appropriation Acts relating to that financial year and the amount spent in that behalf. Important variations in the expenditure and sanctioned grants are explained therein. Under Article 151 (2) of the Constitution, the Comptroller and Auditor General submits the Appropriation Accounts, Finance Accounts and the Audit Reports of the State to the Governor to be laid down the Legislature.

*Audit Report*

40. 'Audit Report' is the report of the Comptroller and Auditor General which contains points of interest arising out of the Finance Accounts of a year, comments on the Appropriation Accounts with particular reference to budgeting and control of expenditure, financial irregularities, losses, etc., noticed in audit of expenditure, financial results of Statutory Corporation, Government Companies, Government Commercial and Quasi-Commercial undertakings, etc.

*Budget Estimates*

41. 'Budget Estimates' are the detailed estimates of receipts and expenditure of the Budget year.

*Charged, Charged expenditure charged on revenues or charged on the Consolidated Fund*

42. 'Charged, Charged expenditure, Charged on Revenues or Charged on the Consolidated Fund' means such expenditure as it is not subject to the vote of the Assembly under Article 202 (3) of the Constitution of India. A list of items the

expenditure which is charged on the Consolidated Fund of the State is given in Appendix IV.

*Chief Controlling Officer*

43. 'Chief Controlling Officer' is the Head of a Department or other Officer who is made responsible for the control of expenditure or watching of receipts in respect of Departments or offices under his control.

*Consolidated Fund of the State*

44. 'Consolidated Fund of the State'-See paragraph 3 of Chapter I

*Contingency Fund*

45. 'Contingency Fund'-See paragraph of Chapter I.

*Council*

46. 'Council' means the Karnataka Legislative Council.

*Demand for grant*

47. 'Demand for grant' means a proposal made to the Legislative Assembly on the recommendation of the Governor of expenditure from and out of the Consolidated Fund of the State on the service to which the Demand relates other than charged expenditure. The Demand will be for the gross expenditure without taking into account the RECOVERIES shown as reduction of expenditure.

*Departmental Estimate*

48. 'Departmental Estimate' is the estimate of receipts and expenditure of a department in respect

of any year submitted by the Head of a Department or other Estimating Officer to the Finance Department as the material on which to base its estimates.

*Detailed Head*

49. 'Detailed head' means the lowest accounting unit under which the transactions of Government are recorded in the accounts and is also the lowest unit for which figures are given in the Budget Estimates. A 'detailed head' constitutes the last unit of classification in Government accounts and is termed as an object classification. On the expenditure side of the account, particularly in respect of the heads of account within the Consolidated Fund, the detailed heads are primarily intended for effective control over expenditure through breakup of the expenditure on a scheme, activity or organization in terms of inputs or objects.

They also constitute the primary units of appropriation for the purpose of the demands for grants.

*Disbursing Officer*

50. 'Disbursing Officer'- Every Government servant who draws money from the treasury on bills for disbursement is a disbursing officer (A Gazetted Officer who is not the head of an office and who draws only his own pay and allowances from the treasury is not included in the term).

Note.- Chief Controlling Officers are also disbursing officers in respect of disbursements in their own offices.

*Estimating Officer*

51. 'Estimating Officer' means a departmental officer responsible for preparing a departmental estimate.

*Excess Grant*

52. 'Excess Grant' means a grant voted by the Legislative Assembly under Article 205(1) (b) of the Constitution to meet the expenditure incurred in a financial year which at the close of the year is found, through the Appropriation Accounts, to have been in excess of the amount granted for a service.

*Exceptional Grant*

53. 'Exceptional Grant' is a grant made by the Legislative Assembly which forms no part of the current service of any financial year.

*Financial year or Budget year*

54. 'Financial year' or 'Budget year' means the year commencing on the 1st April of one calendar year and ending on the 31st March of the next calendar year.

*Grant*

55. 'Grant' means the amount voted by the Legislative Assembly in respect of a Demand for grant.

*Head of Department*

56. 'Head of Department' means an officer declared as such by Government.

*Legislature*

57. 'Legislature' means the Karnataka Legislature consisting of the Legislative Assembly and the Legislative Council.

*Major Head*

58. 'Major head' means a major head of account for the purpose of recording and classifying the receipts and disbursements of the State. A Major head, particularly the one falling within the Consolidated Fund, generally corresponds to a 'function' of Government.

*Minor Head*

59. 'Minor head' means a head subordinate to a Major head or a Sub-Major head. A minor head subordinate to a major head identifies a "Programme" undertaken to achieve the objectives of the function represented by the Major head.

*Major work*

60. 'Major work' means an original work, the estimated cost of which, exceeds Rupees one lakh.

*Minor work*

61. 'Minor work' means an original work the estimated cost of which does not exceed Rupees one lakh.

Note.- The term 'Original work' above indicates new construction whether of entirely new works or of additions and alterations to existing works and also all repairs to newly purchased or previously abandoned buildings required for bringing them into use. When, however a certain work consists of two parts viz., original work and repairs, it is only the cost of the original work that is taken into account for deciding whether the work is Major or Minor.

*Modified grant or Appropriation*

62. 'Modified grant or appropriation' means the sum allotted to any unit of appropriation as it stands on any particular date after it has been modified by reappropriation sanctioned by competent authority or by Supplementary grant or appropriation.

*New Service*

63. 'New Service' means new form of a service or a new instrument of service which is contemplated newly for the first time and which was not contemplated at the time of preparation of the Annual Financial Statement- vide Chapter VI for interpretation of the term.

*Primary unit*

64. 'Primary Unit' is a division of accounts sub-ordinate to the sub-head of account.

*Public Accounts Committee*

65. 'Public Accounts Committee' or 'Committee on Public Accounts' is a Committee of the Legislature constituted for the purpose of scrutinising the Finance Accounts, the Appropriation Accounts and the Audit Reports thereon and such other accounts laid before the Assembly as the Committee may think fit.

*Reappropriation*

66. 'Reappropriation' means the transfer, by a competent authority of savings from one unit of appropriation to meet excess expenditure under another unit within the same grant or charged appropriation.

*Recurring charge*

67. 'Recurring charge' is a charge which involves a liability for expenditure beyond the financial year in which it is originally sanctioned.

*Revised Estimate*

68. '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 anticipations for the remainder of the year in the light of orders already issued or contemplated or any other relevant facts.

*Secondary unit*

69. 'Secondary unit' means a division below a Primary Unit.

*Statement of Excess Expenditure*

70. 'Statement of Excess expenditure' means the statement of excess expenditure over the total final appropriations under the several grants, whether in the charged or voted sections, ascertained through the Appropriation Accounts and presented to the Legislature after the close of the year to which it relates.

*Standing sanctions*

71. 'Standing sanctions' relate to revenues based on existing laws, rules and orders and expenditure incurred by virtue of existing laws, rules and orders.

*Sub-Head*

72. A 'Sub-Head' under a minor head indicates a scheme or activity undertaken as part of the programme represented by the minor head. In certain cases, especially in regard to non-developmental or administrative expenditure, the sub-head denotes an organisation or a particular wing of Administration.

*Sub Major Head*

73. 'Sub Major Head'- See paragraph 13 of Chapter I.



*Supplementary Appropriation*

74. 'Supplementary Appropriation' means an addition to the amount included in the Appropriation Act.

*Supplementary Grant*

75. 'Supplementary Grant' means a grant voted by the Legislative Assembly on a Supplementary Statement of expenditure presented to it.

*Supplementary Statement of expenditure*

76. 'Supplementary Statement of Expenditure' means the statement to be laid before the Legislature showing the estimated amount of further expenditure that may be necessary in respect of a financial year over and above the expenditure authorised for that year under Article 205 of the Constitution.

*Subordinate Controlling Officer*

77. 'Subordinate Controlling Officer' is an intermediate Controlling Officer immediately subordinate to a Chief Controlling Officer.

*Technical Sanction*

78. 'Technical Sanction' is the approval to the detailed designs, plans, specifications and quantities by the competent authority which is required to be given to any work (other than petty

works, petty repairs and other repairs for which a lumpsum provision has been sanctioned) before its commencement.

*Token Demand*

79. 'Token Demand' is a Demand made to the Legislative Assembly for a nominal sum (Rs.1,000 generally) when it is proposed to meet the expenditure from savings out of the sanctioned budget grants. Such demands are presented when the expenditure is on a New Service or item not contemplated in the Budget of the year, or when it is desired to obtain the prior approval of the Legislature to a scheme involving large financial commitments even though a little or no expenditure on that account is anticipated in the current year.

80. The expenditure in respect of which a token Demand is presented can be incurred only after it is voted by the Legislative Assembly except where it is initially met out of an advance from the Contingency Fund. If funds are made available by reappropriation such reappropriation should be sanctioned after the enactment of the Appropriation Bill.

*Vote on account*

81. 'Vote on account' means a grant in advance made by the Legislative Assembly under Article 206 of the Constitution pending completion of the detailed procedure as prescribed in Articles 203 and 204 of the Constitution relating to the

Voting of grants and passing of the Appropriation Bill before the commencement of the Budget year.

*Voted expenditure*

82. 'Voted expenditure' means expenditure which is subject to the Vote of the Legislative Assembly under Article 203 (2) of the Constitution of India.

## CHAPTER-III

*Instructions for the preparation and submission of  
departmental estimates*

## A. GENERAL RULES AND DIRECTIONS

*Accuracy of Estimates and Responsibility therefor*

83. As has already been stated, the Budget of the State is prepared by the Finance Department. The material required for the preparation of the Budget is however, obtained from the various departmental officers, departments of the Secretariat etc. But the Finance Department is not, and cannot be responsible for the correctness of the material supplied to it. If the material supplied by the departmental officers is defective, the estimates will also be defective and the responsibility then reverts to the officers who supplied the material. It is, therefore, essential that preparation of the departmental estimates should receive the closest personal attention of the officers who submit them. The estimates should be framed after a careful and thorough consideration of all items of expenditure and of all sources of income, so that they may neither be inflated nor under-pitched and are as accurate as possible.

84. One of the most important duties of every Controlling Officer, as an Estimating Officer, is to keep himself thoroughly acquainted with the progress of the revenue and expenditure under his control. He is charged with the administration of those numerous matters in respect of which

Government is debtor or creditor, so far as his department is concerned and it is his duty to see that proper estimates are made of these transactions.

85. As the Government accounts are maintained in general on a cash basis, the estimates should take into account only such receipts and payments (including those in respect of the arrears of past years), as the Estimating Officer expects to be actually realised or made during the budget year. The aim must be to make the estimates as accurate as possible, not to over-estimate and show large savings at the end of the year. The tendency to under-estimate revenue and over-estimate expenditure so as to be always on the safe side must be avoided.

*Estimates to be prepared on gross basis*

86. The Budget Estimates should, as a rule, be prepared on a gross and not a net basis. The gross estimates under both Receipt and Expenditure heads should be prepared separately. It is not permissible to deduct receipts from the charges or the charges from the receipts. There are, however, certain exceptions to this general rule of gross budgeting. Refunds of revenue, for instance, are deducted from the gross collections and the budget is prepared only for net receipts, the reason being that the refunds do not really represent the expenditure of Government but are merely repayments made out of receipts. The

receipts on capital account are also taken as reduction of expenditure and not shown on the receipt side. For example, in the case of capital outlay incurred on Government Trading Schemes, such as Grain Supply Scheme the amounts realised from sale are taken as reduction of expenditure. All credits and recoveries are, however, excluded from the demands for grants. For the purpose of obtaining the vote of the Legislature, the gross expenditure is invariably taken into account.

#### *Rounding*

87. The Estimates under each lowest unit, should be rounded off to the nearest Rs.100. Ordinarily provisions amounting to Rs.50 and above will be rounded to Rs.100 and those below Rs.50 omitted except when this has the effect of leaving no provision at all in which case a sum of Rs.100 should be provided. This is, however, intended only to simplify budgeting by avoiding meticulous calculations. The sanctions to be accorded after the passing of the Budget will be for the actual amounts and not in accordance with the rounded figures.

#### *Channels and Dates for Transmission of Estimates to Finance Department*

88. The Heads of Departments and the Estimating Officers should prepare the estimates separately for each head of account with which they are concerned on the basis of the material obtained

by them from their subordinate officers and forward these to the Finance Department by the prescribed dates. Simultaneously they should submit copies of the estimates to the appropriate administrative departments of the Secretariat. The Administrative Departments will scrutinise these estimates and make available their comments to the Finance Department. The Administrative Departments of the Secretariat should also frame and furnish to the Finance Department estimates relating to items for which they are Estimating Officers. Similarly the Accountant General also frames the estimates in respect of certain heads and furnishes these to Finance Department. The dates for submission of various estimates (both budget and revised) by the Estimating Officers and the dates by which these should reach the Finance Department are given in Appendix-V. The preparation of the Budget can neither start earlier nor finish later than the dates fixed and it is of utmost importance that the duly scrutinised estimates are submitted without fail by the prescribed dates; in fact endeavour should be to submit them a few days earlier, so as to enable a proper scrutiny by the concerned authorities. Any departure from the prescribed dates in the submission of a single estimate may upset the entire Budget programme of the Finance Department and may involve a possibility of an item not being adequately provided for or being omitted altogether. It should, therefore, be clearly understood by all concerned that all matters

connected with the Budget must be treated as urgent.

*Proposals involving 'New Expenditure' and their timely submission.*

89. The departmental estimates referred to should take cognizance only of what are called 'Standing Sanctions', i.e., all revenue based on existing laws, rules or orders and all expenditure incurred by virtue of existing laws, rules or orders. Proposals which involve a reduction or an increase in revenue otherwise than in pursuance of authorised Codes, Manuals, Rules or Orders and proposals involving 'New Expenditure' (See Chapter VI) should be submitted to Government separately by the prescribed date. If a departmental officer feels any doubt whether a particular proposal should be treated as constituting 'New Expenditure' he should make a reference to Government in the administrative department concerned well in advance of the prescribed date.

90. Proposals relating to 'New Expenditure' should be submitted to Government as and when ready and must not be held up for being submitted towards the last date prescribed, so that the Finance Department may have sufficient time to examine each proposal as closely as possible and to call for such further information as may be deemed necessary. It must be clearly understood that any proposal reaching the Finance Department after the prescribed date will not ordinarily be entertained.



The responsibility for the inconvenience which may be caused to the Public Service on that account will attach to the officer who failed to take action in time.

*Classification of Receipts and Expenditure in the Departmental Estimates to conform to the prescribed Heads of account.*

91. The Heads of Departments and other estimating Officers should not introduce any new heads or change the nomenclature of any heads of account as this requires the prior approval of the President of India. Please see para 18 of Chapter I in this connection.

92. If the Estimating Officer, while submitting the departmental estimate, considers that the opening of a detailed head not provided for in the previous year's budget, is absolutely necessary he may open such a head. But while doing so he must prominently bring it to the notice of the Finance Department so that it may examine and decide whether the proposed new detailed head is necessary or provision can be made under any of the existing detailed heads. If a new detailed head is found necessary, action would be taken by the Government to obtain the approval of the President through the Controller General of Accounts in this behalf.

*Estimates to be accompanied by statement of alterations*

93. Each departmental estimate must be accompanied by a statement of Alterations in Budget Manual Forms No. 1 and 2. The variation between the proposed estimates for the forthcoming year and the budget estimates of the current year should be explained in clear and precise terms.

94. Corrections, if any, to the estimate should be sent to the Finance Department, with a copy to the Administrative Department concerned as early as possible. Corrections received after the prescribed date will not be considered.

*B. INSTRUCTIONS FOR PREPARING DEPARTMENTAL ESTIMATES OF REVENUE AND RECEIPTS*

95. The Heads of Departments and other Estimating Officers should prepare the budget estimates of receipts in duplicate in the skeleton pages supplied by the Finance Department. One set of the estimates should be sent to the Finance Department and the other to the Administrative Department of the Secretariat concerned by the date prescribed for the purpose. The reasons which have led to-

(i) the revised estimates for the current year as compared to the original, and

(ii) the budget estimates for the ensuring year as compared with the revised estimate for the current year.

should be fully and clearly explained, item by item, in the variation statements to be sent in Budget Manual Forms Nos.1 and 2 along with the estimates.

96. In the preparation of the Budget, the aim is to achieve as close an approximation to the actuals as possible. It is, therefore, essential that not merely should all items of revenue and receipts that can be foreseen be provided but also only so much and no more should be provided as is expected to be realised, including past arrears, in the budget year. The following instructions should be carefully observed in preparing the estimates.

97. The estimates should be based on the existing rules and rates of taxes, duties, fees, etc. and no increases or reductions in such rates which have not been sanctioned by Government should be proposed.

98. The estimates should show only the amounts actually expected to be received during the budget year. The arrears, if any, standing over from past years for collection should be included if there is a reasonable certainty that they would be realised within that year. On the other hand, the estimates should exclude the receipts which,

although falling due during the budget year, are not expected to be actually realised within that year.

99. In preparing the estimates of receipts of a fluctuating nature, careful attention should be given to all abnormal factors as well as to normal conditions and tendencies as explained below.

100. Circumstances might have arisen in the current year which make it evident that the estimates for that year will substantially depart from the original estimate. If this should be the case, any such expected departure should be taken into account in estimating the probable realisations in the budget year on the basis of the actuals for the past three years and the revised estimate for the current year.

101. Events may have occurred during the current year which make it obvious that unusually large arrears will be outstanding for collection in the budget year. Any such addition to the total amount of receipts due for realisation during the coming year should be taken into account in framing the estimates of receipts for that year, but the amount to be included should be only that which is expected to be actually realised and the balance should be shown in the "Explanation" Column with reasons in brief.

102. Conditions may have arisen that enable the Estimating Authorities to forecast some particular effect on the revenue receipts in the

coming year e.g. an irrigation work may have been opened or improved or extended resulting in an additional income from supply of water for irrigation, drinking, industrial purposes etc.

103. Some calamity may have occurred which will have a definite effect in reducing revenue during the coming year e.g. the breaching of an embankment which cannot be repaid before the cultivating season in the coming year, which will lead to reduction in revenue receipts. Account must be taken of such factors.

104. It is, thus essential that the estimates of revenue should be based on a consideration of all relevant data. The average of the past years' actuals or the current year's budget or revised estimate should not be blindly accepted as a basis for framing the estimates of the following year.

105. The gross transactions should be exhibited in full, unless in any particular case there are definite instructions to the contrary when net receipts may be entered and a brief explanation given in the "Explanation" Column.

#### *Refunds*

106. Provision should be made in the revenue estimates, where necessary, for refunds of revenue which are shown under a separate head "Deduct-Refunds". In the case of refund of tax revenues, the head "Deduct-Refunds" appears invariably below the relevant minor head.

107. Where several items of miscellaneous nature are grouped under a single head of account, details of the more important items, should be given in the explanation column with the estimates proposed for each.

#### C. INSTRUCTIONS FOR PREPARING ESTIMATES OF ORDINARY EXPENDITURE

##### *Estimates to be complete and accurate*

108. The estimates of ordinary expenditure are those of expenditure expected to be incurred in the coming year for the normal working of the departments with reference to the existing sanctions. No item constituting "new expenditure" (See Chapter VI) should, therefore, be included in these estimates. The estimating should be as close and accurate as possible and the provision to be included in respect of each item should be based on what is expected to be actually paid or spent (under proper sanction) during the year, including arrears of past years and not merely confined to the liabilities pertaining to the year. The need for every item must be fully scrutinised before provision for it is included and the amount should be restricted to the absolute minimum necessary. Even in framing estimate in respect of what are called "fixed charges", it must be borne in mind that nothing is irrevocably fixed for all time and the position should be brought under review periodically. The various general or specific orders issued by Government for economy in expenditure must be

carefully borne in mind and complied with. All estimating officers must know that an avoidable extra provision in an estimate is as much a financial irregularity as an excess expenditure over the sanctioned estimate and it can sometimes lead to serious consequences for which the officer found to be at fault may be held personally responsible.

