

UTTAR PRADESH BUDGET MANUAL

CHAPTER I

INTRODUCTORY

This Manual contains rules framed by the Finance Department for the guidance of estimating officers and departments of the Secretariat in regard to the budget procedure in general and in particular to the preparation and examination of the annual budget estimates and the subsequent control over expenditure to ensure that it is kept within the authorised grants or appropriations. These rules are statutory rules in so far as they derive their authority from the rules framed by the Governor of Uttar Pradesh in exercise of the powers conferred on him by Article 166 (2) and (3) of the Constitution of India. These rules inter alia regulate the functions of the Finance Department.

2. Annual Financial Statement - Under Article 202 of the Constitution, in respect of every financial year, a statement of the estimated receipts and expenditure of the State for that year, called the "annual financial statement" (or the "budget"), is to be laid before both the Houses of the State Legislature. The estimates of expenditure show 'charged' and 'voted' items of expenditure separately and distinguish expenditure on revenue account from other expenditure.

3. Structure of Government Accounts - All receipts and disbursements of the State Government are shown in three separate parts, namely,

- Part I - Consolidated Fund,
- Part II - Contingency Fund and
- Part III - Public Account.

Consolidated Fund - Under Article 266 *ibid*, all revenues received by a State Government, all loans raised by that Government by the issue of treasury bills, loans or ways and means advances and all moneys received by that Government in repayment of loans form one consolidated fund, called "the Consolidated Fund of the State." No moneys out of this Fund shall be appropriated except in accordance with law and for the purposes and in the manner provided in the Constitution.

Contingency Fund - Under Article 267 (2) *ibid*, the State Legislature has established a Contingency Fund which is in the nature of an imprest and enables the Executive Government to meet unforeseen expenditure pending its authorisation by the Legislature by law.

(See the Uttar Pradesh Contingency Fund Act, 1950 and the rules framed thereunder in Appendix IV).

Public Account - Besides the normal receipts and expenditure of the Government which relate to the Consolidated Fund, certain other transactions enter Government accounts, in respect of which, the Government acts more as a banker, for example, transactions relating to provident funds, other deposits such as security deposits made by

contractors or court deposits or deposits by a local body for execution of projects through a government agency, etc. The moneys thus received are kept in the public account of the State, the connected disbursements are also made therefrom. Generally speaking, public account funds do not belong to the Government and have to be paid back some time or the other to the persons and authorities who deposited them. Legislative authorisation for payments from the public account is, therefore, not required. In a few cases, a part of the revenue of the Government is set apart in separate funds for expenditure on specific objects like sugar development, maintenance of roads, industrial development, replacement of depreciated assets of Irrigation Department, Public Works Department. These amounts are withdrawn from the Consolidated Fund with the approval of the State Legislature and are kept in the public account for expenditure on the specific objects. The actual expenditure on the specific objects is, however, again submitted for vote of the State Legislature even though the moneys have already been earmarked by the State Legislature for transfer to the funds.

4. Division of the Consolidated Fund - The main divisions of the Consolidated Fund are:

- (i) Revenue Account ;
- (ii) Capital Account ;
- (iii) Debt (comprising Public Debt and Loans and Advances).

Revenue Account – Revenue account is the account of (i) the current income of the Government derived mainly from taxes and duties, fees for services rendered, fines and penalties, etc., and (ii) the expenditure met from that income. The difference between such income and expenditure represents the revenue surplus, or deficit, as the case may be, for the year.

Capital Account - Capital account consists of capital receipts and payments. It includes receipts arising generally from sale of concrete assets intended to be applied as a set-off to capital expenditure. Capital payments consist of capital expenditure on acquisition of assets like land, buildings, machinery, equipment, investments in shares, etc. Expenditure on Capital account is usually met from borrowed funds or accumulated cash balances.

Note 1 - The decision whether expenditure shall be met from current revenues or from borrowed funds rests with the Executive-cum-the Legislature.

Note 2 - Capital expenditure may be broadly defined as expenditure incurred with the object of increasing concrete assets of material and permanent character. It is, however, not essential that the concrete assets should be productive in character or that they should even be revenue producing.

Note 3 - After it has been decided to incur expenditure for the creation of a new or additional asset, the classification of expenditure between "Capital" and "Revenue" is made as follows :

(a) Capital bears all charges for the first construction of a project as well as charges for intermediate maintenance of the work while not opened for service and also bears charges for such further additions and improvements as may be sanctioned under the rules made by competent authority.

(b) Revenue bears all subsequent charges for maintenance and all working expenses. These embrace all expenditure on the working and upkeep of the project and also on such renewals, replacements and such additions, improvements or extensions as under rules made by competent authority are debitable to the Revenue Account. In the case, however, of works of renewals and improvements which partake both of a Capital and Revenue nature, it is sometimes impracticable to draw a hard and fast line between what is properly debitable to Capital or to Revenue, but an equitable distribution of burdens between present and future generations is aimed at.

(c) Expenditure on procurement of machinery and equipment for office use is to be treated as revenue expenditure while expenditure on procurement of machinery, equipment, vehicle etc to be used by functional units of the Government is to be treated as capital expenditure.

Public Debt : This division comprises loans raised by Government such as market loans, loans from the Life Insurance Corporation of India, etc., and the borrowings from the Central Government. The Sector "E. Public Debt" will have two major heads, i.e., "6003. Internal Debt of the State Government" and "6004. Loans and Advances from the Central Government". Transactions connected with these are recorded both on the receipt and the disbursement sides.