*Obsolete items to be omitted*

109. The estimates of the current year must never be adopted blindly as a basis for framing those of the following years. There is always a temptation to save trouble by taking the current year's estimate for granted and adding something to certain items on which increased expenditure is foreseen. This tendency is to be strongly depreciated. The Estimating Officer must give his closest personal attention to each and every item and see that the items of expenditure which have become obsolete are omitted. At the same time it is his duty to see that provision for all expenditure that can be reasonably foreseen and does not constitute "new expenditure" is made in the estimates.

*Past actuals to be kept in sight*

110. In preparing the estimates for the coming year, the average of the actuals of the past three years, as also the revised estimates for the current year, should invariably be kept in sight not as something that could conveniently be repeated

but as a basis for an intelligent anticipation which takes into account any noticeable tendency for the expenditure to rise or decline, any abnormal features during the past years, any recognisable regularity in the pitch of the expenditure and any special features known to be certain or likely to arise during the budget year.

*Lumpsum provisions to be avoided*

111. Lumpsum provision should not, as a rule be made in the Budget Estimates. In some cases, however, lump provisions become unavoidable e.g., provision for grants to local bodies or to private educational institutions and the like. Except when the expenditure out of lump allotments is regulated by standing sanctions, instructions or rules, full explanation in justification of the provisions proposed, with indication of the principal items should be given in the explanation column. If a lump provision for a scheme is included in the Budget and voted by the Assembly, the details should be worked out immediately so that there is no delay in sanctioning it.

*Lumpsum deductions*

112. When the total provision against any sub head is found to be too high when compared with past actuals a lumpsum deduction should be entered against the entry "Deduct-Probable Savings".



*Estimates for pay of officers and pay of establishment*

113. These estimates should be in Budget Manual Forms No.3 to 8 which will be supplied by the Finance Department to all Heads of Departments and other Estimating Officers. Estimates in respect of Gazetted Officers and Non-Gazetted Establishment should be framed separately. The estimate in respect of temporary posts should be shown separately from that relating to permanent posts. Similarly separate estimates should be prepared for each Major Head of Account.

114. The estimates should be framed on the basis of expenditure required to be incurred in the coming year on account of the pay (including special pay and personal pay but excluding allowances) of the officers and the staff likely to be on duty and the actual pay to be drawn by each, irrespective of the sanctioned strength. In the case of holders of posts carrying time scales of pay provision should also be made for increments falling due during the year.

*Posts held in abeyance*

115. No provision should be made for posts held in abeyance. If it is considered necessary to revive any of them in the ensuring year proposals therefor should be submitted in good time and

necessary orders of the competent authority obtained.

*Numerical strength, pay scale, date of increments etc. to be indicated*

116. The number of posts for which provision has been proposed in the estimates, names of the persons, designations, head of account in brief, minimum and maximum of the posts, actual pay on 1st April next year, total provision required on the basis of the pay on 1st April, date of increment, rate of increment, provision required on account of increments and the total provision (including increments) required during the year should be indicated in Columns 1 to 8 of the Budget Manual Form No.5.

117. In the case of temporary posts, provision should be made only for the continuance of such posts as are definitely required to be retained and the period for which they will actually be required. The number and date of the orders by which each posts was created or last continued should invariably be quoted for reference. The final retention in the Budget of the provision proposed for temporary posts does not dispense with the necessity of obtaining Government sanctions for their continuance. It is the responsibility of the officer to take necessary action in this respect well before the expiry of the sanction. No provision should be made for temporary staff which has not been sanctioned at all.

118. The variations in the estimates for the current year and next year should be explained in Budget Manual Form No.4.

*Provision for pay and fixed allowances for the month of March.*

119. The pay, leave salary and fixed allowances of a Government servant for a month become due only at the end of the month. Provision for them for the month of March should, therefore, be made in the budget estimates of the following financial year unless under the rules the charges become due for payment within that month.

*Provision for leave salary*

120. The following instructions should be observed in proposing provision for leave salary.

(i) In departments and services in which leave reserves are maintained no separate provision for leave salary should be made.

(ii) In small cadres of Gazetted Officers, provision for leave salaries should not be made unless it is definite that certain officers will go on leave.

(iii) Provision for leave salaries in respect of large cadres of Gazetted Officers and of Non-Gazetted establishments should not be made on any percentage basis but on the average of the past

actuals plus such increase for new posts as may be considered necessary.

(iv) Provision for encashment of leave should be shown distinctly indicating the basis for the figure arrived at in the estimate

#### Allowances and Honoraria

121. The estimates for Allowances and Honoraria should generally be drawn up under three detailed heads

- (i) Travel expenses,
- (ii) Dearness Allowance, and
- (iii) Other Allowances

In the case of fixed allowances such as Fixed Travelling Allowance and Conveyance Allowance, House Rent Allowance, Special Locality Allowance, Ration and Uniform Allowance, Dearness Allowance, City Compensatory Allowance and House Rent Allowance, etc., the estimates should be based on the sanctioned rates and after making calculations of amounts likely to be drawn by the incumbents of the various posts in the budget year and after taking into account changes, if any in the rates ordered by Government or due to increase in pay on accrual of annual increments. The estimates for fluctuating items such as Travelling Allowance (other than Fixed) etc., should generally be based on the current year's allotment viewed in the light of the average of the past three years' actuals,

allowance being made for any changes (such as increase in Bus Fares, Railway Fares, Air Passage etc.) likely to modify that figure. Any economy orders issued by Government to restrict expenditure on travelling should be kept in view. Unless full and convincing reasons are given all increases proposed by the estimating officers under T.A. (other than fixed T.A.) are liable to be cut down by the Finance Department.

122. The details of Fixed T.A., D.A., and Other Allowances should be indicated in Columns 9, 10 and 11 of Budget Manual Form No. 5. When details for 'Other Allowances' cannot be conveniently given in Column 11 they should be given separately.

Allowances of staff paid from contingencies

123. Provision for compensatory allowances, if any drawn by staff whose pay is met from 'Contingencies' should be made under 'wages' and not under 'Allowances and Honoraria'.

*Office expenses*

124. Office expenses comprise all charges which are incidental to the management of an office as an office e.g., purchase of furniture, books and periodicals, service postage and telegrams, electric charges, cleaning charges etc.,

125. The estimates for this class of expenditure require careful scrutiny by the

Controlling Officer. The estimate should generally be framed on the basis of the average of the actuals of the past years and the revised estimate for the current year. But this alone should not be accepted as a matter of course as the basis for framing the estimate, as the expenditure of previous years may include non-recurring and extra-ordinary items and the adoption of the average may lead to waste and extravagance. The details of the past actuals and also, if necessary, the contingent registers should, therefore, be examined to see that the estimate proposed is really the absolute minimum. There is always need for utmost economy in contingent expenditure and the estimates proposed by the departmental officers are likely to be cut down by the Finance Department if details of the principal items are not furnished or full and convincing reasons in justification of the estimates proposed are not given; vague statements, such as 'incurred cost of articles' or 'normal growth of expenditure' will not be accepted. The reasons must be precise and the estimates supported by details and past actuals (For details see the Karnataka Manual of Contingent Expenditure).

*Other charges and Non- recurring charges*

126. These comprise cost of supplies and services. Some Departments are required to incur expenditure other than Pay and Allowances and Office expenses, for example, Diet Charges of patients in Government Hospitals, Vehicles and

Equipment for Government Departments, purchase of land, farm operations in Agricultural Department, exhibits for museums, zoos, purchase and maintenance of livestock, purchase of Raw Material for manufacture in Jails, etc., The instructions given for the preparation of estimates under 'office Expenses' should be followed in the preparation of estimates under these heads also.

Provision for payment of sums required to satisfy any judgment, decree or award of any court etc.,

127. Expenditure on payments made in satisfaction of any judgment, decree or award of any court or arbitral tribunal is to be treated as charged on the Consolidated Fund of the State. Provision for such expenditure should, therefore, be made separately under 'Charged' As re-appropriation between Charged and Voted provisions is not permissible, it is necessary that the Charged provision should be restricted to the absolute minimum and additional funds, if required being arranged later, through the Supplementary Estimates. In emergent cases, advances can be obtained from the Contingency Fund to be recouped by presentation of Supplementary Estimates at the earliest opportunity.

Estimates of expenditure under capital heads

128 The Heads of Departments and Other Estimating Officers should submit the estimates in

respect of Capital Heads in the sheets supplied by the Finance Department.

Estimates under Debt Heads

129. The Estimates regarding loans and advances should be submitted to the Finance Department. Details of the amounts provided should be given in each case.



CHAPTER IV  
INSTRUCTIONS FOR THE PREPARATION OF  
DEPARTMENTAL ESTIMATES IN RESPECT OF  
PUBLIC WORKS AND IRRIGATION HEADS.

130. The expenditure on all non-functional buildings under 'Social and Community Services' and 'Economic Services' and all buildings under 'General Services' is shown under a single major head "259 Public Works" in the Revenue Account or under "459 Capital Outlay on Public Works" if met from the Capital account. The expenditure on functional buildings under 'Social and Community Services' and 'Economic Services' like Schools Hospitals, etc., will however, be shown under the relevant functional major heads like Education, Medical etc., The expenditure on residential buildings will be shown under "Housing", Similarly the expenditure on roads will be shown under a separate Major head "Roads and Bridges". All works costing upto Rs. 1 lakh will be shown in the Revenue Account while works costing more than Rs. 1 lakh will be debited to Capital account.

131. The estimates in respect of "Salaries" "Allowances" "Office expenses" should be prepared in accordance with the instruction given in the preceeding paragraphs. In respect of estimates under minor heads, "Construction", "Maintenance and Repairs", "Furnishings" , "Machinery and Equipment" the instructions given in the following paragraphs should be followed.

*New Major Works*

132. Before provision can be made in the Budget for new major works it is necessary that the preliminaries of administrative sanctions, etc., should have been completed so that there may be a reasonable change of the provision being fully utilised during the year. Where land is required to be acquired the likely delay in getting possession of the land should be taken into consideration. In such cases provision should be restricted to the amount that is likely to be actually spent during the year. Provision should be made on the basis of the latest estimate of costs; otherwise the provision may prove too little or too much.

133. Heads of Department should forward to the Chief Engineer by 16<sup>th</sup> November in Budget Manual Form No. 9 lists of new major works which have received the administrative approval of Government for execution in the ensuing financial year. The works should be arranged in order of urgency and the grounds on which a particular work is considered necessary and urgent and where necessary, the fact whether the land is available or has still to be acquired should also be stated. All works, the estimates for which are more than five years old on the 16<sup>th</sup> August of the year previous to that in which they have to be entered in the budget and which have not been completely revised by that time should be deleted from the list for the year. To prevent important works from being deleted from

the list, however, the Heads of Departments should take steps early in the year, through the Executive engineer concerned, for the revision of the Plans and Estimates of such works and then obtain revised administrative approval as also the technical sanction of the competent authority.

134. The Chief Engineer should consolidate the estimates received from the Heads of Departments and other Estimating Officers, arrange them according to major heads and forward the list to Finance Department. The list should include only such works as have been administratively approved and technically sanctioned by competent authority.

135. The procedure should also apply to major works carried out by the P.W.D. wholly or partly from funds provided by contributions. In such cases information such as the amount of contribution received and held in deposit, amount still to be provided by Government from State Funds and the stage in regard to preparation of Plans and Estimates should be given.

Procedure regarding works financed from Central Road Fund.

136. In regard to works financed from the Central Road Fund, the Chief Engineer should send a list of works to the Finance Department. Only such works as have received technical sanction or are likely to receive such sanction during the

course of the year should be provided for in the budget.

*Subvention from the Central Road Fund*

137. As a result of recommendations of the Indian Road Development Committee, both the excise and import duties on motor spirit were raised with effect from the 28<sup>th</sup> February 1962, the additional revenue being earmarked for credit to the "Central Road Fund" from which grants are made to the State Governments for the purposes of road development. The proceeds of the additional duties are first credited to the account of the Central Government under "037 Customs" or "038 Union Excise Duties" according as they represent extra duty of custom or of excise, but at the end of each year an equivalent amount, after deduction of certain portion in respect of petrol consumed for aviation purposes, is transferred as a block grant to the Central Road Fund. Twenty per cent of this block grant is retained as a Central (Ordinary) Reserve and out of the remaining amount allocations are made to the State Government in the ratio in which the consumption of petrol in each area bears to the total consumption. The amounts allocated each year to the States are retained in the Road Fund to the credit of the State Governments and advances are made for meeting the expenditure on construction of new roads and bridges or reconstruction or substantial improvements to

existing roads and bridges approved by the Central Government.

138. After the close of the year, adjustments are made on the basis of the actual expenditure.

139. In addition to Central (Ordinary) Reserve and Central Road Fund mentioned above, Government of India has created a Special Reserve with effect from 1950 by making special contributions to the Fund for financing particular projects. The Special Reserve gets credits from sources other than the additional revenue mentioned above. Thus the money in the Fund is held under three different accounts viz., (a) Central Road Fund, (b) Central Road Fund (Ordinary Reserve), and (c) Central Road Fund (Special Reserve).

140. The allocations from the Fund made by the Central Government to the State Government once in every quarter are credited to the State revenues under '160 Grants-in-aid from the Central Government'. Out of these amounts, the allocations other than those from reserves are credited to the Major Head "848 Other Deposits-Subventions from Central Road Fund", by per contra debit to the major head "337 Roads and Bridges" or any other appropriate head of account concerned. Such of the expenditure under this major head as is to be met out of the allocations other than those from the Reserves, is set off by transfer of an equivalent amount from the deposit head mentioned above.

*Estimates for works*

141. The estimates in respect of the following items require special attention of the estimating officers.

- (i) Major works in progress.
- (ii) Minor works.
- (iii) Maintenance and Repairs,
- (iv) Machinery and equipment, and
- (v) Suspense.

*Major works in progress*

142. Estimates for major works in progress should be submitted in Budget Manual Form No. 10 with full explanation of the necessity. Only such amount as can be use-fully spent during the year should be included in the estimate. In the light of the progress of expenditure in the current year, the revised estimate should be framed.

*Minor Works*

143. These works are undertaken from the lumpsum provisions made under each minor head. The provision proposed should be justified by giving adequate reasons and with due regard to the actual expenditure during the past three years.

*Maintenance and Repairs*

144. Estimates of repairs to buildings and roads and bridges should be submitted in Budget

Manual Forms No. 1 and 2 Explanations for important variations between the proposed estimate and the average expenditure during the preceding three years should always be given.

*Machinery and equipment*

145. Lumpsum provisions for tools and plant (excluding special tools and plant) for Public Works as well as Irrigation works should be made under "259 Public Works" according to the requirements of Executive Engineers.

*Suspense*

146. Provision for suspense transactions should be made under 'Public Works and Irrigation' heads explaining fully the basis on which provision are proposed.

*Irrigation Works*

147. In preparing the estimates of Irrigation heads the following instructions should be followed:

(i) Estimates should be separately prepared for each Irrigation Project;

(ii) Each estimate should be accompanied by detailed statement in Budget Manual Form No 11;

(iii) Each statement should include-

(a) Works in progress,

(b) Maintenance and repairs,

(c) New Works,

separately for each irrigation work and canal system.

(iv) Only such amount as can be usefully and fully spent during the ensuing year should be provided in each case;

(v) Reasons should be given in the statement when the proposal is in excess of the normal;

(vi) No new works should be entered in the statement unless Plans and Estimates have been approved administratively and sanctioned technically by the competent authority. The necessity for each new work should be explained fully and clearly and the authority approving it administratively should be quoted;

(vii) New works should be entered in the statement in order of urgency;

(viii) Separate statements regarding extensions and improvements and maintenance and repairs under the relevant heads should be submitted along with the budget estimates in Budget Manual Forms No. 1 and 2 with explanations for increases and decreases. A similar statement in Budget Manual Form No. 11 should be submitted in respect of capital expenditure on works under each Irrigation work.

Distribution of Establishment and Machinery and Equipment charges.



148. The staff of the Public Works Department, Communication and Buildings attend to works accounted for under many major heads viz., 306, Minor Irrigation "333. Irrigation Navigation, Drainage and Flood Control Projects" "337 Roads and Bridges " "459 Capital Outlay on Public Works", "483 Capital Outlay on Housing" "506. Capital Outlay on Minor Irrigation ", "533 Capital Outlay on Irrigation, Navigation, Drainage and Flood Control Projects," and Deposit heads such as "District Funds" "Municipal Funds", Private contribution works, etc., In order to account for the establishment and tools and plant charges under each head, the following procedure is in force.

(A) *Establishment*

149. The "Gross Expenditure" on the common establishments of P.W.D. will be recorded under the Minor Head "Direction and Administration" below "259 Public Works" The minor will have suitable sub-heads such as "Direction" "Designs" "Supervision", "Execution", "Architecture", "Stores Control", etc. From this 'Gross Expenditure', the distribution of the charges will be in two stages as explained below-

(a) The first stage of distribution will be in respect of the establishment charges relatable to Capital Major Heads. The distribution of establishment charges from the omnibus P.W. Major Head to these will be calculated on a

percentage basis, as per the existing principles in K.P.W.A. Code, the percentages being carefully determined by Government in such a manner as to remain current for at least 3 years so as to avoid meticulous and frequent recalculations.

In respect of establishment charges relatable to works done for other Government, local funds, private parties, recoveries will be made on percentage basis to be determined by Government and credited to the Major Head "059- Public Works- Other Receipts" as revenue.

The debits for the proportionate charges on Establishment apportioned to the Capital Major Heads will be adjusted under the sub-head "Buildings" under the appropriate Programme Minor Heads, against a distinct detailed head (or Object Classification) "Establishment" to be opened for the purpose. The contra credit (minus debit) under "259 Public Works" will be booked under a distinct sub-head "Deduct-Establishment charges transferred on percentage basis to Capital Major Heads" below "Direction and Administration", Such adjustments may be done monthly in the Public Works Divisional accounts.

Note- centage charge recovery of which is waived by Government should be treated as grant-in-aid and adjusted as such in accounts by debit to the functional major head of account concerned and credit to " 059 Public Works", For instance, the

centage charge waived for a school building shall be debited to " 227 Education'.

(b) The next stage of distribution of the establishment charges under "Direction and Administration" below "259 Public Works" will be in respect of the works charged to the major heads "283. Housing" "306 Minor Irrigation", "333. Irrigation, Navigation, Drainage and Flood Control Projects" and "337 Roads and Bridges" Distribution of the charges in respect of works charged to other major heads in the Revenue Section is not necessary. For this purpose from the residuary expenditure under "Direction and Administration" at the end of the year, arrived at after the adjustment at (a) above is carried out, the amounts recovered during the year from other Governments, Local Bodies, etc., on percentage basis for work done on their behalf and credited to Public Works as revenue will be notionally deducted to arrive at the net charges on Establishment relating to Public Works (Original Works) in the "Revenue Section", From this net amount a pro rata distribution of the charges to "283 Housing", "306 Minor Irrigation", "333 Irrigation Navigation, Drainage and Flood Control Projects" and "337 Roads and Bridges", will be made according to works outlay recorded under these major heads vis-a vis the total revenue expenditure on Public Works (Original Works) in all major heads in the Revenue Section. The distributable amounts so calculated will be

adjusted from "259 Public Works", through a deduct sub-head "Deduct-Establishment charges transferred pro-rata to "Housing" etc., by per contra debit to "283. Housing Direction and Administration", etc.,

(B) Machinery and Equipment

The procedure outlined above will be followed mutatis mutandis for distribution of "Machinery and Equipment charges also.

## CHAPTER V

Deleted.

## CHAPTER VI

## NEW EXPENDITURE

163. Though the term 'New Service, is used in Article 205 (1) (a) of the Constitution of India, there is no authoritative definition of the term in the Constitution. In consultation with the State Public Accounts Committee, however, a working arrangements has been arrived at. Broadly speaking, expenditure involved on a new scheme, in the adoption of a new policy, provision of a new facility or any substantial alteration in character or extent of an existing facility, will normally be treated as constituting 'New Service', where it was not contemplated at the time of preparation of the Annual Financial Statement. In some cases, increases in expenditure, other than increases due to normal growth or rise in the price of commodities, on the extension or development of an existing scheme or facility, is also where it is appreciable, treated as 'New Service';

*Expenditure constituting 'New Service'*

164. In consultation with the State Public Accounts Committee, it has been decided to treat the following items of expenditure as constituting expenditure on 'New Service'.

Sl. No	Item of Expenditure	Criteria for treating the expenditure as on 'New Service'
1	Additional staff for normal increase of work for a purely temporary need in Government Departments.	<p>The Employment of additional staff in connection with an existing service for a purely temporary need, (for a specific period) need not be treated as a 'New Service' whatever be the amount involved.</p> <p>The employment of additional staff for re-organisation of existing administrative unit such as the bifurcation of a Revenue or a Police District or the creation of a new Administrative Unit (e.g. a New Public Works Circle), constitutes 'New Service'.</p> <p>Employment of additional staff for</p>

the extension of existing service where the increased expenditure is estimated to be more than double the Budget provision or Rs. 5 lakhs per annum whichever is more would constitute 'New Service' and should be brought specifically to the notice of the Legislature.

- 2 Cases (other than those referred to in SI; Nos 1,6,8,11,and 12) already approved by the Legislature, but where expenditure is subsequently expected to exceed appreciably the amount originally intimated to the Legislature. These cases need not be treated as 'New Service' provided the increase over the grant previously voted does not exceed two times the previous grant or Rs. 5 lakhs whichever is more.
- 3 Grants and Contributions When the amount involved exceeds Rs. 1 lakh recurring and Rs. 2 lakhs non-

- recurring
- 4 Works Works including Electricity Schemes expected to cost more than Rs. 5 lakhs.
- Explanation:  
This limit applies to original works as also extension and improvement works.
- 5 Committees constituted by Government from time to time When the expenditure is estimated to exceed Rs. 1 lakh per annum recurring or Rs. 3 lakhs non-recurring  
The non-recurring expenditure is to be reckoned taking the entire cost i.e., cost of establishment buildings equipment other amenities etc.
- 6 Revision of scales of pay When the extra expenditure (cost) exceeds Rs. 5 lakhs per annum
- 7 Experiments and Investigations As a rule, expenditure on experiments



- demonstrations investigations  
demonstrations etc.,  
should not be  
treated as New  
service".
- 8 Loans and advances Where the amount  
whether carrying exceeds Rs. 5 lakhs  
interest or not or cases in which  
the total amount of  
loan granted exceeds  
the original budget  
provision by 50 per  
cent or Rs. 5 lakhs  
whichever is higher.
- Explanations:  
In the case of  
Government  
Companies the  
provision at Sl. No.  
11 would apply
- 9 Change in Expenditure on  
classification of existing service  
expenditure under one head, but  
involving provision  
of funds in a  
different head due to

change in classification of expenditure need not be considered as an expenditure on New Service'

Explanation:

Where provision for an existing service has been made either in the Revenue Capital or Loan section and it is proposed to change the character of the service by transferring it from the existing Section to any other section it will constitute New Service; if the limits prescribed for such expenditure are exceeded

- 10 Purchase of Tools, Plant and Equipment, If there is specific provision in the Budget for the purchase, individual

purchases need not be treated as New Service irrespective of the cost. Where specific provision is not included in the Budget the monetary limit shall be Rs-2 lakhs

- 11 Investments in and Loans to Government Companies and Departmental Under takings.
- (i) Setting up of a new Government Company or amalgamation of two or more Government Companies will constitute New Service and taking up a new activity by the existing Government company or a departmental undertaking will constitute New Service"
- (ii) Additional investments in an existing departmental undertaking of Rs 25 lakhs and above or 50 percent of the Budget provision, which ever is more.
- (iii) Additional investment in or

- loans to an existing Government Company exceeding Rs. 5 lakhs or 50 per cent of the Budget provision whichever is more
- 12 Investment in Private Sector Companies/ Private institutions
- (i) Investments in share capital of Private Sector Company /Private Institutions to be made for the first time.
- (ii) Additional investments in share capital to existing Private sector companies/Private institutions of Rs. 10 lakhs and above or 50 percent of the Budget provisions whichever is more.
- 13 Subsidies
- In all cases where the losses resulting from difference between the sale and cost price of fertilisers agricultural implements ,foodgrains etc., are covered by subsidies

the details of scheme of subsidy should be indicated in the Budget documents. Besides showing subsidy as a separate head under the relevant demand adequate details regarding the schemes of subsidy on each commodity and the reasons should be shown in the Budget documents so that the Legislature is fully cognizant of the details of subsidy being voted upon and the reasons for it

General:

All items coming under the above category of New Services which are contemplated for the first time and provisions for which are included in the original Budget Estimate for the year should be listed out or detailed in the explanatory notes of the Budget Memorandum for the information of the Legislature

165. In the event of doubt as to whether a particular item is on 'New Service' or not the opinion of the Finance Department is final.

Proposal for new expenditure during the course of a Financial Year

166. As a rule no expenditure on 'New Service' not included in the Budget will be authorised during the course of the year. The objection for entertaining such proposals is that they have to be dealt with singly and not in relation to other demands, for there is every likelihood of an item being accepted, while it would have been rejected had it been considered in conjunction with the whole body of demands for new expenditure. It is only when all demands are reviewed together that it is possible to arrive at a true appreciation of the relative merits and urgency of each and effect a fair distribution of available funds.

167. If however, an occasion arises during the course of the year for the immediate provision of funds for a " new service" or a new item of expenditure, the proposal should be sent to the administrative department concerned supported by a clear explanation as to why it was not provided for in the original budget, and why it cannot be postponed to the next budget. The administrative department will examine the same in consultation with the Finance Department. If the proposal can wait till funds are made available through supplementary estimates the Finance Department

will advise accordingly. If the expenditure is such that it cannot wait till the next session of the Legislature in which a supplementary demand can be presented an advance from the contingency fund will be sanctioned and a supplementary Demand presented to the Legislature in the next immediate Session.

168. New Expenditure Means expenditure satisfying any of the criteria of New Service" (except Sl. No. 2 in para 164) which is contemplated for the first time and provision for which is included in the original budget estimates of the year, Such items of 'New Expenditure' shall be detailed in the explanatory notes of the Budget Memorandum for information of the Legislature.

169. To enable a proper and detailed examination being carried out by Government, all proposals or schemes for 'New Expenditure' should be submitted by the Heads of Departments in Form No. 13, together with relevant supporting documents, to the concerned administrative department of the Secretariat as soon as they are ready and should not be held up for being submitted towards the last date.

170. On receipt of the proposals, the administrative department should examine them thoroughly from both the administrative and financial aspects, and recommend to the Finance Department only such of them as are not only administratively sound but also are really essential and urgent. The proposals should reach the Finance Department in sufficient time, complete in all respects, to enable that department to carry out proper examination and obtain such further information as may be considered necessary. The schemes which the administrative departments may themselves formulate must also be referred to the Finance Department very early. The Finance Department will be at liberty to decline to accept any proposals received late whatever may be the reason for the delay.

171. Every proposal or scheme involving new expenditure must be explained as fully and concisely as possible and its financial implication, both immediate and ultimate, as also the physical targets clearly brought out. The estimates of cost should show the recurring and the non-recurring expenditure separately, by the major and minor heads, sub-heads, primary units and detailed heads of account. If it is proposed to spread the recurring and non-



recurring expenditure over a series of years, the estimates for each year should be given. If any assistance in the shape of loans, grants, contributions or donations or any other receipts or recoveries are expected, details thereof for each year should be given and the heads of account to which they will be creditable or taken as reduction of expenditure indicated.

172. In framing the estimates of cost, the date from which a new scheme is likely to be introduced and whether it will be introduced in full from the beginning or by stages must be carefully considered. Account should be taken of any administrative or other difficulties likely to be encountered and the time likely to be taken in the various sanctioning processes. In brief only so much should be provided in the estimates as will be actually spent in a particular year. In the case of schemes to be taken up by stage or under a phased programme, the different stages and the expenditure expected to be incurred and the income, if any, anticipated at each stage should be indicated.

173. Schemes relating to engineering projects or works must be accompanied by preliminary plans and approximate estimates. In the case of buildings the number and dimensions of the various types of rooms proposed to be constructed and the basis for providing accommodation should be clearly explained. The Finance Department may decline to make provision in the budget for any project or work for which administrative approval of the competent authority has not been obtained. The total estimated cost of the project, the time likely to be required for its completion and the expenditure to be incurred each year should be stated in every case after consulting the agency to whom the

execution of the project is to be entrusted. It has to be borne in mind that even after provision has been made in the budget on the basis of preliminary plans and approximate estimates, time is required for preparing detailed plans and estimates and according necessary sanctions inviting tenders and settling contracts. In many cases land has to be acquired under the Land Acquisition Act which takes time. Some times seasonal conditions and scarcity of labour or of building materials in the market also delay the start or the progress of a work. All relevant factors should be carefully taken into account. If as a result of the construction of new building, any of the existing buildings are likely to be rendered surplus it should be indicated how they are proposed to be utilised.

174. Proposals relating to sanction of loans of Grants-in-aid to local bodies and other non-Government Institutions, Corporations, Private Parties, Individuals, etc., should not be submitted to Government until the admissibility of the loan or the grant-in-aid applied for in each case has been fully examined with reference to existing rules or orders or approved schemes. If the loan or the grant-in-aid applied for is for a new scheme or for expansion of an existing scheme, it is necessary to satisfy that full details have been worked out and have received the approval of the competent authority. Proper assessment of the latest financial position of the party concerned is absolutely necessary to determine whether-

- (i) Government aid is really called for.
- (ii) the balance of the expenditure, if any, can be met by the party concerned from its own resources and

(iii) there is likely to be any difficulty in effecting recovery of the loan proposed to be granted and the interest thereon. The terms and conditions to be attached to the proposed loan or grant-in-aid should be clearly mentioned.

175. In all cases in which purchase of articles from outside India is involved, the name of the foreign country and the currency in which payment will be made should be stated, it being also indicated whether or not supplies have been assured when required in the event of firm orders being placed.

176. It must be carefully understood that the acceptance by the Finance Department of a proposal involving 'New Expenditure' does not constitute any authority for the incurring of any liability in connection therewith until necessary provision has been included in the Appropriation Act and the competent authority has sanctioned the incurring of the expenditure in each case.

**CHAPTER VII**

## REVISED ESTIMATES

***General Observations***

177. As already explained in paragraph 68 of Chapter II, the 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 anticipants for the remainder of the year in the light of the orders already issued or contemplated or any other relevant facts. It does not authorise any expenditure nor does it supersede the budget estimate as the basis for regulation of the expenditure. If an increase is anticipated in the revised estimate under any particular head, it is necessary for the controlling authority to apply separately in proper time for additional funds required, unless this has already been sanctioned by the competent authority. Similarly a decrease in the revised estimate does not obviate the necessity of formal surrender of any amount provided in the budget estimate which is not likely to be spent. It is the duty of the Controlling Officer to see that as far as possible the expenditure during the remaining part of the year is so restricted that the total expenditure for the year does not exceed the revised estimate. The savings may be due to one or more of the following causes :

- (i) Postponement of expenditure,
- (ii) Real savings due to economy measures, and
- (iii) Normal savings due either to over-estimating or administrative causes, e.g., causalities, etc.

178. Savings due to cause (i) are in no circumstances to be used for reappropriation to meet new items of expenditure without the prior sanction of Government. Unless savings due to cause (ii) have been made deliberately to provide for a foreseen emergency, they should not ordinarily be utilised in the course of the year for new items of expenditure, as it is desirable that all such new items should be considered together at the time of the preparation of the budget for the next year. It is essential that the revised estimate should be prepared with great care, so that they may approximate, as closely, as possible to the actuals which will not be available for some months after the close of the financial year. These estimates, besides enabling the Government to arrive at the approximate closing balance of the current year (which will be the opening balance of the next year) are *Prima Facie* the best guide to the next year's estimates.

179. A revised estimate is based on-

(i) ascertained actuals of the past months of a financial year, and

(ii) an estimate of the probable figure for the remaining months of that year.

The figures for (i) above being definitely known, it is only that for (ii) which has to be estimated and in doing so the actuals for the same period during previous years, chiefly those of the preceding year, should be the main guide, due allowance being made for any exceptional factors or unusual characteristics which may have affected the actuals of the last preceding year or which may affect those of the current year.

If the revised figure differs appreciably from the previous year's figure, the reason or reasons for the variation should be clearly explained. Also, if any special factors have affected the figure for (i) above, this should be mentioned and it should be explained whether or not they are likely to continue throughout the year. The usual adjustments with other Government departments, etc., which take place during and after the close of the year should be duly taken into account when framing the revised estimate.

***Methods for framing the Revised Estimates***

180. The revised estimates are generally based on the actuals of the first six, eight or nine months of the year. Assuming that at the time of the preparation of the revised estimate, the actuals for the first six months of the current year are available, the estimate will generally be framed in one of the following ways:

(i) by adding to the actuals of the first six months of the current year those of the last six months of the previous year ; or

(ii) by taking a proportionate figure so that the revised estimate will be twice the actuals for the first six months; or

(iii) by assuming that the revised estimate for the current year will bear the same proportion to the actuals of the first six months as the actuals in the previous year bore to those of the first six months of that year.

181. The Heads of Departments and other estimating officers should use their discretion and adopt one or other of

the above methods or any other suitable method for each particular case in the light of the actual trend of revenue or expenditure during the previous years, due allowance being made for any abnormal features in those years and for factors which may modify the realisation of original expectations. It would always be of advantage to base the forecast on a careful study of the figures of three years immediately preceding rather than those of a singly year.

***Revised Estimates to be framed by the Finance Department***

182. The revised estimates to be included in the annual budget will be prepared by the Finance Department by primary units with the help of -

(i) The revised estimates furnished by the Heads of Departments and the estimating officers in the appropriate column of the Budget sheets for the next year;

(ii) The actuals of revenue and expenditure for the year as recorded by the Accountant General in the Consolidated Abstracts; and

(iii) The actuals of revenue and expenditure for the proceeding years as recorded by the Accountant General.

*Revised Estimates for particular heads*

183. The revised estimates in respect of certain receipts and disbursement heads for which the administrative departments, Finance Department or the Accountant General are the estimating authorities should be framed on the same lines. For this purpose the administrative departments of Government and Controlling Officers may obtain such

information from subordinate authorities as they may consider necessary.

***Corrections to the Revised Estimates***

184. Any appreciable variations discovered in the revised figures of receipts and expenditure subsequent to their communication to the Finance Department should be intimated to the Department as early as possible. Corrections communicated very late will not be considered.

***Dates for the supply of Actuals by the Accountant General***

185. The Accountant General should forward to the Finance Department, by the dates mentioned below, Consolidated Abstracts containing actuals of receipts and expenditure, separately by Major, Minor, Subordinate and detained heads, as recorded in his office.

Actuals for	Date of receipt in the Finance Department
Six months ...	31st October
Eight months ...	31st December
Nine months ...	1st February
Twelve months (Preliminary) ...	5th May
Twelve months (Final) ...	25th June
Twelve months (Supplementary) ...	31st August



## **CHAPTER VIII**

### **PREPARATION OF THE ESTIMATES AND BUDGET BY THE FINANCE DEPARTMENT**

#### ***Responsibility of the Finance Department for preparing the Budget***

186. The Finance Department has been charged with the responsibility to prepare a statement of estimated revenue and expenditure, to be laid before the Legislature in each year. Although the material is supplied by the Heads of Departments and other estimating officers, the actual preparation of the budget estimates is done by the Finance Department and it is solely the business and responsibility of that Department to settle the estimates of receipts and disbursements.

#### ***Scrutiny of the Departmental Estimates***

187. On receipts of the departmental estimates (*vide* Chapters III, IV and V), the Finance Department will scrutinise the estimates, item by item, with due regard to (a) the explanations furnished by the estimating officers and (b) the recommendations, if any, of the administrative departments concerned on the copies of the estimates submitted to them.

188. In respect of the estimates of receipts, the Finance Department will take into account any special information affecting the estimates for the coming year which it may possess and which has not already been taken into

account by estimating officer or the administrative department.

189. In respect of the estimates of disbursements, the Finance Department will direct the closest scrutiny to the items relating to fluctuating and non-recurring charges. It is only in rare instances that it should be necessary for the Finance Department to make any modification in the estimates for fixed charges proper; it will nevertheless particularly examine the estimates under Establishment charges and if necessary, modify them on account of probable savings or on the basis of actuals of previous years. The Finance Department will scrutinise the estimates of fluctuating charges, item by item, and will disallow any increases which are not adequately or satisfactorily explained. It will further scrutinise items in respect of which no increase is proposed, with the object of effecting any legitimate reduction which can be made. It will similarly scrutinise the estimates of non-recurring charges, disallowing amounts which are not covered by sanction and eliminating or redacting the estimates, for the coming year where there is no reasonable certainty that the amount estimated will be spent. It will scrutinise and make such corrections as are necessary in the classification of receipts and disbursements (i) under the various major heads, minor heads, sub-heads and primary units of appropriation and (ii) under-

- (a) Votable and charged,
- (b) Revenue and Capital,
- (c) Plan and Non-plan.

***Enquiries by Finance Department to be attended to promptly.***

190. In the course of the examination of the estimates, the Finance Department may find that in respect of particular items further explanations or clarifications, etc., are necessary before the estimates can be settled. The necessity of such further information being supplied to it with the least possible delay needs no emphasis. The Finance Department may address the concerned administrative department of the Secretariat or where it is clear that the details will have to be obtained from the Heads of Departments and Estimating Officers, it may address the concerned officers directly. The required information must be furnished to the Finance Department within the time allowed for the purpose, failing which the Finance Department will finalise the estimates at its own discretion and the responsibility for any incorrectness of the estimates will ultimately devolve on the Heads of Departments and the estimating officers concerned.

***Compilation of detailed estimates by Finance Department***

191. As a result of its scrutiny of each departmental estimate, the Finance Department will adopt figures for each item included in the estimate and will include the estimate so adopted in the Detailed Estimate. The Finance Department may, if it considers necessary, send either before or after its scrutiny, any departmental estimate to the Secretary of the administrative department concerned either for information or to enable him to clear any doubtful point.

***Further scrutiny and submission of the estimates to the Council of Ministers.***

192. When all the departmental estimates have been settled and detailed estimates are completed in all respects, the Finance Department will re-examine the estimates as a whole and will take such changes as may be found to be necessary, due, for example to overall unsatisfactory financial position or modification of the contemplated loan programme or any other financial factor affecting the estimates. A preliminary note by the Finance Secretary, based on the figures in the consolidated estimates and New items of expenditure shall then be placed by the Finance Department before the Council of Ministers. The Council may then consider questions of policy arising from the budget such as fresh taxation flotation, flotation of loans in the market and select, with reference to the funds available, the new items which are to be included in the budget. The provision for items thus selected shall be added under the appropriate demands for grant in the detailed estimates to be presented to the Legislature. Other decisions taken by the Government affecting those estimates will also be incorporated therein. The Budget is then ripe for presentation to the Legislature.

***Last stage modifications***

193. The Finance Department may, at any stage before the budget is presented to the Legislature, make such modifications in the estimates as may be necessitated by the emergence or the discovery of factors disturbing the estimates so far framed; such action is incumbent on the Finance Department in the fulfillment of its responsibility to present the estimates as correctly as possible.