Loans and Advances - This division comprises loans and advances made by Government and also recoveries thereof. The Sector "F. Loans and Advances" will have pattern of classification as for capital expenditure. Transactions connected with these are recorded both on the receipt and the disbursement sides.

5. Divisions of Public Account - The major items in the public account are grouped under the following sectors, namely :

(I) Small Savings, Provident Funds, etc.

(J) Reserve Funds

(K) Deposits and Advances

(L) Suspense and Miscellaneous

(M) Remittances

(N) Cash Balance

The first three sectors comprise receipts and payments in respect of which the Government act as a banker receiving amount which they afterwards repay and paying out amounts which they subsequently recover. The fourth and the fifth sectors comprise 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 these sectors are cleared eventually by either transfer to the final heads of account or by corresponding receipts or payments.

6. Accounting Classification – The estimates of receipts and expenditure in the Annual Financial Statement and of expenditure in the demands for grants are shown according to the accounting classification prescribed under Article 150 of the Constitution.

7(A). Sectors and Heads of Accounts -

Classification of transactions in Government Accounts on a function-cum-programme basis was introduced from April 1, 1974. This functional classification had been evolved with the twin objectives of reflecting Government transaction in terms of functions, programmes and schemes and securing correspondence between accounting classification and Plan Heads of development. To bring about closer correspondence between Plan Schemes and Account Heads, the accounting classification was modified further with effect from April 1, 1987, under which a six tier classification structure incorporating the following was adopted :

(I) Sectors, comprising sub-sectors, wherever necessary, to indicate the grouping of the series of governmental functions broadly :

- A. General services (Administration of Justice, Land Revenue, Interest Payments, Police, Public Works, Pensions and Other Retirement benefit, Defence Services, etc.);
- B. Social Services (General Education, Medical and Public-Health, Housing, Information and Publicity, Welfare of Scheduled Castes, Scheduled Tribes and Other Backward Classes, Labour and Employment, Social Security and Welfare, etc.);
- C. Economic Services (Crop Husbandry, Forestry and Wild Life, Agricultural Research and Education, Special Programmes for Rural Development, Rural Employment, Other Special Areas Programmes, Major and Medium Irrigation, Flood Control and Drainage, Power, Industries, Roads and Bridges, Telecommunication Services, Ecology and Environment, Tourism, Civil Supplies, etc.).

(II) Major Heads (comprising Sub-Major Heads wherever necessary) - The Major Heads of Account, falling within the sectors for expenditure heads, generally correspond to functions of Government,

such as Agriculture, Education, Medical and Public Health, Social Security and Welfare, etc.

(III) Minor Heads - Minor Heads identify the programmes undertaken to achieve the objectives of the functions represented by the Major Head, where possible, so that expenditure on programmes can be extracted from the accounts direct.

(IV) Sub-Heads of Classification denote and identify the schemes undertaken in pursuance of programmes represented by Minor Heads or components of a particular programme. If a programme does not have any scheme, sub-heads may represent non-developmental expenditure or expenditure of administrative nature. The Sub Heads should not be multiplied unnecessarily and new ones opened only when really necessary.

(V) Detailed Heads denote sub-schemes under various sub-heads.

(VI) Standard Objects represent the primary units of appropriation showing the economic nature of expenditure such as pay and wages, office expenses, travel expenses, professional services, grants-in-aid, etc.

The following is an example of six-tier classification in the budget and accounts with reference to a plan scheme :

First Tier	Sector Sub-Sector	B- Social Services (a) Education, Sports, Art & Culture
Second Tier	Major Head Sub-Major Head	2202-General Education 01- Elementary Education
Third Tier	Minor Head	111- Sarva Shiksha Abhiyan
Fourth Tier	Sub-Head	01- Central Plan / Centrally Sponsored Schemes
Fifth Tier	Detailed Head	02- Appointment of Teachers / Shiksha Mitra
Sixth Tier	Primary Unit of Appropriation	43- Grant-in-aid for pay, allowances, etc.

(B). Coding Pattern -

(a) Major Head-Major heads are the main units of accounts classification under various Sectors. They give an idea of the distribution of expenditure among functions which represent the major divisions of the Governmental efforts.

A four-digit code has been allotted to the Major Head whether the Major Head is a Receipt Head or Revenue Expenditure Head or Capital Expenditure Head or Loan Head. If the first digit is '0' or '1' the Head of Account will represent Revenue Receipt, '2' or '3' will represent Revenue Expenditure, '4' or '5' Capital Expenditure, '6' or '7' Loan Head, and '8' will represent Contingency Fund and public account.

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

0401 represents the Receipt Head of Crop Husbandry

2401 the Revenue Expenditure Head for Crop Husbandry

4401 Capital Outlay on Crop Husbandry

6401 Loans for Crop Husbandry

In a few cases where corresponding heads have not been provided taking into account factors like the magnitude of the receipts or expenditure, for example, the major head '2029-Land Revenue' will not have corresponding heads in capital and loan sections. However, the transaction for the above will be recorded under major head 'Other Administrative Services'.

(b) Sub-Major Head - Sub-Major Head represents sub function of the function, such as '01-Elementary Education', '02-Secondary Education' under the Major Head '2202-General Education'

A two-digit code has been allotted, the codes starting from '01' under each Major Head. Where no sub-Major Head exists, it is allotted a code '00'. Nomenclature 'General' has been allotted code '80'

(c) Minor Head – Minor Head means a head subordinate to a Major or Sub-Major Head and denotes various programmes under each function.

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

The code for 'Other Expenditure' is '800' while the codes for other grants / other schemes, etc. where minor head 'Other Expenditure' also exists is kept as '600'. This has been done to ensure that the order

in which the Minor Heads are codified is not disturbed when new Minor Heads are introduced.

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

Standard 3-digit Code	Common Nomenclature
001	Direction & Administration
003	Training
004	Research / Research Development
005	Investigation
050	Land
051	Construction
052	Machinery & Equipment
190	Assistance to public sector and other undertakings
501	Services and Service Fees
792	Irrecoverable Loans written off
794	Special central assistance for Tribal sub plan
796	Tribal area sub plan
797	Transfer to / from reserve funds and Deposit Accounts
799	Suspense
800	Other Receipts / Other Deposits / Other Loans / Other Expenditure

(d) Sub-Head – Sub-Head represents schemes under a programme subordinate to a Minor Head. These are denoted by a two-digit code.

(e) Detailed Head – Detailed head represents sub-schemes under schemes and is subordinate to the sub-head. It is denoted by a two-digit code. Where no detailed head exists it is allotted a code '00'.

(f) Standard Object – Standard object represents nature and form of expenditure. These are the primary units of appropriation. These are denoted by two-digit code.

8. Preparation of the budget estimates and their transmission to the Finance Department - Under the rules made by the Governor for the convenient transaction of the business of the State Government and the instructions issued thereunder, the Finance Department is responsible for the preparation of the annual budget. The budget is prepared on the basis of the material furnished by the departmental officers and the administrative departments of the Secretariat. The Heads of Departments and other estimating officers prepare the estimates for each head of account with which they are concerned and forward these to the Finance Department through the Accountant General in the case of estimates under revenue heads and also to the concerned departments of the Secretariat by the prescribed date. The estimates in respect of capital heads and loans and advances by the state government are

furnished direct to the departments of the Secretariat concerned. The administrative departments scrutinise the estimates and send them along with comments thereon to the Finance Department which then examines the estimates after taking into account the comments of the Accountant General also, who renders such assistance as may be reasonably asked for by the Finance Department. Estimates under certain heads are furnished direct by the administrative departments of the Secretariat and the Accountant General. The budget estimates must be submitted to the Finance Department by the prescribed date. (See Appendix - VI)

9. Proposal relating to 'new expenditure' - The estimates referred to above take cognisance only of what are called 'standing sanctions,' i.e., all revenues based on existing laws, rules and orders and all expenditure incurred by virtue of existing rules and orders. Proposals which involve a reduction or an increase in revenue otherwise than in pursuance of authorised Codes, Manuals and Rules and proposals for 'new expenditure' (See Chapter VIII) are submitted to the Government separately in proper time. The provision of funds for 'new expenditure' depends on the position of the resources available and the necessity and urgency of each proposal.

10. After the finalisation of the Budget with the inclusion of provision therein for new expenditure, it is presented, under Article 202 of the Constitution, to both the Houses of the State Legislature on the recommendation of the Governor. After the grants have been voted by the Legislative Assembly, a Bill to provide for the appropriation out of the Consolidated Fund of the State of all moneys required to meet the voted as well as the charged expenditure is introduced in the Legislative Assembly. When the Appropriation Bill is passed by both the Houses of the Legislature and it has also received the assent of the Governor, the amounts shown therein can be expended during the financial year concerned.

11. Other Estimates - Occasions may arise for approaching the Legislature with proposals for Votes on Account, Votes of Credit and excess grants, besides supplementary estimates. These are dealt with in Chapters II and XIV.

12. Authorisation of expenditure - Except where the expenditure is covered by standing sanctions or necessary powers have been delegated to the administrative departments and subordinate authorities in this behalf with the concurrence of Finance Department, provision of funds in the budget by itself conveys no sanction to the subordinate authorities to incur expenditure. The following conditions must be satisfied before the public money is spent:

(i) The expenditure should be sanctioned by the authority competent to sanction such expenditure (in the case of works expenditure to be incurred by the Engineering Departments this sanction means both administrative approval as well as technical sanction),

(ii) Sufficient funds should have been provided for the expenditure in the Appropriation Act or by re-appropriation by the authority competent to sanction re-appropriation (See Chapter XIV); and

(iii) No breach of the standards of financial propriety, which are mentioned below, is involved :

I - The expenditure should not be prima facie more than 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 prudence would exercise in respect of expenditure of his own money.

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

(a) the amount of expenditure involved is insignificant, or

(b) a claim for the amount can be enforced in a court of law, or

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

III - No authority should exercise its power of sanctioning expenditure to pass an order directly or indirectly to its own advantage.

IV - 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 sources of profit to the recipients.

13. Committee on Estimates - There is a Committee on Estimates constituted by the Legislative Assembly to examine such of the estimates as the Committee deems fit or are specifically referred to it by the House. (For rules relating to the constitution and the functions of the Committee, see Appendix – II)

14. Committee on Public Accounts - 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 each object. The amount of expenditure which can be incurred is thus strictly controlled by the Legislature. The extent to which the wishes of the Legislature, as expressed by the demands voted by the Legislative Assembly, are actually complied with is investigated and brought to the notice of the Legislative Assembly by the Committee on Public Accounts. (For the constitution and functions of this Committee, see Appendix - II).

CHAPTER II

DEFINITIONS AND GENERAL EXPLANATIONS

15. Unless there is something repugnant in the subject or context, the terms defined in this Chapter are used in this Manual in the sense here explained :

(1) 'Accounts' or 'actuals' of a year - are the amounts of receipts and disbursements for the financial year beginning on April 1 and ending on March 31 following, as finally recorded in the Accountant General's books.