***Approval of Governor***

194. Approval of the Governor is obtained in pursuance of Article 202 of the Constitution of India for placing the Annual Financial Statement and the Demands for grants for the year before the Legislature on a date to be specified.

## **CHAPTER IX**

### **PRESENTATION OF THE BUDGET TO AND ITS**

#### **DISPOSAL BY THE LEGISLATURE**

##### ***Details of the Budget Literature***

195. (1) The Budget Literature which is supplied to the Legislature at present consists of six Volumes, namely.

##### ***I. Finance Minister's Speech***

(2) The speech delivered by the Finance Minister in presenting the Budget Estimates includes details of the important achievements and programmes of the several departments of Government.

##### ***II. Annual Financial Statement***

(3) It is a summary of the Financial position of the State. It contains the under mentioned Abstracts and statements.

(i) Abstract of Revenue and Expenditure by Sectors ;

(ii) Abstract of Receipts and Disbursements by Sectors in the Public Accounts of the State ;

(iii) Statement by Major Heads of revenue and expenditure including capital ;

(iv) Statement by Major Heads of receipts and disbursements in the Public Account of the State.

##### ***III. Detailed Estimates***

(4) One volume of the detailed estimates gives details in respect of revenue and other receipts. The detailed

estimates of expenditure are bound for convenience in three separate volumes. Volume I deals with General Services, Public Debt, etc. Volume II deals with Social and Community Services and Volume III deals with Economic Services.

#### ***IV. Detailed Estimates of Irrigation, Electricity and Public Works***

(5) This contains detailed estimates of Revenue and Expenditure in respect of heads operated by Public Works and Irrigation Departments. The Appendix to this volume contains details of works costing over Rupees one lakh each. Provision for works costing Rupees one lakh or less is included in the estimates in lump without workwise details.

#### ***V. Plan Budget***

(6) It gives details of Plan schemes and the provisions made in the budget for development schemes which form part of the State Plan, Centrally Sponsored Schemes and Central Sector Schemes.

#### ***VI. Budget Memorandum***

(7) It contains brief review of the State's Finances as revealed by the actuals of the previous year, the revised estimates for the current year and budget estimates for the ensuing year, ways and means Estimates, nature of receipts and expenditure classified under various major and minor heads of account with brief explanation for variations between the Budget and Revised Estimates for the current year and between the Revised Estimates for the current year and the budget estimates for the ensuing year.

(8) The Memorandum also contains Annexures showing details of loans taken from the Central Government and balances outstanding shares held by Government in Industrial concerns and Co-operative Institutions and Dividends received on these investments, total indebtedness of the State, Assets and Liabilities of the State, the guarantees given by the State Government involving contingent liability on the Consolidated Fund of the State and Demand, Collection and Balances in respect of important items such as Land Revenue, Sales Tax etc.

(9) It also brings to the notice of the Legislature proposals, if any, of transfer or gift of Government property of a value exceeding Rs. 1.00 lakh to outside parties, institutions, etc. (The term 'Transfer does not include 'sale' if the sale is not at a concessional rate). The limit of Rs. 1.00 lakh is to be reckoned with reference to the aggregate cost of various assets being transferred in one transaction. The original book value of the assets should be taken into consideration.

***Procedure for presentation and disposal of Budget by the Legislature.***

196. The procedure for the presentation of the Budget to the Legislature and its disposal is regulated by the Rules of Procedure and Conduct of Business of the Legislative Assembly and the Legislative Council. The relevant rules as in force at present are reproduced in Appendix VI.

197. According to the Rules referred to above, the budget has to go through the following stages -

- (i) Presentation to the Legislature;



- (ii) General discussion;
- (iii) Voting of the Demands for Grants in the Legislative Assembly;
- (iv) Introduction, consideration and passing of the Appropriation Bill in the Legislative Assembly and its consideration thereafter by the Legislative Council ; and
- (v) Obtaining the assent of the Governor to the Appropriation Bill.

### ***Presentation to the Legislature***

198. On a day to be fixed by the Governor which will ordinarily be in the second half of February or early in March, the Finance Minister will present the Budget to the Legislative Assembly. In presenting the budget, the Finance Minister makes a speech in the Legislative Assembly explaining the salient features of the budget and Government policies. In the Legislative Council, the budget is presented either by the Finance Minister himself or by some other Minister.

### ***General discussion on the Budget***

199. On a day or days to be appointed by the Speaker/ Chairman, but not on the day of presentation of the budget begins the general discussion in both the Houses of the Legislature on the Budget as a whole or any question of principle or policy involved therein. The discussion will continue for such time as the Speaker/ Chairman may allot for the purpose. No motion is to be moved, nor are the details of the budget to be discussed, at this stage. The Finance

Minister has a general right to reply at the end of the discussion in both the Houses.

***Voting of Demands for Grants***

200. After the general discussion is over, the voting of the demands for grants is taken up in the Legislative Assembly in accordance with the programme approved by the Speaker. The Legislative Council is not required to vote on the demands for grants. A Demand for grant is a proposal made, on the recommendation of the Governor, for the appropriation of funds for expenditure to be met from the Consolidated Fund of the State, other than that charged. The amounts required for charged expenditure are shown separately and are not subject to the Vote but can nevertheless be discussed. There is usually one Demand for grant in respect of each department, but in some cases Demand may include grants for two or more departments, or there may be a demand for grant-in-respect of expenditure which cannot readily be classified under particular departments. Details of Department-wise/Major head-wise Estimates included in a demand and the details of such estimates included as Charged appropriation are given in the document 'Summary of Demands for grants and Charged appropriation' presented with the budget documents. The Demand is moved by the Minister in-charge of the subject or department or some one deputising for him. The Legislative Assembly has power to assent, or refuse to assent, to any Demand subject to reduction of the amount specified therein. Motions can be moved to reduce any demand for grant. Notice of such motions is to be given at least four clear days before the day appointed for the discussion of the Demand for Grant

concerned, unless otherwise directed by the Speaker. Every such motion must be accompanied by a brief note explaining in precise terms the purpose of the cut motion.

201. If the Voting of Demands is not completed on the last day of the allotted days at the hour fixed for the termination of the day's meeting the Speaker applies the 'Gullotine' and all the remaining demands for grants will be put to vote together without discussion.

### ***Appropriation Bill***

202. After the Voting of all the Demands for Grants has been completed, an Appropriation Bill is introduced in the Legislative Assembly to provide for the appropriation out of the Consolidated Fund of the State of all moneys required to meet (a) the grants made by the Assembly and (b) the expenditure charged on the Consolidated Fund but not exceeding in any case the amount shown in the statement previously laid before the Legislative Assembly and the Legislative Council. Article 204(2) of the Constitution prohibits the moving of any amendment to an Appropriation Bill in the Assembly or the Council which has the effect of varying the amount or altering the destination any grant made by the Assembly or varying the amount of any expenditure charged on the Consolidated Fund. After the Appropriation Bill is considered and passed by the Legislative Assembly, it is transmitted to the Legislative Council which is empowered to make recommendations and required to return the Bill to the Legislative Assembly with or without any recommendations.

203. The Appropriation Bill is a Money Bill and hence if the Bill passed by the Legislative Assembly and transmitted to the Legislative Council for its recommendation is not returned to the Legislative Assembly within fourteen days from the date of its receipt in Council, 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 Legislative Assembly, *vide* Article 198(5) of Constitution of India.

204. The Legislative Assembly may either accept or reject all or any of the recommendations of the Legislative Council. If the Assembly accepts any of the recommendations of the Council, the Bill shall be deemed to have been passed by both Houses with the amendments recommended by the Council and accept by the Assembly. If however, the Assembly does not accept any of the recommendations of the Legislative Council, the Appropriation Bill is deemed to have been passed by both the Houses in the form in which it was passed by the Assembly without any of the amendments recommended by the Legislative Council. The Governor's assent to the Bill is thereafter obtained and when that has been given, the amounts shown in the Act assented to by the Governor and the Schedule thereto become the sanctioned grants for expenditure under the various demands.

***Vote on account***

205. The State Legislative Assembly has power under Article 206 of the Constitution 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 203 of the Constitution for the voting of such grant and the passing of the law in accordance with the

provisions of Article 204 in relation to that expenditure. For example, the State Legislative Assembly is asked to vote 4 months' supply pending detailed consideration of the demands for grants for the year. This provision represents one-third of the estimated expenditure included in the Demands for Grants except in certain cases where the ratio cannot be applied rigidly as the payments are not spread evenly over the twelve months. Vote on Account is also taken when the Ministry is newly formed and an interim Budget is presented.

**CHAPTER X****SUBSEQUENT ACTION IN RESPECT OF THE BUDGET****COMMUNICATION AND DISTRIBUTION OF GRANTS*****Communication of Grants***

206. As soon as the Appropriation Act is enacted, the Finance Department will intimate the same to all the administrative departments of the Secretariat, heads of departments and other Controlling Officers indicating at the same time whether the demands have been voted in full or whether any amounts have been omitted or reduced by the Assembly, either through substantive or token cuts and the purpose or object underlying each such cut. The Administrative Departments, Heads of Departments and other Controlling Officers will be responsible for taking necessary action immediately for communication of budget allotment to the disbursing officers under their control. The Administrative Departments, Heads of Departments or the Controlling Officers as the case may be, shall be responsible to ensure that the expenditure, whether voted or charged, is kept strictly within the authorised grant or appropriation and where cuts have been made by the Assembly in the demands, to ensure that the purpose or object underlying the cuts is duly fulfilled. They should carefully remember that it is not permissible to increase or provide for expenditure on any item the provision for which has been specifically reduced or disapproved by the Assembly through a substantive or a token cut.

207. The administrative departments will also ensure that the new items of expenditure for which provision has

been included in the budget as passed by the Legislature are sanctioned by them as soon as possible. The orders will be issued with the concurrence of the Finance Department, except where that department may have delegated the necessary financial powers to the administrative departments. A copy of each such order should be sent to the Accountant General and the Finance Department.

208. The Finance Department will supply copies of the Budget Literature and the Appropriation Act to the Accountant General and while doing so will communicate to him cases in which, on a demand being presented to it, the Assembly has declined to provide funds for expenditure on a particular item.

**209. Deleted.**

***Distribution of grants by Controlling Officers***

210. The Heads of Departments and other Controlling Officers may distribute either the whole or a portion of the grants placed at their disposal among the disbursing officers who are subordinate to them in such manner as they may deem fit. In cases relating to the estimates which are consolidated by the Secretariat Departments, the necessary distribution of the grants amongst the various officers concerned will be made by those departments.

211. In distributing allotments, care must be taken to intimate the allotments with complete accounts classification of each sum allotted i.e., the major and minor heads, the primary units of appropriation, the secondary units and the details heads (wherever they exist).

212. The appropriation under 'Establishment charges' need not be distributed where the officers and establishment are borne on State-wide cadres and the provision for their pay exist under the same minor head. But where the cadres are not organised on a State-wise basis or provision exists under different heads, or where the posts are isolated ones or are sanctioned temporarily for particular work or scheme, the appropriations under these units have necessarily to be distributed among various officers.

213. No distribution should generally be made of the appropriations under those heads where expenditure is watched by the Controlling Officer against the total grant, but there is no bar to a Controlling Officer distributing the appropriations under such heads among the various disbursing officers if he considers it necessary to do so in the interest of exercising efficient control

214. In respect of such items of expenditure as annual contributions, grants to Universities, Special repairs, purchase of equipment which do not occur every month, the Controlling Officer has full discretion to decide whether he will distribute the grant or retain the full appropriation under his own control, requiring disbursing officers who wish to spend money against it to apply to him for special allotment as and when the need arises.

***Early action for communication of grants***

215. It is necessary that the communication of grants is effected with the least possible delay. Every effort should be



made to complete this work before the end of April. For this purpose the following procedure should be adopted-

(i) After the Budget Estimates are presented to the Legislature, the Finance Department, will arrange for supply of Budget publications to the Secretariat Departments, Heads of Departments and other Controlling Officers as early as possible.

(ii) Immediately after the receipt of these publications the Administrative Departments of the Secretariat, Heads of Departments and other Controlling Officers should prepare and keep ready a statement showing the distribution of grants amongst all disbursing officers under their control.

(iii) As soon as the Appropriation Act for the year is enacted due intimation will be given to them by the Finance Department. They should then issue orders distributing the grants shown in the Appropriation Act.

(iv) If only 'Vote on account' is taken, the grants mentioned in the Budget documents supplied to them will have to be modified as mentioned in the Appropriation (Vote on Account) Act before distributing them among the disbursing officers.

(v) When the full demands are voted and the Appropriation Act is enacted, intimation will again be given to them by the Finance Department. The grants mentioned in the Appropriation Act should then be distributed among the disbursing officers.

***Items provisionally approved by Finance Department***

216. Sometimes proposals for certain new Schemes or items of new expenditure are referred to the Finance Department, so late, in the year that it is not possible for that Department to examine them completely in detail. At the same time, such new schemes or items may be considered to be so urgent and essential, that the inclusion of necessary provision for the in the Budget cannot be postponed. In such cases, the Finance Department allows provision for them pending examination of all relevant details.

217. All such items must necessarily be examined thoroughly both in the Administrative Departments and in the Finance Department, before sanction is accorded to the expenditure. In fact such further examination should be stated and completed well in time after the presentation of the Budget so as to enable the Administrative Departments to issue necessary order as early as possible after the passing of the Budget.

***Distribution of Lump provisions***

218. It has already been stated in paragraph 111 of Chapter III that the working out of details for utilization of lump provisions should be started immediately after the amounts have been finally included in the budget. The administrative departments should settle the details of the lump provisions in consultation with the Finance Department and issue orders as early as possible. This procedure will however, not be necessary in respect of lump provisions when the expenditure is regulated by standing sanctions, instructions of rules.

***Timely intimation of termination of sanction***

219. In the case of Committed expenditure, *e.g.*, Pay and allowances of permanently sanctioned posts and recurring Contingencies, no fresh sanction is necessary and the sanction once given remains valid unless the funds necessary to make the sanction operative have been specifically refused either by the Legislature or by Government. It is, therefore, the duty of the Administrative Departments of the Secretariat to inform the disbursing officers concerned, through the Heads of Departments, as soon as possible after refusal of funds by the Legislature or as soon as a decision has been taken by Government as the case may be, of all cases in respect of which sanction to a particular expenditure has been terminated. In the case of the expenditure sanctioned for a specified term, the sanction becomes in-operative after the expiry of that term. The disbursing officers should, therefore move Government through proper channel in good time for extension of the term when it is considered necessary. The disbursing officers should be informed of all cases in respect of which the sanction is not to be renewed. It is necessary that all such orders should be communicated well in time, because in the absence of a definite order to the contrary they may continue to incur expenditure, in anticipation of sanction of the competent authority applied for, which will constitute a financial irregularity.

**CHAPTER XI****WATCHING THE PROGRESS OF REVENUE AND RECEIPTS  
- GOVERNMENT DUES TO BE ASSESSED AND REALISED  
REGULARLY AND PROMPTLY.**

220. Subject to any special arrangement that may be authorised by Government with respect to any class of receipts, it is the duty of the departmental Controlling Officers to see that all sums due to Government are regularly and promptly assessed, realised and duly credited into the Government account. The Controlling Officers should accordingly arrange to obtain from their subordinates monthly accounts and returns in suitable form claiming credit for sums paid into the treasury or otherwise accounted for and compare these with the statements of treasury credits furnished by the Accountant General to see that the amounts reported as collected have been duly credited to Government account. If wrong credits come to the notice of the Controlling Officers, they should at once inform the Accountant General with a view to correcting the accounts. If any credits claimed are not found in the accounts, enquiry should be made first of the responsible departmental Officer concerned. Where departmental registers are not maintained under the departmental rules, the heads of offices must make their own arrangements within the office to ensure the correct and complete report of receipts.

***General Instructions***

221. The following instructions should be borne in mind :-

(i) It is essential that the departmental Controlling Officers' account should not be compiled from returns prepared by the Treasury. But the treasury officers is in some cases required to verify returns for submission to departmental Controlling Officers.

(ii) The amounts collected should at once be deposited into the treasury and in order to minimise changes of discrepancies between the treasury figures and the departmental figures, the challans with which money is remitted to or deposited into the treasury should bear full and correct classification of account.

(iii) The Collections should on no account be utilised for meeting and expenditure, except where utilization of departmental receipts for departmental expenditure has been specifically permitted by Government.

(iv) Mistakes in classification should be reported by means of foot notes in the next return and action taken where necessary for correction of accounts in accordance with the prescribed procedure.

***Irrecoverable Dues***

222. No amount due to Government should be left outstanding without sufficient reason and without bringing the matter to the notice of the competent authority within a reasonable time. Where any dues appear to be irrecoverable, a full report must be submitted to the competent authority and orders sought. If it is found that any dues have become irrecoverable due to failure on the part of any Government servant to take timely action without sufficient reasons, the official at fault may, after following the prescribed procedure,

be called upon to make good the loss in such manner as the competent authority may deem fit.

***Submission of Progress reports to Finance Department***

223. The responsibility for keeping a proper watch on revenue receipts primarily rests with the Controlling Officers. The Accountant General also keeps a watch on the progress of receipts. The Accountant General furnishes to the Finance Department, a monthly statement of account of receipts and expenditure.

***Inter - Departmental Adjustments***

224. To ensure that all periodical adjustments between the various departments of the Government are properly and promptly made, the Accountant General maintains a record showing (1) all periodical adjustments that are usually required to be made (2) the monthly accounts in which the adjustments should be made, and (3) the actual date of adjustment and should take steps to ensure that as far as possible all adjustments are made before the close of the final accounts of the year.

***Recoveries from other Governments, Local Bodies, Outside Agencies, etc.,***

225. The Controlling Officers must see that claims in respect of dues from other Governments, local bodies, outside agencies, etc., are made and recoveries effected as early as possible.

**CHAPTER XII**  
**WATCHING OF ACTUALS AND CONTROL OVER**  
**EXPENDITURE**

***General responsibility of the Finance Department and the Accountant General.***

226. The Finance Department is responsible for watching the Government's balances and its Ways and Means operations, To enable that department to discharge this responsibility, the Accountant General is required to furnish to it the figures of receipts and outgoings of each month before the close of the following month. The Accountant General also reports to the Finance Department immediately of the appearance of any appreciable excess in the outlay under any Grant.

***Book adjustments and maintenance of liability register***

227. It is necessary that all book adjustments are properly and promptly carried out. In regard to the adjustments which are to be made periodically or annually, the Accountant General maintains a record showing (1) all such adjustments, (2) the month in the accounts of which they are to be made and (3) the actual dates of adjustments ; and see that all such adjustments are so made. He also makes other adjustments in respect of debits which are received by him supported by the acceptance on invoices or which he has already been asked by the departmental officers concerned to accept without any further reference to them. Other adjustments should, however, be carried out by him only on receipt of intimation of acceptance of debits by the controlling or disbursing officers concerned. He should send

timely intimation of the receipts of advices of such debits to the officers concerned. It must be clearly understood that it is not open to a controlling or a disbursing officer to incur expenditure or authorise payments in excess of the amounts provided in the Appropriation Acts. If inevitable payments for which no appropriation exists have to be made, Government in the administrative department concerned should be moved before hand to provide for funds for these, if necessary, by sanctioning an advance from the Contingency Fund. In cases where supplies, etc., are obtained through supplying departments or departments performing agency functions, the High Commission in England or Supply Missions in Foreign Countries, or directly indented from Manufacturers or Suppliers, the indenting authority must ensure, before placing an order that provision of funds has been or will be made in proper time. Once the orders have been placed, it will not be in order to decline to accept debits or to delay their acceptance on the ground that they would cause an excess over the sanctioned grants or appropriations. In such cases if the debits result in any excess expenditure under a grant, the excess will have to be regularised in due course by moving excess grants before the Legislature and the authority at fault will then have to explain why the expenditure could not be foreseen and appropriate steps taken for arrangement of providing funds in proper time.