(2) 'Administrative approval' of a scheme, proposal or work - is the formal acceptance thereof by the competent authority for the purpose of incurring expenditure thereon as and when funds permit. (see paragraph 316 of Financial Handbook, Volume VI)

(3) 'Annual financial statement' or Budget - See para 2 of Chapter I.

(4) 'Appropriation' - means the amount authorised for expenditure under a major or minor head 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).

(5) 'Appropriation Accounts' - are the accounts prepared by the Comptroller and Auditor-General for each grant or appropriation in which is indicated the amount of the grant sanctioned and the amount spent under each level of head of account given in budget literature and under the grant as a whole. Important variations in the expenditure and allotments, whether voted or charged, are briefly explained therein.

(6) 'Assembly' - means the Legislative Assembly, Uttar Pradesh.

(7) 'Budget' - See para 2 of Chapter I.

(8) 'Budget estimates' - are the detailed estimates of receipts and expenditure of a financial year.

(9) 'Charged Appropriation' - means sums required to meet charged expenditure as specified in the schedule to an Appropriation Act passed under Article 204 of the Constitution, during the financial year concerned, on the services and purposes covered by the 'Charged Appropriation.' It does not include provisions for voted expenditure.

(10) 'Charged expenditure' or 'Charged on the Consolidated Fund of the State' - means such expenditure as is not to be submitted to the vote of the Legislative Assembly under the provisions of the Constitution.

A list of items the expenditure on which is charged on the Consolidated Fund of the State is given below. Sums relating to 'Charged' expenditure are usually printed in Italics in the Detailed Estimates and Grants :

- (i) The emoluments and allowances of the Governor and other expenditure relating to his office.
- (ii) The salaries and allowances of the Speaker and the Deputy Speaker of the Legislative Assembly and also the Chairman and the Deputy Chairman of the Legislative Council.
- (iii) Debt charges for which the State is liable including interest, sinking fund charges and redemption charges, and other expenditure relating to the raising of loans and the service and redemption of debt.
- (iv) Expenditure in respect of the salaries and allowances of the Judges of the High Court.
- (v) The administrative expenses of the High Court, including all salaries, allowances and pensions payable to or in respect of the officers and servants of the Court.
- (vi) Any sums required to satisfy any judgement, decree or award of any court or arbitral tribunal.
- (vii) Adjustments in respect of certain expenses and pensions under Article 290 of the Constitution.
- (viii) The expenses of the State Public Service Commission including any salaries, allowances and pensions payable to or in respect of the members and the staff of the Commission.
- (ix) Any other expenditure declared by the Constitution or by the Legislature of the State by law, to be so charged.

[See Articles 202(3), 229(3), 290 and 322 of the Constitution.]

(11) 'Constitution' - means the Constitution of India.

(12) 'Controlling Officer' - means the authority made responsible for the control of expenditure and receipt for any head of account.

Note :- List of controlling officers is given in volume - V of budget literature with each grant .

(13) 'Controller Finance' - means officer of the Finance and Accounts Service posted under controlling officer or in absence of Finance & Accounts Service officer, any other officer entrusted to supervise the work of Budget & Account; to release the budget, maintain the register of budget allotment, advise the controlling officer / Head of Department in financial matters, pre-audit of time-barred claims, internal audit, etc.

(See Chapter XVIII A of Financial Hand Book Volume V Part I)

(14) 'Council' - means the Legislative Council, Uttar Pradesh.

(15) 'Corporation' - means a body corporate legally authorised to act as a single person.

(16) 'Demand for Grant' – is a proposal made to the Legislative Assembly on the recommendations of the Governor, for appropriation of

sums out of the Consolidated Fund of the State for expenditure on particular service other than that charged.

(17) 'Departmental Estimate' - is an estimate of income and ordinary expenditure of a department in respect of any year submitted by the Head of Department or other estimating officer to the Finance Department as the material on which to base its estimates.

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

(19) 'Estimating Officer' - means a departmental officer responsible for preparing the departmental estimate.

(20) 'Excess Grant' - See Section IV of Chapter XIV.

(21) 'Finance Department' - means the Finance Department of the Government of Uttar Pradesh.

(22) 'Fiscal Deficit' - the excess of total disbursements from the Consolidated Fund of the State (excluding repayment of debt) over total receipts into the Fund excluding the debt receipts during a financial year.

(23) 'Government' - means the Government of Uttar Pradesh.

(24) 'Governor' - means the Governor of Uttar Pradesh.

(25) 'Head of Department' - means an officer declared as such by Government. (A list of Heads of Departments is given in Financial Handbook, Volume I and in the Annexure to Chapter II of Financial Handbook, Volume V, Part I).

(26) 'Legislature' - means the Legislature of Uttar Pradesh.

(27) 'Modified Appropriation' - means the sum allotted to any unit of appropriation as it stands on any particular date after it has been modified by re-appropriation or by supplementary or additional grant or grants sanctioned by competent authority.

(28) 'Primary deficit' - The Primary deficit is the fiscal deficit excluding interest payments the government makes on its borrowings. It is the basic deficit figure.

(29) 'Re-appropriation' - means the transfer, by a competent authority, of savings from one unit of appropriation to meet additional expenditure under another unit within the same grant or charged appropriation. (See Section II of Chapter XIV).

(30) 'Recurring charge' - is a charge, which involves a liability beyond the financial year in which it is originally sanctioned.

(31) 'Revenue Deficit' - means the difference between revenue expenditure and revenue receipts.

(32) 'Revised estimate' - is an estimate of the probable receipts or expenditure for a financial year, framed in the course of that year, with reference to the transactions already recorded and anticipation for the remainder of the year in the light of the orders already issued or contemplated to be issued or any other relevant facts.

(33) 'Sinking Fund' - A fund created for the redemption of a liability or with the object of replacing an asset by setting aside a sum periodically so as to produce the required amount at the appropriate time.

Provision for amortisation of open market loans 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. A Sinking Fund may also be created for the amortisation of the Government of India loans repayable in one instalment.

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

(35) 'Standard Object' – Standard object represents nature and form of expenditure. These are the primary units of appropriation. These are denoted by a two digit code.

(36) 'State' - means the State of Uttar Pradesh.

(37) 'Supplementary statement of expenditure' - means the statement to be laid before the Legislature under Article 205(1)(a) of the Constitution showing the estimated amount of further expenditure necessary in respect of a financial year over and above the expenditure authorised in the annual financial statement for that year. The demand for a supplementary grant may be token or substantive. (See Section III of Chapter XIV).

(38) 'Technical sanction' - is the approval to the detailed designs, plans, specifications and quantities by the competent Engineering authority, which is required to be given to any work (other than petty works, petty repairs, and other repairs for which a lump sum provision has been sanctioned by the Competent Authority) before its commencement. (see paragraph 318 of Financial Handbook, Volume VI)

(39) 'Token Demand' – Token Demand is a demand made to the Legislative Assembly for a nominal sum either to secure advance approval to the incurring of expenditure on a scheme, details of which are yet to be finalized or to bring new expenditure to the notice of Legislative Assembly when funds to meet it are available by re-appropriation within the grant.

(40) Vote on Account' - means a grant made in advance by the Legislative Assembly, in pursuance of Article 206(1)(a) the Constitution,

in respect of the estimated expenditure for a part of any financial year, pending the completion of the procedure relating to the voting of the demand for grants and the passing of the Appropriation Act. The annual financial statement is generally presented to the Legislature in the month of February and normally the general discussion thereon in both the Houses, the voting of the demands for grants by the Legislative Assembly and the passing of the Appropriation Act are expected to be completed before the end of March, so as to make available the grants and appropriations for the ensuing year right from the commencement of the year. But circumstances may sometimes arise in which this may not be possible. On such occasions demands for advance grants in respect of the estimated expenditure for a part of the year may be presented.

(41) 'Vote of Credit' - See Article 206 of the Constitution reproduced in Appendix I.

(42) 'Votable' / 'Voted' expenditure - means expenditure which is subject to the vote of the Legislative Assembly. It is to be distinguished from 'charged' expenditure.

CHAPTER III

PREPARATION AND SUBMISSION OF DEPARTMENTAL ESTIMATES :

GENERAL RULES AND DIRECTIONS

16. Accuracy of estimates and responsibility therefor - Under the rules made by the Governor for the convenient transaction of the business of the State Government and the instructions issued thereunder, the Finance Department is responsible for the preparation of the annual budget for which it obtains material from the various departmental officers, etc., and the departments of the secretariat. 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 estimating officers. The estimates should be framed after a careful and thorough consideration of all items of expenditure and of all sources of income and of every factor likely to affect the actual results. Every care should be taken to ensure that the estimates are as accurate as possible. As 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.

17. Estimates to be prepared on gross basis - The budget estimates should, as a rule, be prepared on a gross and not on a net basis. The gross transactions in the case of both receipts and charges in each department should be entered separately. Receipts should be estimated on the receipt side and the expenditure on the expenditure side. In other words, 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 the net receipts, the reason being that the refunds do not really represent the expenditure of the Government but are merely repayments made out of the receipts. The receipts on capital account are also taken in 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 food grains, the amounts received from sale are taken in reduction of expenditure. There are certain cases in which a service is undertaken by one Government on behalf of another Government or an outside body subject to the recovery of the cost of the service. In such cases the cost of the service is provided in the budget of the Government Department undertaking the service as expenditure under the appropriate head and the relative recovery is taken in reduction of the gross expenditure provided under the relevant head.

Note - All credits and recoveries are, however, excluded from the demands for grants. For the purpose of obtaining the vote of the

Legislature on the supply and of authorising the withdrawals of money from the Consolidated Fund, the gross expenditure is invariably taken into account.

18. Rounding - The estimates under each lowest unit should be rounded off to the nearest Rs. 1000. Ordinarily, provisions amounting to Rs. 500 and above will be rounded to Rs. 1000 and those below Rs. 500 omitted except where this has the effect of leaving no provision at all in which case a sum of Rs. 1000 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 rounded figures.

19. Channels and dates for transmission of estimates to Finance Department - The Heads of Departments and other estimating officers should prepare the estimates for each head of account with which they are concerned on the basis of the material obtained by them from subordinate officers and forward these to the Finance Department through the Accountant General by the prescribed dates. Simultaneously they should submit copies to the appropriate administrative departments and also to the Finance Department of the Secretariat. The administrative departments will scrutinise these estimates and make available their comments to the Finance Department which examines them on receipt of the estimates from the Accountant General. The Accountant General furnishes the past actual, offers his comments, if any, and renders such assistance as may be reasonably asked for by the Finance Department. He also frames the estimates in respect of certain heads of account and furnishes these to the Finance Department. The administrative departments of the Secretariat also frame and furnish to the Finance Department estimates relating to certain heads. It is of the utmost importance that the duly scrutinised estimates are submitted without fail by the prescribed dates ; in fact the endeavour should be to submit them a few days earlier so as to enable a proper scrutiny by all the concerned authorities. Delay in this respect may upset the entire budget programme of the Finance Department and may involve a possibility of any item not being adequately provided for or being omitted altogether. (see Appendix VI)

20. Proposals involving 'new expenditure' and their timely submission - The departmental estimates referred to above should take cognisance 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 VIII) should be submitted to the Government separately by 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 the Government in the administrative department concerned well in advance of the prescribed date. (see Appendix VI)

Proposals relating to 'new expenditure' should be submitted to the Government as and when ready and must not be held up for being submitted towards the last date prescribed, so that the administrative departments of the Secretariat and 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 and the responsibility for the inconvenience which may be caused to the public service on that account will attach to the officer or the administrative department concerned who or which failed to take action in time.