228. A separate Liability Register in Form No. 14-B. M. should be maintained by the disbursing officers in order to keep proper watch over such liabilities and their timely discharge. Information in that statement should be furnished to the Controlling Officers every month. The Accountant



General will send intimation of adjustments as soon as they are made to the departmental officers concerned, instead of doing so after the closing of the 'month's account'. In the case of purchase of Stores, it should be arranged with the paying authorities in India and abroad that they send automatically in every case, an intimation to the indenting officer as soon as payment is made on his behalf, independently of any action with the Accounts Officer for adjustment of the transactions.

***Watching of Progress of Expenditure***

229. The authority administering a grant is responsible for watching the progress of expenditure under its control and for keeping it within the sanctioned grant or appropriation. In order that the control of departments over the expenditure may be effective and real and the controlling officers may be in a position from month to month to estimate the likelihood of savings and excesses over grants and appropriations, the procedure mentioned and the instructions contained in the preceding and the following paragraphs of this Chapter should be carefully observed by all departments, controlling and disbursing officers, except where some other procedure has been prescribed in consultation with the Finance Department. The heads of departments will be responsible for controlling expenditure from the grant or charged appropriations placed at their disposal from time to time and will exercise control through the controlling officers, if any, and the disbursing officers subordinate to them. While keeping himself posted with the progress of expenditure under different units of appropriation, a controlling officer should also keep a clear record of all commitments made and liabilities incurred, including those of the previous years.

Similar record should also be kept in respect of works taken up on behalf of the Central Government, other State Governments and local or other bodies, etc. He should keep himself informed of any special circumstances which are likely to affect the progress of expenditure during the remaining part of the year and should take action in proper time for obtaining additional funds where necessary.

***Re-examination of expenditure programme with reference to the sanctioned grants.***

230. As soon as the grants are communicated to the administrative departments, heads of departments and the disbursing officers, the first duty of these authorities is to compare carefully the amounts actually provided for expenditure in these grants with the amounts which had been proposed by them while submitting the departmental estimates. A note must be taken at one of all reductions made under various units of appropriation and ways and means devised, right at the beginning of the year, to ensure that the expenditure is restricted to the amounts actually provided. Reductions are mostly made to enforce economy in expenditure. It would be improper on the part of disbursing and controlling authorities to start incurring expenditure without first carefully re-examining the position with reference to the amounts actually provided.

***Responsibilities of controlling officers***

231. For every grant there is usually one controlling officer, but in respect of certain grants there are more than one. The duties and responsibilities of a controlling officer briefly are-

(i) to ensure that the grant placed at this disposal is expended only on the objects for which it has been provided keeping in view the rules of financial propriety mentioned below-

(a) The expenditure should not be *prima facie* more than what the occasion demands. Every Government servant should exercise the same vigilance and care in respect of expenditure from public moneys under his control as a person of ordinary precedence would exercise in respect of expenditure of his own money.

(b) Public money should not be utilised for the benefit of a particular person or section of the community unless-

(1) the amount of expenditure is insignificant.

(2) the claim of the amount can be enforced in a Court of Law.

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

(c) No authority should exercise its power of sanctioning expenditure to pass an order which will be directly or indirectly to its own advantage ;

(d) The amount of allowances such as travelling allowances granted to meet expenditure of a particular type, should be so regulated that the allowances are not on the whole a source of profit to the recipients ;

(e) No authority should sanction any expenditure which is likely to involve at a later date expenditure beyond its own powers of sanction.

(ii) to keep the expenditure within the sanctioned grant ;

(iii) To keep the expenditure under a particular unit of appropriation as far as possible within the sum allotted under that unit, and where this is not possible to meet the excess by effecting saving in the sums allotted to him under other units and sanctioning reappropriation which may be within his competence in accordance with the powers delegated to him ;

(iv) To move the competent authority, in proper time, to provide additional funds, either by reappropriation or through supplementary estimates, whenever an excess over the total grant placed at his disposal is expected by him as unavoidable or when he desires to incur some new expenditure ;

(v) To surrender appropriations or portions thereof which are not likely to be required during the year as soon as savings are foreseen ; and

(vi) To ensure the observance by himself and his subordinates of all financial rules and regulations.

***Responsibilities of Disbursing officers***

232. The responsibilities mentioned above of a Controlling Officer attach equally to a disbursing officer. In addition, a disbursing officer must that the conditions preliminary to the incurring of expenditure are satisfied, namely, that the sanction of the competent authority exists and funds to cover the expenditure fully have been placed at this disposal. The possibility of any excess expenditure over the amounts allotted must be foreseen by him and the

intimation of the likely excess, along with reason for this, should be sent to the controlling officer concerned in sufficient time to enable the latter to arrange additional funds if these are to be allotted at all.

233. Every controlling officer, in respect of the expenditure incurred by himself, is in the same position as a disbursing officer.

***Appropriation its meaning and operation***

234. An appropriation is intended to cover all charges including any outstanding liabilities of past years to be paid during the current year or to be adjusted in the accounts of that year. While proposing provision in the original departmental estimates or while applying for additional funds during the course of the year, the estimating officers should take into account all anticipated liabilities. An appropriation is operative until the close of the financial year when any unspent balance lapses and is thus not available for utilisation in the following year. Therefore, all transactions of the year should be entered in the accounts of that year as far as possible. If it is not possible for any expenditure to be booked in the accounts of the year to which it relate owing to the fact that the actual incidence thereof is under dispute, it ought to be charged to the accounts of the year in which the final decision is taken.

***General system for control of expenditure***

235. To facilitate control of expenditure, the Departmental accounts are maintained by controlling officers and the progressive actuals month by month are verified with those entered in the books of the Accountant General except

in the case of certain departments wherein special procedure has been prescribed.

***Maintenance of Register of allotment and expenditure by Disbursing Officers:***

236. The ultimate responsibility for keeping the expenditure within the grant lies with the departmental controlling officers and not with the Accountant General. This responsibility cannot be effectively discharged unless the officers keep themselves in possession of the up-to-date information regarding the progress of expenditure incurred by the disbursing officers under their control. For this purpose the Chief Controlling Officers should require the disbursing officers to report every month the figures of actual expenditure during the previous month and the liabilities incurred but not yet paid. Each disbursing officer should, therefore, maintain a register of expenditure under each detailed head of account with which he is concerned in Form No. 15A B.M. The allotments communicated by the controlling officer at the beginning of the year should be noted in the register in RED INK under each detailed head in the space provided for the purpose. Should the allotment against any unit be increased or reduced by the controlling officer subsequently, the amount of the allotment will be corrected in the register by PLUS or MINUS entry in RED INK. Should a disbursing officer receive information from his controlling officer that any particular items have been misclassified, he will correct the accounts and the available balances of the allotments by means of PLUS or MINUS entries in RED INK. In the register will also be entered the details of each bill

cash at the treasury under the appropriate primary or secondary (if any) units together with the number and date of each Voucher on which money has been drawn. At the end of each month, the expenditure against each primary or secondary unit will be totalled. The total expenditure will at the same time, be deducted from the allotment shown at the top of each column of the register and the balance brought forward to the account of the next month.

***Presentation of Bills to the Treasury***

237. Whenever a disbursing officer presents a bill to the treasury, he should enter in the bill the complete account classification of the proposed expenditure, from the Major Head down to the detailed Head of Account, and also indicate whether the expenditure is 'Charged' and whether it is under Plan or Non-Plan. When a single bill includes charges falling under two or more detailed heads, the expenditure must be distributed by him accurately over the respective heads.

***Grants-in-aid and contributions***

238. Unless in any case the Government direct otherwise, all bills for grants-in-aid and contributions are prepared and submitted for by the grantees and presented to the countersigning authority for signature. After the bills are countersigned by the competent authority they are presented to the Treasury Officer for payment. The Treasury Officer shall refuse payment of all bills which do not bear the counter-signature of the sanctioning authority or such other Government Officer as may be nominated by Government in this behalf provided that when the sanction of Government is communicated in the form of an express order to the

Accountant General to make the payment the Accountant General may authorise the payment of the bill without insisting on the counter signature. This procedure will not, however, apply to cases in which the grants are paid by cheque or by transfer to the account of the grantee or in cash through a responsible Government Officer after the amount of the grant has been drawn on a bill by the officer himself.

***Submission of monthly statement of expenditure by disbursing officers to controlling officers.***

239. After the close of each month, each disbursing officer should, after such reconciliation with the treasury figures as may be prescribed by the Chief Controlling Officer in consultation with Treasury Officer, forward to the Controlling Officer immediately superior to him statements of expenditure and liabilities in respect of the previous month in Forms B.M. No. 15A and 15B. In the statements the numbers and dates of treasury vouchers against those entries should be mentioned. This is because without voucher numbers and dates it will be difficult to locate discrepancies, if any, noticed at the time of reconciliation between the departmental and Accountant General's figures.

240. These statements should be dispatched by the disbursing officers by about the 10th of the month following that to which the accounts relate.

***Receipt and check of the monthly statements by the subordinate or Chief Controlling Officers.***

241. In order to watch the receipt of the monthly statements referred to above, the controlling officer shall maintain a broad sheet in Form B. M. No. 16, in which a



serial number will be allocated to each individual disbursing officer. This broad sheet shall be kept up-to-date and reminders issued promptly if statements are not received in time.

242. On receipt of the monthly statements of expenditure and liabilities from the disbursing officers, the controlling officer should carefully examine each statement and if he finds any defects he should take immediate steps to have them rectified.

***Maintenance of Registers of expenditure and liabilities by the Subordinate Controlling officers.***

243. The subordinate controlling officer should maintain register of expenditure and liabilities in Forms B.M. No. 17A and 17B. The registers will contain the same detailed columns as the registers in Forms B.M. No. 15A and 15B and will be compiled in similar manner, except that these will contain only the totals, as reported by the disbursing officers under his control of expenditure and liabilities under each primary unit or secondary unit. In these registers a separate page will be allotted for each disbursing officer.

***Maintenance of registers of expenditure and liabilities by the Chief Controlling Officer.***

244. The Chief Controlling Officer, shall also maintain register of expenditure and liabilities in Form B.M. No. 18 in which he will consolidate the statements of monthly expenditure and liabilities received from subordinate controlling officers (wherever there are such officers) and disbursing officers directly under his control along with his own monthly expenditure and liabilities. This register will be

filled in when all disbursing officers' returns for a particular month have been received and found to be in order. The Chief Controlling Officer will also incorporate the totals of adjustments under the various detailed heads which will be communicated to him by the Accountant General on account of transfer entries and inter-Governmental adjustments. The Chief Controlling Officer will enter the adjustment in his accounts, if it pertains to him and appropriation for which is retained by him. If any adjustment communicated by the Accountant General affects the appropriation at the disposal of a disbursing officer, the fact should be communicated immediately by the Chief Controlling Officer, to the disbursing officer concerned for entering in his accounts. Care should be taken to avoid double entries in respect of adjustments.

***Watch over important, but occasional items of expenditure***

245. The Chief Controlling Officer shall keep a separate and careful watch on important but occasional items of expenditure (e.g. purchase of uniforms and arms and ammunition for police, equipment and medicines for hospitals and dispensaries, etc.). He will decide for himself what suitable method he should adopt to watch such expenditure and keep control over it. In some cases he may prefer to keep the entire grant under his hands and direct the disbursing officers to apply for allotment when they wish for allotments and ask the disbursing officers to report the expenditure every month. Whatever method he adopts, it is essential that he should keep himself fully informed not only of the expenditure already incurred but also of the liabilities incurred which have to be met out of the sanctioned grant.

***Watch on the progress of expenditure***

246. If the Chief Controlling Officer, finds at any stage that the expenditure is progressing too rapidly, he should promptly take such steps as he may consider necessary to restrict further expenditure so that the sanctioned grant is not exceeded.

***Review of the monthly progress of expenditure***

247. The monthly statement of expenditure received from the Accountant General will be examined by the Chief Controlling Officer who will take action to effect a reconciliation between departmental figures and Accountant General's Office figures of expenditure.

***Reconciliation of the Departmental figures of expenditure with those in the books of the Accountant General.***

248. The consolidated accounts of the Chief Controlling Officer, have to be reconciled with those recorded in the Accountant General's Books. The reconciliation has two objects., viz., (i) to ensure that the departmental accounts are accurate to ensure efficient financial control, and (ii) to ensure the accuracy of the accounts maintained by the Accountant General from which the final published accounts are compiled.

***Reconciliation of figures by the personal contact***

249. It is very necessary that the reconciliation of the departmental figures of expenditure with those booked in the office of the Accountant General is carried out as early as possible. The Chief Controlling Officers at the State Head

Quarters should depute to the Accountant General's Office for a day or more in a month, as may be necessary, one or more clerks or assistants, as the need may be, for the purpose of reconciliation. The staff so deputed should carry a letter of authority signed by the Chief Controlling Officer himself or some responsible officer on his behalf. They should take with them requisite records, registers and statements and with the help of the Accountant General's staff, compare the departmental figures with those recorded in the Accountant General's books. A statement of discrepancies, if any, will then be prepared in duplicate in two columns, one showing the mistakes, misclassifications and omissions on the part of the departmental officers and the other those on the part of the Accounts Office. The original statement will be kept in the Accounts Office and the duplicate copy will be taken by the departmental staff. The discrepancies mentioned in the statement should then be settled by correspondence and by the time the staff goes to the Accountant General's office again, they should ordinarily have been reconciled. When the discrepancies are finally settled, the Chief Controlling Officer will correct his statements and registers and also direct the disbursing officers concerned to make such corrections as are necessary in their accounts and registers.

***Reconciliation of figures by correspondence***

250. If the Chief Controlling Officer's Office is away from the State Head Quarters, he should send to the Accountant General each month a statement showing the departmental totals of expenditure under each primary unit and secondary unit (if any), that is, a copy of the entries in register in Form B.M.No. 19. This statement should reach the Accountant

General by the 20th of the month following that to which the accounts relate. The Accountant General will check the figures in the statement with those booked in his office which will be based on the vouchers received direct from the treasuries and the accounts received from the Accounts Officers of other States or the Accountant General, Central Revenues. The variations, if any, noticed by the Accountant General will be communicated to the Chief Controlling Officer along with the numbers and dates of relative vouchers. The Chief Controlling Officer will pass them on to the disbursing officers concerned with the necessary orders for corrections in their registers. The Chief Controlling Officer will also intimate the Accountant General as early as possible and in any case within a fortnight of the receipt of the statement of discrepancies, that the corrections and adjustments have been made.

***Reconciliation work should not be delayed***

251. The work of reconciliation should be done regularly by the prescribed dates. There should be no attempt on the part of officers to postpone the reconciliation work to the end of the financial year. As misclassifications in accounts cannot be rectified after the accounts are closed, the reconciliation work should be finished before the accounts of the year are finally closed.

***Special procedure for certain departments***

252. The general procedure prescribed in the foregoing paragraphs does not apply to the Forests, Public Works, Irrigation and Electricity Departments, except when the charges are met by drawing bills on treasuries as in the case

of Pay and Allowances of the Staff borne on the regular establishment not charged directly to works and office contingencies. The reconciliation in respect of such expenditure incurred by the Officers of these departments should be effected in the manner prescribed for other departments.

***Watching of actuals in the Public Works Departments***

253. In regard to the charges which the Public Works Department officers meet by drawing cheques on the treasuries, it will be convenient to adopt the procedure indicate below ;

(i) The progress of expenditure on works and on other items for which there are specific appropriations, should be watched individually, month by month through the register of works, contingent registers and other relevant accounts,

(ii) In respect of work or items, lumpsum appropriations for which are placed at the disposal of the officer he will watch the progress of expenditure against appropriations by the maintenance of a record (a) of the expenditure in the form of progressive abstract, showing, month by month, the up-to-date expenditure of the year and (b) of the grants in the form of a register, showing the appropriations and reappropriations ordered from time to time. In this review of expenditure, undischarged liabilities play an important part and their effect on individual and lumpsum appropriation should, therefore, be watched.

254. Liabilities may be divided into five classes (i) those outstanding in the suspense accounts relating to contractors and labourers, in the accounts of works, (ii) those outstanding

in any of the regular suspense account of the Division, (iii) outstanding debts adjustable by book transfer, (iv) matured claims of contractors, suppliers, etc., awaiting settlement and (v) all un-matured claims recurring and non-recurring, likely to fall due for settlement before the close of the year. Liabilities of Class (ii) may affect not only the grants for the major head 'Suspense' of the major head under which the suspense account concerned is classed, but also the grants for works and services falling under the same and other major heads.

255. Anticipated credits, if any, which will ultimately be taken in reduction of the expenditure chargeable against any individual or lump sum appropriations should also be taken into account.

256. This review is of special importance in the last three or four months of the financial year.

257. If desired, this review may also be conducted collectively in respect of each primary or secondary unit of appropriation, a suitable register of appropriations being maintained for the purpose. Such review is of special help in formulating proposals for reappropriations.

**CHAPTER – XIII****SAVINGS IN GRANTS, SUPPLEMENTARY AND EXCESS GRANTS**

258. The sums voted by the Legislative Assembly and the sums charged on the Consolidated Fund of the State are specified in the Schedule to the Appropriation Act which authorises the appropriation of these sums for their services and purposes expressed in that Schedule in relation to the financial year concerned. Only the total sum for each grant or Appropriation is specified in the Schedule to the Appropriation Act and this total is worked out on the basis of detailed estimates of Gross Expenditure and the 'Schedule of Demands for Grants' as finally passed by the Legislature.

259. Emphasis has been laid in the earlier Chapters that the detailed estimates should be framed as accurately as possible. Unavoidable and unforeseen circumstances may, however, sometimes arise in the course of the year which make it necessary to incur expenditure under one or other of the minor or sub-heads and units of appropriation in excess of the amounts originally estimated. It may also be that the expenditure under certain heads may not have to be incurred to the extent originally estimated, or a new service, scheme or item for which provision has been included in the budget may be started late or may not be taken up at all for administrative reasons resulting in savings. Subject to certain restrictions and limitations mentioned hereafter, the savings available under certain heads can be utilized to meet the additional requirements of funds under other heads within the same Grant or Appropriation concerned. The savings not required for such reappropriation are to be reported to the Finance Department for resumption. An appropriation is operative only until the close of the financial year and therefore, all reappropriations and resumptions of savings must be



completed before the close of the year. The rules relating to these are contained in this Chapter.

260. Circumstances may sometimes arise on account of which the amount authorized for expenditure in a year may be found to be insufficient for the purposes of that year or need may arise during the year for supplementary or additional expenditure upon some new service, scheme or item not contemplated in the original budget. In that case a supplementary estimate has to be presented to the Legislature under Article 205(1) (a) of the Constitution. The rules and instructions relating to Supplementary Estimates are contained in this Chapter.

261. Sometimes a need may arise for incurring unforeseen expenditure of an urgent nature upon some new service, scheme or item not contemplated in the Budget before it can be approved by the Legislature. In such a case, an advance may be sanctioned from the Contingency Fund, established under the Karnataka Contingency Fund Act and the rules framed there under (Appendix III).

262. If after the close of the year it is revealed, through the Appropriation Accounts, that expenditure was incurred under any Grant or Charged Appropriation in excess of the total final appropriation for that year, the excess expenditure should be regulated, on the basis of the recommendations of the Committee on Public Accounts, by presenting to the Legislative Assembly Estimates of Excess expenditure as required under Article 205(1)(b) of the Constitution. Incurring of unauthorized excess expenditure is most objectionable and must be avoided. The rules relating to presentation of demands for excess grants to the Legislature are contained in this Chapter.

***Savings in Appropriations***

263. The progress of expenditure month by month and a careful assessment of the commitments and liabilities for the remaining part of the year, may indicate savings in the appropriations shown against several minor or sub-heads and Units of Appropriation in the Detailed Budget Estimates. The savings may be due to various reasons.