21. Classification of receipts and expenditure in the departmental estimates to conform to the prescribed heads of account - The list of major and minor heads of account of State receipts and disbursements, as prescribed by the Controller General of Accounts, Department of Expenditure, Ministry of Finance, Government of India on the advice of the Comptroller and Auditor General of India in terms of Article 150 of the Constitution of India should be used for the classification of heads of account. The introduction of any new major and / or minor head, as well as the abolition or a change in the nomenclature of any of the existing heads, require the approval of that authority and cannot be carried out until such approval has been obtained. The sub heads, detailed heads and primary units of appropriation are, however, variable according to convenience and as such the exact units will appear every year in the State Budget under "Detailed Estimates of Expenditure". The detailed classification of the receipt heads is also shown therein. In the matter of accounting and for control of expenditure the nomenclature of the budget heads must be followed. Even if the budget provision has originally been made under an incorrect head, the corresponding expenditure should be brought to account against that unless there be strong reasons for a contrary course, e.g. when such accounting would be contrary to law. All such cases of budget provision having been made under incorrect heads should, however, be brought to the notice of the Finance Department as early as possible so that in future the charge may be budgeted for under the correct head.

Note 1 - While submitting his annual budget estimate, the estimating officer may, where absolutely necessary, add a sub head/detailed head not provided for in the previous year's budget. But while doing so he must prominently bring it to the notice of the Finance Department to enable them to decide whether the proposed new sub head /detailed head should be introduced or the provision made within any of the existing sub head/detailed head. No new primary unit of appropriation can be opened without the prior sanction of the Finance Department.

Note 2 - The opening of a sub-head or a detailed head will be sanctioned by the Finance Department under intimation to the Accountant General.

22. Estimates to be accompanied by explanatory notes – The estimates of the current year must not be accepted blindly as a basis for

framing those of the forthcoming year. It is tempting to take for granted the figures of the current year but the process, however, leads to waste and extravagance. It may result in the reappearance year after year of expenditure that has long become irrelevant. The need for every item, therefore, must be first fully scrutinized before it is accepted and entered. The preparation of the estimates for the forthcoming year affords a convenient opportunity for reviewing the schemes. The mere fact, that these are sanctioned, is not in itself adequate justification for presuming that the current year's provision should be repeated, as a matter of course.

Each departmental estimate must be accompanied by a note by the estimating officer, containing his proposals and the reasons in support of them, arranged by major heads, sub-major heads, minor heads, sub heads etc, in the same order in which the estimate has been prepared. The note should be clear and precise and should explain the variations between the proposed estimates for the forthcoming year and the figures of the budget estimates of the current year. It should also give reasons for the repetition or the omission of any item. One copy of the estimate and the budget note should be sent direct to the administrative department concerned and the Finance Department at the same time as the original is sent to the Accountant General.

23. Corrections to estimates and time limits for their submission -

Corrections, if any, to the estimates should be sent direct to the Finance Department by demi-official letter to the Budget Officer with a copy to the administrative department within one month from the date of submission of the estimates and in any case not later than the 5th December.

24. Action to be taken by the Accountant General - On receipt of the departmental estimates, the Accountant General will scrutinize and compile them into a self contained budget for each major head of account in Form B.M.-1. He will also fill in the following figures in the budget form :

- (a) Final grant for the current year.
- (b) Actuals for the first six months of the previous year.
- (c) Actuals for the last six months of the previous year.
- (d) Actuals for the first six months of the current year.

In the same form he will give his own comments, criticism and suggestions, if any, in regard to the proposed estimates and will then send that form in original to the Finance Department.

In reviewing or checking the estimates he is expected to take into account all circumstances which are likely to affect the receipts and expenditure of the department concerned, such as transfer adjustments with other Governments and Departments as well as transfer entries between different heads of account which it is usual to make in the accounts of the year to which the estimates relate, e.g. (1) Commuted value of pensions, leave salaries, etc., payable to or recoverable from

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other Governments or departments, (2) Contributions recoverable for Railway Police, (3) Overpayments and advances of the previous years recoverable during the budget year, (4) Transactions relating to expenditure and receipts from other Government, (5) Distribution of the cost of the Public Works Establishment and Tools and Plant and (6) Annual transfer entries.

CHAPTER IV

INSTRUCTIONS FOR PREPARING DEPARTMENTAL ESTIMATES OF REVENUE AND RECEIPTS

25. 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 :

- (1) 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 the Government should be proposed.
- (2) An estimate should show the amounts actually expected to be received during the budget year and those only. 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 any receipts which, although falling due during the budget year, are not expected to be actually realised within that year.
- (3) In preparing the estimates of the 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 :
 - (a) Circumstances may have arisen in the current year which make it evident that the estimate for that year will be substantially departed from. If this should be the case, any such expected departure from the original estimate for the current year should be taken into account in estimating the probable realisations of the budget year on the basis of the figures of the past three years and the revised estimate for the current year.
 - (b) Events may have occurred in 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 that which is expected to be actually realised and the balance should be shown in the 'Remarks' column with reasons in brief.
 - (c) 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 extra water supply to cultivators. Estimates for increased or additional revenue on these accounts should, however, be proposed only if the estimating authorities are certain about this and full reasons must be given in the budget note.

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

It is, thus, particularly necessary to guard against accepting the estimates of the current year blindly as a basis for framing the estimates of the following year.

(4) 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 remarks column.

(5) Refunds - Refunds of revenues are not regarded as expenditure for purposes of grants or appropriation. Provision should be made in the revenue estimates, where necessary.

'Refunds of Revenue' shall, as a general rule, be taken in reduction of the revenue receipts. "Deduct-Refunds" (code '900') may be opened as a minor head under the major / sub-major heads falling in the Sector "B. Non-Tax Revenue", unless it is not practicable to account for such refunds as sub-heads below the concerned programme minor heads under the relevant major / sub-major heads. This minor head may also be opened under the major / sub-major heads of the sector "C. Grants-in-Aid and Contributions". In respect of major / sub-major heads falling under the sector "A. Tax Revenue", the head "Deduct-Refunds" should however be opened as a distinct sub-head below the appropriate minor heads so that the net collection of each tax / duty is readily ascertainable from the accounts.

26. The reasons which have led to the proposing of estimates for the ensuing year should be fully and clearly explained, item by item, in the budget note of the estimating officer, specially when the estimate proposed for the ensuing year is in any way abnormal, due regard being paid to the following variations :

- (a) actuals of the past year compared with the original and the revised estimates of that year ;
- (b) revised estimates for the current year as compared with the original estimates; and

- (c) budget estimates proposed for the following year as compared with the original and revised estimates for the current year.

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

CHAPTER V

INSTRUCTIONS FOR PREPARING ESTIMATES OF ORDINARY EXPENDITURE

28. Estimates to be complete and accurate - The estimates of ordinary expenditure are those for the expenditure expected to be incurred in the coming year for the normal working of the departments with reference to existing sanctions. No item constituting 'new expenditure' (See Chapter VIII) 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 estimates in respect of what are called 'fixed charges' it must be borne in mind that nothing is irrevocably fixed for all times and the position should be brought under review periodically. The various general or specific orders issued by the Government or by the Heads of Departments 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 in the sanctioned expenditure and it can sometimes lead to serious consequences for which the officers found to be at fault may be held personally responsible.

29. Obsolete items to be omitted - The estimates of the current year must never be adopted blindly as a basis for framing those of the following year. There is always a temptation to save trouble by taking the current year's estimates for granted and adding something to certain items on which increased expenditure is foreseen. This tendency is to be strongly deprecated. 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. Care must, however, be taken that no provision for increased expenditure requiring specific sanction of the competent authority is included unless that sanction has already been obtained and that even in the case of a sanctioned scheme provision is made for only so much of it as can actually be brought into effect in the budget year.

30. Past actuals to be consulted - In preparing the estimates, 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. When any item of expenditure, although covered by standing sanction, is to be held in abeyance under the orders of the competent authority, provision for it should be omitted. If it is proposed that it should be revived, specific reference to the competent authority should be made well in time and in that case the estimating officer can include the provision in the estimates but he must draw pointed attention to this in his budget note at the appropriate place.

31. Lump provision to be avoided - Lump provisions should not, as a rule, be made in the estimates. In some cases, however, lump provisions become unavoidable. 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 budget note and the working out of details should be started immediately after the amounts have been finally included in the budget so that there may be no delay in their examination and the issue of sanctions.

32. Estimates for pay and leave salaries - 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 compensatory 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. In the case of a cadre which includes leave or training reserves, the estimate should provide not only for such of its members as are likely to be on duty but also those who are likely to take leave or be under training, but no separate provision should be made on account of leave salaries. In small cadres of gazetted officers provisions for leave salaries need not be made unless it is definite that certain officers will go on leave. 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. It will be advantageous if information is obtained beforehand as to the number of persons intending to take leave in the budget year, the period for which each intends to take leave and the likely leave salary payable in each case.

No provision should be made for posts held in abeyance. If it is considered necessary to revive any of them in the ensuing year, proposals therefor should be submitted in good time and necessary orders of the competent authority obtained.

33. Numerical strength and pay scales to be indicated - The number of posts budgeted for in the current year and those for which provision has been proposed for next year in the estimates should be clearly indicated. The scales of pay should also be indicated, but it will be sufficient if only the minimum and the maximum pay is shown instead of the full scale. In the case of temporary posts, provisions should be made only for the continuance of such posts as are definitely required to be

retained and for the period for which they will actually be required. The number and date of the orders by which each post was created or last retained should invariably be quoted for reference.

34. Provision for pay and fixed allowances for March to be made in the budget of the following year - 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.

35. Compensatory Allowances and Honoraria - In the case of fixed allowances the estimates should be based on the sanctioned rates and after making actual calculations of amounts 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 due to increase in pay on accrual of annual increments. The estimates for fluctuating items 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 causes likely to modify that figure. Particular care should be taken to see that the estimate for traveling allowance (other than fixed traveling allowance) is restricted to the absolute minimum amount necessary. Unless full and convincing reasons have been given in the budget note, all increases proposed by the estimating officers are liable to be cut down by the Finance Department.