264. All savings anticipated by the Controlling Officers should be reported by them with full details and reasons to the Finance Department immediately they are foreseen, unless these are required to meet the anticipated additional requirements of funds under some other heads within the total allotment under the same grant or Appropriation placed under their control. No amounts out of the savings should be held in reserve for meeting additional expenditure not definitely foreseen or not already approved by the competent authority. The savings surrendered by the Controlling Officers may be reallocated by the Finance Department, if necessary, when dealing with applications for reappropriations or supplementary grants or appropriations under the same Grant or Appropriation.

265. It must be carefully noted that no amount out of the savings reported to the Finance Department shall subsequently be utilized by the Controlling Officer without the previous approval of the department. Officers making belated surrenders, when savings could, reasonably have been foreseen and surrendered earlier, will be held responsible for the resultant financial irregularity, if the Finance Department is not able to accept such surrenders.

266. If the appropriation under a unit is reduced either due to surrender of savings or by reappropriation of funds made from it to some other unit, it is the duty and responsibility of

the Controlling Officer to see that the expenditure debitable to that unit is kept within the reduced appropriation.

267. Savings should be surrendered to the Finance Department in multiples of Rs. 1,000. Lesser amounts need not be surrendered.

268. A copy of each order surrendering savings will be furnished by the Finance Department to the Accountant General and the Administrative Department and the Controlling Officer.

### ***Reappropriation***

269. Every Controlling Officer is expected to see not only that the total expenditure is kept within the total Grant or Appropriation placed at his disposal but also that the expenditure under each unit of appropriation is kept within the amount originally provided under that unit. It may not always be possible to conform exactly to the amounts allotted under each unit. Under some units there may be savings while under others there may be excesses. It is possible to meet the latter by utilizing the former. Such transfer of funds from one unit to another is known as re appropriation.

270. The unit of appropriation shall normally be the detailed head. Where however, budget provision is shown under sub-head without further details the sub-head shall be the unit of appropriation.

### ***Redistributions which are not reappropriations***

271. Transfer of funds as between different detailed account heads within a sub-head which have not been declared as specific appropriations will be deemed as redistributions and not as reappropriations. Such re-distributions may be sanctioned by heads of departments provided that the

additional expenditure necessitating the redistribution has been sanctioned by the competent authority.

272. Reappropriation is permissible only when it is known or anticipated that the appropriation for the unit from which funds are diverted will not be utilized in full or that savings can definitely be effected in it. It is both objectionable and irregular to sanction a reappropriation from a unit under which no savings are anticipated at the time of sanction in the expectation of restoring the original allotment under that unit later in the year by transferring to it savings that may then become available under other units.

***Reappropriations where not permissible***

273. Reappropriations are not permissible-

- (i) from one Grant/Appropriation to another;
- (ii) from the Charged to the Voted Section or vice versa;
- (iii) to increase or provide for the expenditure on an item for provision for which was specifically reduced or disapproved by the Assembly either through a substantive or a token cut;
- (iv) to provide for new expenditure, whether voted or charged until such expenditure has been authorized by the Legislature; and
- (v) after the close of the financial year.

***Recoveries not to be taken into account***

274. As the Demands for Grants, whether original or supplementary, placed before the Legislature are for Gross expenditure the recoveries treated as reduction of expenditure

should be ignored for the purposes of sanctioning reappropriation of funds or obtaining supplementary grants.

***Authorities competent to sanction Reappropriation***

275. Powers to sanction reappropriation are regulated by the rules made by the Governor under Article 283(2) of the Constitution. Accordingly the following rules have been framed.

***Regulation of Reappropriation rules***

276. After the Legislature has passed the Appropriation Bill :

(i) The Finance Department shall have the power to sanction any reappropriation within a grant from one major, minor or subordinate head to another ;

(ii) The Administrative Departments shall have the power to sanction any reappropriation not exceeding Rs. 5.00 lakhs each case from one unit of appropriation to another within the same major head under a grant.

(iii) The Heads of Departments shall have power to sanction reappropriation not exceeding Rs. 1.00 lakh in each case within a grant, between two units of appropriation under the same Minor Head.

277. The powers of reappropriation delegated to administrative Departments, the Heads of Departments and the Controlling Officers are subject to the general restrictions mentioned in Paragraphs 272 and to the further limitations that-

(i) Except with the previous concurrence of the Finance Department

(a) No reappropriation shall be made which involves the undertaking of a recurring liability, that is a liability which extends beyond the financial year in question (but this will not apply when the undertaking of the liability has already been sanctioned with the concurrence of the Finance Department and the reappropriation is to be made merely to give effect to that sanction );

(b) No part of a provision for a new service, scheme or item of expenditure, which is not required for the purpose for which it was included in the budget, will be utilized for any other purpose;

(c) No reappropriation shall be made from lump sum provisions made for specific purposes (such as revision of Pay Scales, Rates of Dearness Allowances, Construction of New Buildings, etc.,) for meeting expenditure on other items;

(d) No reappropriation shall be made to meet an item of expenditure which has not been sanctioned by the competent authority;

(e) No reappropriation shall be made from the savings on salaries and establishments for meeting any other class or expenditure;

(f) No reappropriation shall be made from savings under Non-recurring items for providing additional funds for recurring items;

(g) No reappropriation shall be made from the grants or appropriations controlled by one Department or Head of Department to those of another Department or Head of Department.

(ii) Except with the previous concurrence of the Planning Department no reappropriation shall be made which has the

effect of increasing the plan ceilings fixed by that department for a particular financial year.

***Instructions for preparing applications for reappropriations***

278. All proposal for reappropriations relating to civil as well as Public Works Departments requiring the sanction of the Finance Department should be submitted in the prescribed form viz., Form No. B. M. 20 and should specify the major, minor, sub-heads and the units of appropriation the provisions under which have been or likely to be exceeded and the heads under which savings are anticipated. The reasons for the original appropriation proving insufficient, as also the reasons for the anticipated savings which it is proposed to utilize, should invariably be explained fully and clearly in each application item by item.

Note.- Concurrence in files for sanctions to schemes/expenditure should not be taken as concurrence of Finance Department to the reappropriation statement itself.

279. The Administrative Departments and the Heads of Departments sanctioning reappropriations under the powers delegated to them should use the same forms generally. However, in respect of small amounts simple order mentioning the heads of account and the amount reappropriated will submitted in quadruplicate to the Administrative

***Procedure for submitting applications***

280. All applications for reappropriation should be submitted in quadruplicate to the Administrative Department of the Secretariat which controls the grant or the appropriation concerned. If the administrative department concerned has not the power to sanction the reappropriation,

it shall refer the proposal to the Finance Department with its recommendations. As far as possible, all such applications requiring action in the Finance Department should reach that Department by 20<sup>th</sup> March.

*Communication of sanctions to Audit and the Finance Department.*

281. Copies of all orders Sanctioning reappropriations issued by the Administrative Departments, the Heads of Departments or other competent authorities should be supplied to the Finance Department and the accountant

***Supplementary Grants or appropriations***

282. A supplementary grant or appropriation is an addition to the total authorized grant or appropriation for a financial year and has to be obtained in the manner prescribed in Article 205(1) (a) of the constitution, passing through the same stages of legislative procedure as the original grant or appropriation.

283. Supplementary Grants or appropriations are required in the following cases;

(i) When the amount included in a grant or appropriation authorised by the Appropriation Act is found to be insufficient for the year ; or

(ii) When need has arisen for incurring expenditure, whether voted or charged, upon some new service, scheme or item not contemplated in the Budget Estimates of the year as sanctioned by the Legislature, even though it can be met wholly or in part by reappropriation within the amount authorized under the Grant of the Appropriation; or

(iii) When it is desired to obtain the prior approval of the Legislature to a scheme involving large financial



commitments, even though little or no expenditure on that account is anticipated in the current year.

In cases falling under Clause (ii) a token sum of Rs. 1,000 only may be included in the Supplementary Statement of expenditure, if the expenditure can be met by reappropriation within the amount authorized under the Grant or Appropriation, otherwise the amount actually required should be included. In cases falling under Clause (iii) only a token sum of Rs. 1,000 should be included.

Note.- The Chief Justice of the High Court of Karnataka, is however, empowered to reappropriate funds from one unit of appropriation to the other at a time within the major head of his Department upto a limit of Rs. 5 lakhs subject to other restrictions laid down in K.F.C.

284. If a Supplementary estimate is for increased provision in respect of a sanctioned object, the authority concerned should show

(i) that the need for the increased provision could not be foreseen at the time when the original departmental estimates were framed, and

(ii) that if no increased provision is sanctioned serious inconvenience or serious loss or damage would be caused to the Public Service or injustice would be caused to some person or persons not at fault.

285. A Supplementary Estimate for increased provision will not be presented unless condition (ii) is fulfilled. Failure to fulfill condition (i) [whether condition, (iii) is fulfilled or not] is a financial irregularity.

286. If a supplementary estimate is required for some new expenditure not contemplated in the budget, the authority concerned must show either

(i) that the expenditure has been newly imposed by statute or by an order of a court of law or other competent authority, or

(ii) that urgent necessity has arisen for the proposed expenditure the postponement of which would (a) involve extra expenditure ultimately, or (b) be administratively impossible or would be against an accepted policy.

287. The acceptance of the Supplementary Estimate by the Finance Department in respect of Paragraph 286 (ii) will depend upon the urgency of the proposed expenditure while in respect of Paragraph 286(i) it will necessarily agree.

288. The principles enunciated a Paragraph 206 apply also to an application for a Supplementary Estimate in respect of any demand to which the Assembly has reduced either by a reduction of the whole grant or by the omission or reduction or any or the items or expenditure of which the grant is composed.

289. The primary responsibility in regard to proposals for Supplementary Grant or Appropriations vests on the Controlling Officers who should explain clearly in each case not only why a Supplementary Grant or Appropriation is required but also why the need could no be foreseen at the time when the original budget estimates were framed. and also why it is not administratively possible to postpone it. Great care should, therefore, by taken in submitting such proposals. It must be carefully understood that if after the close of the financial year it is revealed that any Supplementary Grants or Appropriations obtained were unnecessary or excessive, the officers at fault, will be held responsible for the financial irregularity to which the Accountant General is bound to draw attention in the Audit Report which will come up before the Legislature and the Committee on Public Accounts in due course.

290. Proposals for Supplementary Grants or Appropriations should be submitted by the various Controlling Authorities to Government in the administrative departments concerned, and not to the Finance Department direct, as soon as their necessity has been clearly established. The Administrative Departments should examine the proposals very carefully and recommend to the Finance Department, only such of them as are considered to be fully justified. The savings available, if any, within the Grant or the Appropriation concerned should be duly taken into account and supplementary grant or appropriation should be asked only for such amount as cannot be met by reappropriation. If there are no savings or those available are not sufficient to meet the entire additional demand, the Finance Department will take steps to present Supplementary Estimates to the Legislature for the amounts needed. Similarly, any savings under any Grant or Appropriation reported to the Finance Department for resumption should be utilized by that Department in reducing the Supplementary Estimate under that Grant or Appropriation and only token or partly substantive provision should be made where the estimated expenditure on any new item or scheme can be met either wholly or partly by reappropriation of savings.

291. All proposals relating to Supplementary Estimates submitted by the Administrative Departments to the Finance Department should be accompanied by self contained memoranda and indicate clearly the major and minor or sub-heads etc., of account under which additional grants and appropriations are required. If any proposal involves incurring of additional expenditure in future years also, that should also be clearly mentioned. All applications for Supplementary Grants and Appropriations must be submitted to the Finance Department by the prescribed date after which that

department may not be in a position to entertain any application.

292. On the passing of the Appropriation Act, pertaining to the Supplementary Statement of expenditure, the Finance Department will communicate to the Administrative Departments and the Heads of Departments and other Controlling Officers concerned and also to the Accountant General the amounts included in the Act, under several Grants or Appropriations. The Administrative Departments and Heads of Departments should take immediate steps to distribute the grants and appropriations among their subordinate officers concerned and also to issue, where necessary, specific orders sanctioning the incurring of the expenditure not exceeding those limits. The administrative departments should also issue orders for sanctioning any scheme or item constituting new expenditure for which provision has been made through the Supplementary Estimates. Copies of all such orders should be furnished to the Accountant General with the concurrence of the Finance Department (except where the administrative departments are competent to issue such sanctions presuming concurrence of Finance Department under delegated powers). The administrative departments should also take steps to have the necessary reappropriations sanctioned as early as possible in those cases in which the additional expenditure was proposed to be met wholly or in part from savings.

***Excess Grants and Appropriations***

293. Under Clauses 1 (b) and 2 of Article 205 of the Constitution, 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 amount has to be presented to the Legislature and is to be dealt with in the same way as if it were a demand for grant.

294. A demand for an excess grant differs from a demand for a Supplementary Grant in that, while the latter is essentially a demand for a grant the need for which is foreseen during the currency of a year and is presented in the year to which it relates, a demand for an excess grant is presented to regularize expenditure incurred in excess of the grant made for a financial year which is already over. A demand for an excess grant can be laid before the Legislative Assembly only after all the expenditure of the year has been audited and the Appropriation Accounts of the year have been compiled by the officers of the Comptroller and Auditor General of India and considered by the Committee on Public Accounts. The work of compilation of the Appropriation Accounts by the Accountant General and their consideration by the committee on Public Accounts however, take some time. In practice, therefore, it is not, possible to present a demand for an excess grant until about two years after the expiry of the financial year to which it relates and until the recommendations of the Committee on Public Accounts are received.

295. The same principles and procedure apply to an excess in the total appropriation for charged expenditure, the only difference being that the excess in respect of charged expenditure does not require the Vote of the Assembly.

**CHAPTER XIV****APPROPRIATION ACCOUNTS, FINANCE ACCOUNTS AND  
AUDIT REPORTS*****Appropriation Accounts***

296. The Appropriation Accounts are compiled by the Comptroller and Auditor General of India for each year in accordance with the provisions of the Comptroller and Auditor General (Duties, Powers and Conditions of Service) Act, 1971 read with Article 149 of the Constitution of India. The object is to present the Audited Accounts of the expenditure of the year whether voted or charged, in the form of a separate Appropriation Accounts for each grant/charged Appropriation with any important observations which it is considered necessary to make as a result of audit investigation

***Audit Report***

297. The Audit Report is prepared by the Comptroller and Auditor General of India for submission to the Legislature in accordance with Article 151 of the Constitution of India. These reports include the comments deemed to be to make upon the financial control over expenditure, losses, financial irregularities, etc., results of audit of revenue receipts and the results of audit of trading, manufacturing and profit and loss accounts and balance sheets kept in respect of Government Commercial or quasi-commercial concerns and on the examination of accounts of stores and stocks. A separate Audit Report is compiled by the Comptroller and Auditor General of India on the results of working of Public Undertakings like the State Electricity Board, State Road Transport Corporation, State Government Companies, etc. The reports also include cases which had come to the notice of Audit in earlier years but could not be dealt with in previous audit Reports.

**Finance Accounts**

298. Besides the Appropriation Accounts, the Comptroller and Auditor General also compiles the Finance Accounts of the State Government in respect of each financial year. This compilation presents the accounts of the receipts and outgoings of the Government for the year, together with a report on the financial results disclosed by the revenue and capital accounts, the accounts of the public debt and the liabilities and assets of the Government as worked out from the balances recorded in its books and other information.

***Preliminary action in the Finance Department on receipts of Appropriation and Finance Accounts and Audit Reports thereon.***

299. On receipt of the authenticated copies of the Appropriation Accounts, Finance Accounts and the Audit Reports thereon in terms of the provisions of Article 151(2) of the Constitution, from the Comptroller and Auditor General of India, the Finance Department will obtain the orders of the Governor for laying the copies before the Legislature and then move the Legislature Department to make arrangements for laying these documents before both the Houses of the Legislature by including this item in the agenda of business of the Houses.

***Reference to the Committee on Public Accounts and the Committee on Public Undertakings.***

300. After the Appropriation Accounts, Finance Accounts and the Audit Reports are laid on the table of the Houses of the Legislature, they shall be referred to the Committees on Public Accounts and on Public Undertakings for examination and report. While the Appropriation Accounts, the Finance Accounts and the Audit Report (Civil) are referred to the Committee on public Accounts, the Audit Report (Commercial)

would be taken up for examination by the committee on Public Undertakings.

***Procedure for settlement of Audit objections***

301, In the course of audit, the Accountant General raises certain observations or asks for clarifications in respect of expenditure incurred and revenue realized by the various officers of Government. These observations and irregularities are as a result of audit in Central office or during local audit or inspection of the accounts in the departmental offices. These observations and other points requiring settlement have to be cleared at the earliest opportunity. Some of the observations or points mentioned in the observation memoranda/audit enquiries/inspection reports are likely to lead to audit paragraphs in the Comptroller and Auditor General's Reports to be placed before the Legislature. The expeditious settlement of these observations is, therefore, most important. Special Reports sent in respect of irregularities such as excess or short collections, misappropriations of revenue collected, etc., and also results of audit of sanctions, rules etc. made by Government require immediate attention. Government have issued instructions from time to time regarding these matters. In spite of these repeated instructions, the irregularities continue to be on the increase and the Karnataka Public Accounts Committee have taken serious note of these irregularities. In order to enable the Departmental Officers, Chief Controlling Officers and Secretariat Departments to deal with these matters expeditiously the instructions issued from time to time are brought out in one place in a Handbook.

***Speedy Settlement of Audit observations***

302. The result of audit are reported to departmental officers so that appropriate action is taken to rectify the defects and omissions where possible and to prevent their



recurrence. Delay in the disposal of audit observations tends to defeat the very purpose of audit. Besides, it may involve avoidable loss on account of fraud, defalcation and other serious irregularities, which may remain undetected for want of prompt attention. Moreover, with the lapse of time it may become more difficult to settle the audit observations due to difficulty in locating the relevant records, or death, retirement or dismissal of concerned officer and officials. In the case of taxes, delay may result in the time limit being over, rendering corrections or reopening of assessments or appeals impossible. In some cases immediate amendments to Legislation to prevent leakage or loopholes may become necessary.

***Responsibility of Officers***

303. The responsibility for replying to audit observations and the settlement of other issues raised in audit devolves primarily upon Disbursing Officers, Head of Offices, Controlling Authorities and Secretariat Officers according to the nature and responsibility involved.

***Time limit for disposal of Audit observations***

304. Audit observations/notes received from the Accountant General's Office should normally be replied to within a fortnight from the date of their receipt by the Officer except where consultations with other Officers is required to be made or orders of Superior Officer is required to be made or orders of Superior Officers are required to be obtained for rectifying the defects and omissions. But in no case should the time exceed three months.

***Register of Audit Observations***

305. Heads of Offices should maintain a register of audit observations in the form given in Form No. B.M. 21 to watch the prompt disposal of Audit Observations.

306. The following instructions should be followed by the Departmental officers in the maintenance of this Register.

(i) As soon as an audit observation (Memorandum or letter) is received from the Accountant General it should be entered in the Register.

(ii) All the Audit Observations received in a calendar year should be serially numbered. Each audit observation should be given a serial number. If there are two or more items in a single memo or letter received from the Accountant General, separate serial numbers should be given for each of them;

(iii) An item should be treated as closed only after an intimation of acceptance of the reply is received from the Accountant General. If, however, a reply is not received during the half-year and the item is shown as outstanding in the next half yearly list of outstanding objections received from the Accountant General, the item may be treated as closed;

(iv) Items which are cleared should be rounded off in red ink, under the attestation of the Head of the Office.

(v) There should be only one Register for the whole office and one of the clerks should be made responsible for the maintenance of Register.

*Review of Audit Observation Register*

307. The Register should be closed monthly. It should be reviewed by the Head of Office monthly and by the Head Clerk or such other intermediary Supervising Officer, if there is one, every fortnight.

308. The review of the Register by the Head of the Office or any other Officer entrusted with this work should be critical and detailed and special attention should be given to the clearance of old observations still pending.

*Liaison with Audit Office*

309. The Officer entrusted with the work of clearance of audit observations should keep a close contact with the office of the Accountant General, and discuss with the concerned officers if there are any special difficulties.

*Special Instructions for disposal of Audit observations*

310. In spite of the instructions issued by Government from time to time, the number of audit observations pending and the amount held under objection are on the increase. This is pointed out by Audit in almost every Report. The Public Accounts Committee are distressed about the large number of audit observations pending for pretty long periods. Special instructions have been issued for clearing this back log. It is necessary in the interest of sound financial administration that audit observations should be disposed of within the stipulated time limit. They should not be allowed to accumulate. Instructions issued in this respect in O.M. No. FD 59 BUD 66, dated 5<sup>th</sup> August 1966 should be strictly followed.

*Responsibility of the Secretaries to Government and Heads of Departments.*

311. The Accountant General forwards to the Heads of Departments and Secretaries to Government in the administrative departments held yearly statements of audit observations outstanding for more than six months. These statements will be forwarded in June and December every year. The Statement sent in June/December will detail the items of objections relating to the period ending with the last preceding September/March which are outstanding at the close of the accounts of March/September.

*Action by Heads of Departments*

312. Immediately on receipt of the half yearly statement, the Head of the Department should address the concerned Drawing Officers to clear all the audit observations expeditiously. He should obtain from the Drawing Officers every month, reports showing the details of the objections cleared during the previous month and those awaiting clearance and the reasons for the delay in the clearance of the outstanding items. The Head of the Department should closely watch the receipt of the monthly reports, review the progress in the clearance of the objections and issue suitable instructions to the drawing officers. He should also forwarded to the concerned Secretary to Government every month a consolidated report showing the extent of clearance achieved during the previous month with reference to the previous half yearly report received from the Accountant General. The serial numbers of the items actually cleared and the yearwise analysis of the number and amount of such items should be indicated in the report. The details of the action taken for

clearing the outstanding items and the reasons for the non-clearance should also be reported. A copy of this monthly report should be forwarded to the Finance Department.

*Action by Administrative Department of Government.*

313. The Secretary to Government in the Administrative Department should nominate a Senior Officer of the Department to ensure prompt attention to audit objections. It shall be the responsibility of that Officer to review the monthly reports received from the Heads of Departments with reference to the half yearly statement received from the Accountant General, and assess the progress in the clearance of the objections and the adequacy of the action taken by the Heads of Departments. He should submit his report of the review to the Secretary to Government who will communicate to the Heads of Departments his assessment of the position and give suitable instructions to them for further clearance. Copies of his communications to the Heads of Departments should be forwarded to the Finance Department.

*Action by Finance Department*

314. The Finance Department should pay special attention to the important items of observation involving Rs. 10,000 and above which are specially reported half yearly by the Accountant General, and pursue action thereon until final clearance.

*Visits to the Accountant General's Office by Departmental Officers for clearing audit observations and inspection reports.*

315. The Heads of Departments should specifically depute a Senior Officer for ensuring prompt attention to the Audit Observations and Inspection Reports. In those departments which have been provided with Financial Assistants or Accounts Assistants, this work may conveniently, be entrusted to them. It shall be the responsibility of that Officer to keep a close watch on the clearance of all observations and Inspection Reports. In respect of items outstanding for over a year, he should collect from the Officers concerned the details and documents required for the clearance of the observations through correspondence and/or by visiting the Officers. He shall visit the Office of the Accountant General, with the particulars and documents so collected from the various offices and hand over the required documents to the concerned Officer. He should also discuss with the Officer the outstanding items and decide on the further action to be taken for clearance. The process may be repeated until all items which are more than one year old are cleared.

316. In cases where audit observations relate to irregular claims or actions of officers, the Officers concerned with the alleged irregularities should never themselves deal with the observations but should submit papers to higher officers at each stage.

317. If the above procedure is strictly followed, there should hardly be any scope for the increase in the number of observations. The administration should welcome suggestions from audit to enable them to safeguard public funds by rectifying the errors and taking steps to minimise the irregularities. Government have also issued orders that each Secretary to Government should constitute an ad-hoc

Committee, consisting of Secretary to Government as Chairman, and representatives of Audit and Finance Departments and that these Committees should meet atleast once in three months to review the action taken to dispose of audit observations and inspection notes. The discussions at these Committee Meetings will be useful if departmental officers meet audit officers in advance of the Committee Meetings and have a preliminary discussion on the outstanding audit observations and also reconcile the differences, if any, in figures relating to audit observations etc.

*Continuance of payments objected to by Audit*

318. If any payment of recurring nature is considered inadmissible by Audit, the Audit point of view should be provisionally accepted by the concerned authority and further payments on that account should not normally be made till a final decision is obtained from the competent authority.

319. In exceptional cases where the administrative authorities consider, that the continuance of such payments pending a final decision by the competent authority is absolutely necessary in the public interest, payments may be made provisionally but subject to recovery if need be. This condition should be made clear to the payee so that in the event of decision for recovery, the payee is bound to make good the excess payment. The fact that payments are being continued in spite of the audit objections should also be reported to the authority to whom the case is referred for a final decision.

*Inspection Reports*

320. During the course of local inspection, the Audit staff will be issuing "enquiries" calling for information on various points. The particulars given in reply to such enquiries should be correct with reference to the records so that, at a later stage, the accuracy of the figures and the facts contained in the Inspection Reports are not disputed. To ensure this, the replies to audit enquiries should be furnished only after approval by the proper authority. The audit officer generally discusses with the head of the office the more important irregularities before finalising his inspection report. The head of the office should seize this opportunity to check up whether all relevant materials have been made available to Audit to enable them to bring out the full facts of each case in the inspection report and by mutual discussion it may be possible to settle on the spot all the minor objections and irregularities.

*Rectification of irregularities disclosed during Audit*

321. The head of the office should also simultaneously without waiting for the receipt of the inspection report initiate action to rectify irregularities, defects, omissions, etc., which come to light in the course of audit. For example, if it is discovered that a sanction issued by the head of office was in excess of the powers delegated to him, immediate steps should be taken to get his action ratified by the competent authority.

*Reply to Inspection Reports.*

322. All inspection reports received from the Accountant General, should normally be replied to within a period of one



month from the date of their receipt. This time limit should be strictly adhered to except where consultation with other officers is required to be made or orders of the competent authority are required to be obtained for rectifying the defects and omissions pointed out. If replies to certain points mentioned in the Inspection Reports cannot be furnished to the Accountant General, within the time limit specified, interim replies indicating the action taken or proposed to be taken to rectify the defects should be sent to the Accountant General, and action taken to give final replies within a maximum period of three months. The factual correctness of the replies should be ensured and proper steps also taken to avoid recurrence of such defects.

### **Report of the Comptroller and Auditor General and Draft Paragraphs**

#### *Receipt of Draft paragraphs and verification of its comments*

323. As soon as the Accountant General considers that a case deserves to be mentioned in the Report of the Comptroller and Auditor General, he sends a draft 'para' proposed for inclusion in the Comptroller and Auditor General's Report to the concerned Secretary to Government by name for verification of facts, simultaneously endorsing copies thereof to the Finance Secretary to Government. The letter is addressed to the concerned Secretary to Government by name to ensure that the irregularity commented upon in the para is brought to the notice of the Officers who will appear as witnesses before the Public Accounts Committee, when the Report is taken up for consideration by the Committee. It is the duty of the Officer receiving the draft 'para' to see that

reply to the Accountant General, after verification of the facts is sent only after obtaining his approval so that the facts mentioned in the audit 'para' are not challenged when the Report is taken up for consideration by the Public Accounts Committee.

324. The result of the verification of the facts contained in the draft 'para' should be communicated to the Accountant General, Karnataka within six weeks from the date of its receipt (vide O.M. No. F1(B) 422-64-IFA-6-52-2, dated 16<sup>th</sup> April 1952). Before sending a reply, the concerned Officers should collect all the facts which have a direct or indirect bearing on the irregularity commented upon in the draft 'para' and see that the audit para portrays a true account of the alleged irregularity or lapse. If the draft para proposed by the Accountant General, requires modification to bring out the facts of the case, it should be suggested in the reply. The reply should be sent from the Officer to whom it is referred by the Accountant General. This will ensure that the reply is sent by the proper authority after careful examination of all the aspects of the case. Where however, the reply to the Accountant General, is not issued over the signature of the Secretary, an indication should be given that the reply has had the approval of the Secretary (vide O.M. No. FD 22 BUD 67, dated 27<sup>th</sup> April 1967).

325. In exceptional cases where it is not possible to furnish final reply to the draft para within the time limit of six weeks referred to above, an interim reply should be given to the Accountant General, by the Officer to whom the draft para was forwarded indicating the time by which the final reply could be sent.

326. It is not necessary that the contents or the language of the draft paragraph should be specially agreed to or that there should be any prior agreement as to what should be mentioned in the Report, but it is desirable that, on the facts as stated, there should be no dispute though the conclusions and opinions will be those of the Accountant General. This does not, however, preclude a Secretary from taking up with the Accountant General the desirability or otherwise of mentioning particular cases in the Report.

327. Facts coming to the notice of the department or the Secretariat after the draft para has been included in the Comptroller and Auditor General's Report should be indicated in the departmental notes to be sent to the Legislature Secretariat so that the Public Accounts Committee may be posted with up-to-date information. Facts coming to the notice after submission of the departmental notes may be intimated to the Public Accounts committee at the time these cases are taken up for consideration by the Committee or earlier, if there is sufficient time, in the form of Supplementary note.

328. In the Audit paragraphs generally no names of individuals and Officials connected with the irregularities commented upon therein will be mentioned. The names of departments, organisations and parties concerned will, however, be mentioned in the draft audit paragraphs except in cases where the paragraphs bring out some fraud or misappropriation on the part of an official against whom departmental or criminal proceedings have been initiated and any indication of the department or organisation would give a clue to his identity. Where, however, such a name has been

mentioned in the draft audit paragraph and if the Government considers that it is not desirable, the same should be brought to the notice of the Accountant General well in time. (O.M. No. FD 329 BUD 60, dated 10<sup>th</sup> January 1961).

*Watching of disposal of draft paragraphs*

329. It has to be borne in mind that replies to draft audit paragraphs are to be sent within the prescribed time of six weeks. If no reply is sent within this period the paragraph as prepared by the Accountant General, will be treated as final and incorporated in the Comptroller and Auditor General's report. There should, therefore be no default on the part of the departments to inform the Accountant General, of the correct position well in time. In other words, there should be no occasion to question the correctness of facts mentioned in the draft audit paragraph at a later stage.

330. The Public Accounts Committee has observed that though the audit para is based on records made available to audit and the para itself sent to the Secretary to Government concerned for remarks, the officers when they appear before the Committee some times give an altogether different explanation and try to dispute the acts. Such an attitude is not desirable and any modifications should be communicated to the Accountant General in time before the draft para is finalised.

*Files required by 'Audit' for reference*

331. Files required by the Accountant General, in connection with the preparation of audit paragraphs should normally be made available to him. If the contents of the file are of 'confidential' nature the file may be sent to the

Accountant General, by name specifying that fact. He will deal with the file in accordance with the standing instructions for the handling and custody of such documents. If for any reasons it is not considered desirable to make available the papers asked for by the Audit, then orders of Government should be obtained.

*Rectification of defects, irregularities, lapses, etc., commented upon in the audit paragraphs.*

332. Normally it has to be presumed that a draft para forwarded to the Secretary to Government for verification will find a place in the Comptroller and Auditor General's Report which will be laid on the table of the Legislature. The Reports so laid will be examined by the Public Accounts Committee, and the concerned Secretary to Government will have to appear as witness before the Committee when it examines the particular paragraph in the Report. There will normally be time lag ranging from six months to one year between the dated on which the draft para is forwarded by the Accountant General, for verification and the date on which the particular para is taken up for consideration by the Public Accounts Committee. One of the questions which the Public Accounts Committee generally puts to the witnesses is whether at least after the receipt of the draft para, the irregularity commented upon in the audit para has been rectified (wherever possible), whether adequate steps have been taken to see that such irregularities do not recur and also whether in cases of loss to Government, necessary action against those responsible has been taken. If the Secretary to Government takes prompt action immediately on receipt of the draft para to rectify the defects and to proceed against the Officers responsible to

make good the loss, if any incurred by the Government due to their negligence and also to issue detailed instructions for the avoidance of such irregularities, it should be possible to depose before the Committee that the irregularity has since been rectified and action has also been taken to avoid recurrence of such things in future. Hence, the Secretary to Government should on receipt of a draft para, examine among other things, the following aspects and take suitable remedial measures immediately:

(i) Whether the irregularity committed was due to negligence or culpability on the part of any Government servant. If so, suitable action should be initiated against him;

(ii) Whether there was lack of proper instruction or defect in the organisational set-up (if so, steps should be taken to rectify such defects);

(iii) If there was a loss to the Government, the responsibility for the same should be fixed and steps taken to recover the loss;

(iv) If the irregularity committed was due to lack of proper supervision or ambiguity in the rules, steps should be taken to enforce adequate supervision or to amend the rules.

In other words, all possible ways should be thought of to prevent recurrence of such irregularity and also to make amends for the irregularity committed.

333. The Secretaries to Government should have in their possession all the facts relating to the cases under examination when they appear before the Public Accounts Committee and for this purpose, the departments of the

Secretariat should take necessary action well in time, by way of obtaining explanations, comments, etc., on the irregularities cited in the Comptroller and Auditor General's Report.

*Draft Paras relating to Statutory Corporations, Government Companies, State Undertakings, etc.*

334. The draft paragraphs for inclusion in the Comptroller and Auditor General's Report in respect of cases relating to Karnataka State Financial Corporation, Karnataka State Warehousing Corporation, Karnataka State Road Transport Corporation, Karnataka State Electricity Board, Government Companies, Government Commercial Undertakings, etc., will be forwarded to the Secretary to Government concerned by name and copies endorsed to Finance Secretary to Government. The Reports relating to Public Sector Undertaking are considered by the Committee on Public Undertakings. The procedure explained above in respect of disposal of draft paras will apply in these cases also.

**CHAPTER XV**  
**LEGISLATURE COMMITTEES**

*Committee on Public Accounts*

335. The Committee on Public Accounts is a Committee of the Legislature and is constituted under the Rules of Procedure and Conduct of Business in the Karnataka Legislature Assembly and the Council (vide Rules 250, 251 and 252 of the rules extracted in Appendix VI).

*Committee on Public Undertakings*

336. This Committee is a Committee of both the Houses of the State Legislature and is constituted under Rules and Procedure and Conduct of Business in the Karnataka Legislature Assembly and Council (vide rules 256 (a) and 256 (b) of the Rules of Procedure and Conduct of Business in the Karnataka Legislature Assembly and Rules 228 (a) and 228 (b) of the Rules of Procedure and Conduct of Business in the Karnataka Legislature Council extracted in Appendix VI).

*Estimates Committee*

337. A Committee on Estimates is a Committee constituted by the Legislative Assembly for the examination of such of the Estimates as it may deem fit to refer to the Committee or as are specifically referred to it by the Assembly or the Speaker. The Constitution and functions of the Committee are regulated by Rules of Procedure and Conduct of Business in the Karnataka Legislative Assembly (vide rules 253, 254, 255 and 256 of the rules extracted in Appendix VI).

338. The Accountant General and the Finance Secretary or their representatives are invited to attend the meetings of



the Committee on Public Accounts and Public Undertakings. These representatives may offer their advice on any matter which come under discussion. The Committee may invite Heads of Departments, Secretaries to Government or any other officers it thinks necessary to appear before it for eliciting information on any matter pertaining to their departments or offices discussed in the Appropriation and Finance Accounts and the Audit Reports thereon. The Committee is entitled to offer criticism and make recommendations or suggestions upon any matter discussed in the appropriation Accounts and Finance Accounts and the Audit Reports thereon referred to it by Government or any other matter referred to it by Government or examined by it on its own motion.

*Presentation of the Committee's Report to the Legislature and subsequent action.*

339. The report of the Committee will be presented to the Assembly/Council by the Chairman of the said Committee if he is a member of the Assembly/Council or by any member who may be authorised in this behalf by the Chairman of the Committee. Thereafter, copies of the Report will be sent by the Legislature Department to the Administration Department of the Secretariat for taking necessary action on the recommendations of the Committee, and also to the Accountant General, the Finance Department, the Comptroller and Auditor General of India for information. Action taken by the departments concerned on the recommendations of the Committee shall be communicated by them to the Legislature Department, the Finance Department, and the Accountant General. The Committee may, if it so

desires, direct that any of its recommendations be sent to the Department concerned for immediate necessary action without waiting for the report to be presented to the Legislature. In such a case, a copy of the recommendations of the Committee shall also be sent to the Accountant General and the Finance Department for information. Action taken by the Department concerned on such a recommendation shall be communicated by the Department to the Legislature Department, the Finance Department and the Accountant General. The Departments and officers concerned shall keep secret all papers concerning the recommendations of the Committee sent to them in advance and the action taken thereon till the report is laid on the table of the Legislature.

340. Action to give effect to the recommendations of the Committee and of the Assembly and Council will be taken by the Departments concerned, but the Legislature Department is responsible for seeing that such action has been taken.

341. A Memorandum showing the action taken, or proposed to be taken, on the recommendations of the Committee by the various Departments of the Government shall be prepared by the Legislature Department in consultation with the Finance Department and shall be placed before the Committee. The Committee after considering it may make such recommendations as may seem necessary and submit its report to both the Houses.

342. The Committee will examine the replies regarding the action taken and will report to the Houses in its next report whether it considers the action taken by the departments to be adequate or otherwise.

*Accountant General's comments on the action taken on Committee's recommendations.*

343. The Accountant General in the next and subsequent Audit Reports and the Comptroller and Auditor General in his comments on those Accounts may refer to the action which has been taken by the Government in respect of cases previously reported by him and may comment on the adequacy or otherwise of the action taken by the Government. The Finance Department will bring up-to-date an Epitome of the reports of the Committee on Public Accounts at intervals ordinarily of five years.

*Examination by Committee on Estimates*

344. The Committee may examine the estimates of selected Department from time to time and report to the Legislative Assembly as its examination proceeds. It is not incumbent on the Committee to examine the entire estimate in one year. The demands for grants may be finally voted notwithstanding the fact the Committee has made no report.

345. The Committee presents its report to the Legislative Assembly and the Assembly will discuss this for such time that the Speaker may allot for such purpose.

346. Copies reports will also be sent to the Administrative Departments concerned and such other authorities as the Legislature Secretariat may consider necessary for taking necessary action. Copies will also be sent to the Finance Department.

**CHAPTER XVI****PUBLIC ACCOUNTS OF THE STATE**

347. All revenues received by the State Government all loans raised by that Government by the issue of treasury bulls, loans or Ways and Means Advances and all moneys received by the Government in repayment of loans granted by that Government are credited to the Consolidated Fund of the State and provision is made in the Appropriation Bill for the Appropriation out of the Consolidated Fund of all moneys required to meet the grants made by the Assembly and the expenditure charged on the Consolidated Fund. All other moneys received from the public by or on behalf of the State Government are credited to the Public Account of the State which is outside the Consolidated Fund of the State. The disbursement from that account do not require the Vote of the Legislature.

348. The main sectors of the Public Account are:

- (i) Small Savings, Provident Funds etc.,
- (ii) Reserve Funds,
- (iii) Deposits and Advances,
- (iv) Suspense and Miscellaneous, and
- (v) Remittances.

349. The first four Sectors deal with receipts and payments in respect of which Government becomes liable to repay the moneys received or has a claim to recover the amounts paid together with repayments of the

former and recoveries of the latter. These are the transactions in respect of which the Government acts as a banker, receiving the amount which it afterwards repays and paying out the amounts which it subsequently recovers, e.g., Provident Funds of Government Employees, Deposits of Local Funds, Reserve Funds Deposits made by outside agencies, Departmental Advances, etc. The last sector comprises merely adjusting heads under which appear remittances circles. All initial debits or credits are cleared eventually by adjustment under final heads.

***Small Savings, Provident Funds etc.***

350. This sector includes a number of interest bearing obligations of Government in respect of funds deposited with them. The Provident Funds of Government Employees, Primary Teachers and other Miscellaneous Provident Funds such as those of employees of State Road Transport Corporation, Employees of Government Commercial Undertakings and State Life Insurance Fund, Motor Insurance Fund are classified under this head. Government pays interest on moneys deposited in these funds at the rates prescribed by it from time to time. Provision for the annual charge on account of interest creditable to the accounts of these deposits is made under the head '249. Interest Payment'. The payments to the subscribers are made by debiting the expenditure to the Fund Accounts concerned.

**Reserve Funds**

351. *Depreciation Reserve Funds of Government Commercial Concerns.*- Transactions pertaining to the Depreciation Reserve Funds of the Government Commercial Concerns are recorded under this secur. This fund is intended to provide a reserve sufficient to meet the cost of the renewals and replacements of plant and machinery, etc., as and when required, to keep them in efficient working order. Provision for depreciation is made under the Budget Heads to which the working expenses of these concerns are debited and transferred to the accounts of the Depreciation Fund at the end of the year. Similarly the expenditure on renewals and replacements is initially debited to the provision made under the Budget. Heads and transferred to the accounts of the Fund at the end of the year. Interest from State Revenue is allowed on the un-invested balances of the Funds and is credited to the relevant receipt heads and the interest earned on investments is also credited to those receipts heads.

**Sinking Funds**

352. Provision for amortization of open market loan is governed by the terms of notification of each loan. It is generally obligatory for the Government under the terms of the prospectus, to provide for a Sinking Fund (Depreciation from current revenues to be utilised for purchasing the securities of the loan for cancellation. The annual contribution to the Sinking Fund (Depreciation) is calculated at a certain percentage of the nominal value of the loan concerned. Over and above this contribution Government may make such

annual contributions to a Sinking Fund towards the liquidation of the open market loan as it may decide from time to time to be necessary. A Sinking Fund is also created for the amortization of some of the Government to India Loans. The amounts allotted to the Sinking Funds are credited to the Fund head in the Deposit Section by Charge to the revenue head '248. Appropriation for Reduction or Avoidance of Debt.'

353. The Charges connected with the redemption of the debt either by purchase and cancellation or securities or by direct discharge are shown in the Budget on the disbursement side of the head 'Sinking Funds'. On actual cancellation of the securities the nominal value of the cancellation securities is debited to the head '603. Internal Debt of the State Government' by per contra credit to the head. Miscellaneous Government Account'.

354. Amounts at the credit of Sinking Funds, created for liquidation of open market loans on their maturity, are generally invested in Government Securities and the interest realized on securities is credited to the Sinking Funds concerned. The amount so invested is debited to the head 'Sinking Fund Investment Account.

355. There are a number of Reserve Fund fed by contributions from the Consolidated Fund of the State, which have been created for certain specific purposes. The notable ones at present are:

- (i) The Famine Relief Fund.
- (ii) Development Welfare Funds;

- (iii) Hindu Religious and Charitable Endowment Fund;
- (iv) State Roads and Bridges Fund.

***Famine Relief Fund***

356. The Famine Relief Fund which was established under the Famine Relief Fund Act, 1963 is meant for expenditure on (1) the relief of famine, and (2) the relief of distress caused by drought, floods, fire or other natural calamities. The Fund is fed from assignments made to it from State Revenue from time to time. All sums to the credit of the Fund which may not be immediately required for expenditure are invested in the securities of Government. The of the Fund are made up at the end of each financial year, the securities belonging to the Fund being valued at the market value on the last day of such year. If the accouts so made up show that the balance of the Fund falls short of Rs.60 lakhs, the deficiency shall be made up by charge on the Consolidated Fund of the State and debited to the head '289. Relief on account of Natural Calamities'-charged. If the deficiency exceeds Rs. 20 lakhs. It may be made up in annual instalments, the amount of such instalments except the last being not less than Rs.10 Lakhs. Expenditure on Famine Relief measures is debited to '289. Relief on account of Natural Calamities'.

***Development and Welfare Funds***

357. These are funds created mainly out of general evenues. The primary object of these funds it to provide a reserve for expenditure on development of the items covered by these funds. Irrigation Development Fund, Industrial Development Fund, Silk Industry Funds, Scheduled Castes and Scheduled Tribes Amelioration



Fund Accident Reserve Fund (Government Flying Schook, Jakkur) Development fund of World Food Programme, Forest Development Fund, and State Children's Fund are some of the important funds now in operation.

***Hindu Religious and Charitable Endowments Fund***

358. The contributions and audit fees collected under the Madras Hindu Religious and Charitable Endowments Act, are credited to this Fund. The expenditure on the administration of the Act is debited to '295. Other Social and Community Services.'

***Deposit and Advances***

359. This sector consist of-

- (i) Civil Deposits;
- (ii) Deposits of Local Funds;
- (iii) Other Deposits; and
- (iv) Civil Advances.

***Civil Deposits***

360. This head records the transactions relating mainly a sums deposited with Government in the daily course of business by or on behalf of the members of the Public in accordance with the rules and collections relating to the several classes of deposits. The main items are deposits made in Reveue Courts or in connection with the revenue administration, Deposits made in Civil and Criminal Courts, Security Deposits taken from Government servants like cashiers, etc., who arre required to furnish security, Personal Deposits,

Forest Deposits, Public Works Deposits, Tender Deposits and Security Deposits made by contractors. Sum received in advance from Municipalities or other bodies financially independent of Government for payment of compensation for land acquired for such bodies, deposits of Educational Institutions, Deposits made by candidates for election to State, Legislature, Election petitions, Balances in respect of Savings Bank Accounts (in State Treasuries) in which no transactions have taken for certain specified periods, etc.

***Deposits of Local Funds***

361. This consists of (1) current accounts of Local Funds and (2) Other Local Authorities such as Municipalities, City Improvement Trust Board, Taluk Boards, Taluk Boards, Village Panchayats, Electricity Board, Housing Board, Road Transport Corporation, Port Trust, Universities, School Boards. Market Committees, Muzrai Institutions and other Private Societies and Institutions which are permitted to use the Government Treasuries as their

362. The head "Other Deposits" includes subventions from Central Road Fund, subscriptions received towards various market loans pending eventual transfer to the major head. "603 Internal Debt of the State Government and certain other 'Miscellaneous Deposits'.

***Civil Advances***

363. The transaction recorded under this group relate to interest free temporary advances such as Forest Advances, Revenue Advances and other Departmental Advances. Advances of a permanent nature held by Officers of Government to enable them to incur contingent expenditure in the day to day administration

to be recouped by drawing bills at convenient intervals are recorded under the major head '872. Permanent Cash Imprest – Civil'

***Remittances***

364. Under this sector are recorded those items of receipts or payments which for insufficient information or other reasons cannot be accounted for directly under proper heads of account and this sector is intended for temporary State, pending final adjustments or receipts of credits and debits. This sector also records the transactions connected with the investments of cash balances of Government both are made the expenditure appears on the disbursement side and no maturity or sale of the securities the realizations appear on receipts side. The interest which is earned on these investments is credited to the head '049. Interest Receipts-Interest realized on investments of cash balances'.

***Remittances***

365. Cash remittances between themselves, between treasuries and departmental accounts, and transactions of Public Works Officers, Forest Officers and other officers of the Civil Departments with the treasuries including cheques issued are recorded under this sector. Transactions connected with the drawing and encashment of Telegraphic Transfers and Drafts on Reserve Bank Account and transactions between Central and other State Governments, Posts and Telegraphs Department, Railways, Defence Department, etc., are also recorded under this sector.

**875. Deposits with Reserve Bank**

366. This is a mere adjusting head and records the net results of cash transactions and adjustments with the Reserve Bank pending eventual transfer to "899". Cash Balance-Deposits with Reserve Bank'.

## **Chapter XVII**

### **PLAN BUDGET**

367. According to the revised classification given effect to from 1<sup>st</sup> April 1974, the Plan and non-Plan components of provisions for the various programmes, activities and schemes as also the sub-heads or objects classification therein are shown in horizontal columns distinctly. In the budget documents, the estimates relating to State Plan Schemes, Centrally Sponsored Schemes and the Central Sector Schemes are shown in the column 'Plan', while estimates of other expenditure are shown under 'Non-Plan'. There is no separate head of account to classify plan expenditure. At the sub-head level, State Plan Schemes, Centrally Sponsored Schemes and the Central Sector Schemes are separately indicated. As a consequence of this revised procedure, Drawing Officers should clearly mark 'Plan' or 'Non-Plan' on all Bills and others accounts documents.

#### ***Preparation of Plan Budget Estimates-State Plan Schemes***

368. The allocations for the different State Plan Schemes for each year are determined in consultation with the Planning Commission. The Estimating Officers should prepare the detailed estimates for the different Plan Schemes within the sectoral allocation of the Annual Plan Outlay indicated by the Planning Department. The scheme-wise provision proposed should be split into Revenue, Capital and Loan as the case may be and the provisions proposed under the appropriate Major Heads of Account. In cases within the sectoral allocation of the Annual Plan Outlay Revenue Major Head and that expenditure or a portion of it is to be transferred to a loan head, the gross provision should

be shown under the revenue head of account and a provision equal to the amount transferable shown under the corresponding loan head. Care should be taken to provide funds under the correct major head as reappropriation of funds from one grant to another is not permissible.

***Committed Expenditure***

369. In respect of the first year of a Plan Period, the committed expenditure of the Plan Schemes of the last year of the Previous Plan Period will be taken to the Non-Plan Section. In respect of continuing schemes and of all fresh development schemes, the provision should be shown in the Plan. There will be four categories of development schemes in the New Plan:

(i) New Development Schemes on Revenue Account.

(ii) New Development Schemes in Capital Account.

(iii) Development Schemes which are part of the previous plan, but not being completed by that Plan Period, a portion of the expenditure will be carried into the New Plan.

(iv) Development Schemes which represent additions to expansions of development institutions or establishments which already exist and are part of the normal maintenance responsibilities of Government or which being completed during the Plan Period should be deemed to become part of the future normal maintenance responsibility of Government. In other words in each such case, expenditure on their maintenance is committed expenditure not to be regarded as part of the Plan Expenditure. Only expenditure on additions or extensions of the

programmes or establishments in such cases will reckon for the New Plan Period.

370. The broad guidelines as to the items that should be treated as committed expenditure are:

(i) maintenance expenditure of development schemes completed in the preceding Plan Period constitutes committed expenditure. Only expenditure on additions and extensions of programmes or establishments during the next Plan Period will constitute Plan Expenditure;

(ii) maintenance expenditure on existing institutions;

(iii) in the case of activities of repetitive character, the expenditure on the head-quarters staff;

(iv) maintenance expenditure of existing Research Schemes. Only additional research schemes undertaken during the Plan Period should be treated as Plan Expenditure;

(v) grants-in-aid upto the level attained at the end of the last Plan Period would constitute committed expenditure. Only increase in grants-in-aid over that level would qualify for Plan expenditure;

(vi) grants-in-aid for ad hoc outlays except for maintenance purposes and for expansion of existing and new buildings and equipment for research and educational institutions would form part of the Plan expenditure; and

(vii) stipends, fellowships and scholarships at the end of the previous plan period would constitute committed expenditure.

### ***Centrally Sponsored Schemes***

371. These schemes attract cent percent Central Assistance either in the form of grant or loan or partly as grant and partly as loan. In respect of these schemes, uniform pattern of staffing and administrative organization are laid down by the Centre. The responsibility for financing the committed expenditure for these schemes at the end of the Plan period falls on the States. The Schemes which fulfill the following criteria are called Centrally Sponsored Schemes.

(i) that they relate to demonstrations, pilot projects, surveys and research;

(ii) that they have a regional or Inter-State character;

(iii) that they require lumpsum provision to be made until they could be broken down territorially; and

(iv) that they have an overall significance from the All-India angle.

These schemes are mainly under Agriculture, Health, Family Planning and Welfare of Backward Classes.

372. The provisions made in the Budget documents in respect of Centrally Sponsored Schemes are generally on the basis of actual assistance indicated by the Government of India for those Schemes in the previous year. If larger assistance than anticipated becomes available, additional funds could be sought for during the course of the year. If, however, the provisions made are found to be more than the assistance that will eventually be sanctioned by the Government of India,



the expenditure will have to be limited to the actual assistance.

373. A separate documents showing the plan provision included in the budget recast according to the Heads of Development approved by the Planning Commission is brought out as part of the Budget documents. In addition, the Planning Department brings out a document detailing the programmes and physical targets of the Annual Plan Schemes.

### ***Central Assistance***

374. In accordance with the decision of the National Development Council, after providing for the requirements of the States of Assam, Nagaland and Jammu and Kashmir, the Central assistance to the remaining States is distributed to the extent of 60 per cent on the basis of their population, 10 per cent on their per-capita income if below the National average and 10 per cent on the basis of tax effort in relation to per-capita income, 10 per cent in proportion to the commitments in respect of major continuing Irrigation and Power Projects and the balance 10 percent to assist the States in tackling special problems like those relating to metropolitan areas, floods, chronically drought affected areas and the tribal areas. There is no schematic pattern of central assistance for State Plan. Central assistance is not related to any specific scheme or programme but is given to the State through block grants and block loans 30 percent of the Central assistance is in the form of grant and the balance 70 percent by way of loan. In order to ensure that the overall priorities of the Plan are adhered to, outlays under certain heads or sub-heads of development, and specified schemes are however, earmarked and cannot be diverted to other heads of development. In case of

shortfall in performance in earmarked sectors, there will be proportionate reduction in the Cestral assistance for the Plan.

**CHAPTER XVIII****WAYS AND MEANS BUDGET AND CONTROL**

374. The Banking transactions of Government are handled by the Reserve Bank of India. At places in the State where there is no branch of Reserve Bank of India the branches of the State Bank of Mysore/State Bank of India/State Bank of Hyderabad act as agents of the Reserve Bank of India.

375. Under an agreement with the Reserve Bank Government has to maintain with the bank a minimum balance of Rs. 80 lakhs on all days. The bank informs Government the daily balance with the Bank at the close working day. If this balance falls below the agreed minimum, the deficiency is made good either by selling Treasury Bills or by taking ways and means advance from the Reserve Bank. Ways and Means Advances are granted by the Bank only upto a limit mutually agreed upon between the Bank and Government. If, even after the maximum advance is given, the cash balance falls below the minimum, the deficit is left uncovered and the bank charges interest at the Bank rate on such overdrafts, while ways and means advances granted by the Reserve Bank carry interest at 1 per cent below the Bank rate. For the first 90 days, one per cent above the bank rate beyond 90 days upto 180 days and two per cent above the bank rate beyond 180 days. If the State Government is running a debit balance with the Bank continuously for a period of more than seven days, the Bank will suspend agencies and stop withdrawals from the currency chests from the non-banking Treasuries for purposes of meeting the payments on behalf of the State. Such suspension of payments will continue until the overdraft disappears altogether. In case of such overdrafts, interest will be charged at Bank rate up to

and including the Seventh day and at three per cent above the Bank rate from the eight day.

376. Whenever there is a short fall in the cash balance of the State Government, the Reserve Bank of India grants ways and means advances up to the limits agreed to. If there is an improvement in the cash balance, repayment of the ways and means advances granted by the Reserve Bank of India is considered as an additional burden and a decrease as a repayment for the borrowing. The shortfalls are separately totaled up and an adjustment effected by the Accountant General in the accounts by credit to the head of account '603. Internal Debt of the State Government Ways and Means Advance from the Reserve Bank of India. Similarly repayment of ways and means advance are separately aggregated and debited in accounts to the head '603. Internal Debt of the State-Ways and Means advance from the Reserve Bank of India'. Under the system of gross budgeting, budget provision has necessarily to be made both under the receipts and disbursements for the aggregates of shortfalls in balances and repayments of ways and means advances taken from time to time. Approval of the Government of India is also to be obtained under Article 283(3) of the Constitution of India. Ex-post-facto sanction for these short term borrowings from the Reserve Bank of India is also necessary. For providing ex-post-facto consent, short term borrowing will comprise:

(i) Ways and Means Advance, clean or otherwise;

(ii) Shortfall, if any, from the agreed minimum balance; and

(iii) Debit balance.

In other words, the amount for which the consent should be obtained by the State Government would be the maximum amount of outstanding ways and means advance from the Bank (normal and special) at any time during the year together with the maximum amount by which the State Government's cash balance with the Bank had been, on any day in a year fallen short of the minimum cash balance which the State Government was required to maintain with the Reserve Bank under the agreement with it.

377. The Reserve Bank has agreed to provide clean ways and means advance of Rs.1,600 lakhs to cover any temporary excess of disbursements over receipts. In addition to the clean ways and means advance, the Reserve Bank has agreed to grant special ways and means advance, (upto Rs. 800 lakhs) against Central Government securities so long as such advances are repaid within a period of few weeks/months. To the extent State's holding of Central Government securities increase, the limits for secured advances would also get increased. The limits sanctioned by the Reserve Bank for both clean ways and means advance and secured advance are not intended to be treated and used up as a resource permanently available to the State.

378. To avoid overdrawal of the account with the Reserve Bank, the Budget for each year will have to be balanced. Besides, the State's Finances have to be managed through the introduction of a system of ways and means forecast and letters of credit for major spending departments like Public Works Department, etc., so that there is no major im-balance between receipts and disbursement on behalf of the State and that temporary borrowing from the Reserve Bank is kept within the limits authorised.

379. If the balance at the credit of the Reserve Bank of India is in excess of the minimum cash balance of Rs.80lakhs, the cash balance may be profitably utilized by investment of the surplus balance over a certain limit in Treasury Bills. Government have authorised Reserve Bank to invest in Treasury Bills sums exceeding Rs. 150 lakhs from out of the daily cash balance of the State Government with the Reserve Bank.

380. It will be necessary to keep a constant watch over the financial and budgetary position and to ensure that permanent imbalances do not develop between resources and expenditure. Where additional commitments become inescapable, adequate measures have to be taken to meet them either through new resource mobilization or through curtailing Plan expenditure.

381. A monthly cash flow statement should be prepared in Form No. B.M. 22 indicating fully the flow of revenue and other receipts, the progress of expenditure in Plan and non-Plan accounts and the anticipated borrowings from other sources including from the Reserve Bank of India. In some of the large spending Departments Drawing and Disbursing Officers are permitted to make payments by cheque. The disbursement made in this manner come to the notice of the Controlling Officers or the Finance Department after considerable lapse of time. Often necessitating provisioning of additional funds through supplementary grants. Resources for such additional requirements are either not available or can be raised only after lapse of time. It is in this context the letter of credit system is adopted with a view to limiting the drawal of amounts by the Drawing and Disbursing Officers to the amounts specified. In determining the amount to be allocated to the spending Departments

under the Letter of Credit, it would be necessary to ensure that the expenditure is not debited to 'Suspense' or 'Remittance' heads of accounts without being charged to the relevant service heads. The debits, if any, in the transit heads will have to be cleared very expeditiously so that large amounts do not remain without being accounted for as expenditure incurred by the spending Departments against their budget allotments. This method can be effective in controlling expenditure to a considerable extent and will help regulating or staggering of payments in sufficient time to avoid a major crisis leading to stoppage of payments on the Reserve Bank of India's initiative.