36. Establishment Expenditure - The estimates in the relevant standard object of expenditure should invariably be prepared keeping in view the changed requirement and should not be a mere extrapolation of the historical expenditure. The justification should be worked out with a view to reducing cost without adversely affecting work efficiency. Sufficient care is to be taken that the expenditure is classified under proper standard object, and is not camouflaged under the omnibus 'Other Expenditure' .

37. Estimates for the categories other than salary, allowances and establishment expenditure - The estimates should be prepared with reasonable accuracy. The scrutiny related to prescribed formalities like; technical specification, costing, cost and benefit analysis, purchase procedure, financing pattern, clearance of project/fund from the concerned agency, survey of location or individuals (say, category of institution/student), availability of land, work schedule as also the time schedule for recurring and non-recurring expenditure, justification of continuity of project/function, etc should be ensured. No increase can be proposed by the estimating officers in the fixed annual allotments, save in exceptional circumstances. The estimates should generally be framed on the basis of the average of the actuals of the past three years and the revised estimates of the current year, but care must be taken to see that all non-recurring and extraordinary items of the past years and the current year are ignored while provision for all foreseeable items not constituting 'new expenditure' and likely to be required in the budget year is included in the estimates. There is always need for utmost economy in

non-committed expenditure and the estimates proposed by the departmental officers are likely to be cut down considerably by the Finance Department if the budget notes are wanting in details or do not give full and convincing reasons in justification of the estimates proposed. Vague statements, such as 'normal growth of expenditure' or 'normal expansion of the scheme' will not be accepted. The reasons must be precise and the estimates supported by details and past actuals.

38. Provision for payment of decretal amounts or awards by arbitral tribunals, etc. - As stated in para 15 (10) (vi) of Chapter II, expenditure on payments made in satisfaction of any judgement, 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 under a separate sub head, "Payments in satisfaction of decrees of courts, awards of arbitral tribunals, etc. (Charged)" under specific head of accounts. However, the expenditure should be charged to the project / scheme / service concerned. 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, additional funds being arranged later, if required, through the supplementary estimates. In emergent cases advances can be obtained from the Uttar Pradesh Contingency Fund to be recouped by presentation of supplementary demands at the earliest opportunity.

38-A. Grant-in-Aid - The payment of various classes of grants to local bodies and institutions, etc., will be regulated, subject to the instructions given in Financial Hand-Book Volume V (Part I), by the general or special orders of government sanctioning each class of payment.

Note - As a general principle, grants-in-aid can be given to a person or a public body or an institution having a distinct legal entity. One department of the Government cannot make a grant-in-aid to another Department of the same Government. Similarly, a grant-in-aid should not be given to an organization set-up by the Government by a resolution or an executive order since such an organization does not have a separate legal status of its own and functions only as a limb of the Government. Either the expenditure of such bodies should be treated as normal Government expenditure and provided for in the budget as such or steps should be taken to secure a separate corporate status for the organization.

CHAPTER VI
ESTIMATES FOR EXPENDITURE IN ENGLAND

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CHAPTER VII

REVISED ESTIMATES

51. General observations - 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 anticipation for the remainder of the year in the light of the orders already issued or contemplated to be issued 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 excess is anticipated in the revised estimate under any particular head, it is necessary for controlling authority to apply separately in proper time for additional funds required, unless the excess can be met by re-appropriation of savings from other heads or has already been sanctioned by the competent authority. On the other hand, if the figure taken for the revised estimate is less, 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 that figure. The savings may be due to one or more of the following causes :

- (i) actual postponement of expenditure ;
- (ii) real savings due to economy measures ;
- (iii) normal savings due to either over-estimation or administrative causes, e.g. casualties, etc. and
- (iv) compulsory savings notified by the Government

It is essential that the revised estimates 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.

52. 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 figure 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 Governments and departments, etc. which take place during and after the close of the year should be duly taken into account when framing the revised estimates.

53. Methods for framing the revised estimates - The revised estimates are generally based on the actuals of the first six months of the year. Assuming that at the time of the preparation of the revised estimates the actuals for the first six months of the current year are available, the estimates will generally be framed in one of the following ways :

- (i) by adding the actuals of the first six months of the current year to those of the last six months of the previous year, or
- (ii) by taking a proportionate figure so that the revised estimates will be twice the actuals for the first six months, or
- (iii) by assuming that the revised estimates for the current year will bear the same proportion to the actuals of the first six months as the actual in the previous year bore to those of the first six months of that year.

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 single year.

54. Preliminary statements of excesses and savings - A statement of anticipated excesses and savings in expenditure in Form B.M. 2 (Part I) shall be submitted by each controlling officer to administrative department, so as to reach Government in the Finance Department not later than 30th November every year. Only those items should be shown in the statement in which any excess or saving is anticipated. The reasons for the variations should be explained fully and clearly against each such item. If no excesses or savings are anticipated a blank statement should be submitted. It is essential that the statement is prepared with the utmost care, as inaccurate statements may at times have serious repercussions.

Note : Explanations of all important variations in the Revised Estimates as compared to Budget Estimates should invariably be given. The explanation should be precise and informative, and vaguely worded phrases such as "decrease in receipts was due to smaller receipts obtained" or "increase in expenditure was due to larger expenditure on certain items" should be avoided. The reasons for decrease in revenue and increase in expenditure should be clearly stated.

55. Revised estimates to be framed by the Finance Department –

The revised estimates to be included in the annual budget will be prepared by the Finance Department with the help of –

- (a) registers of actuals of revenue and expenditure maintained by it for the purpose :
- (b) rough preliminary estimates furnished by the Accountant General in appropriate column of the budget form showing estimates of various departmental budgets for the next year;
- (c) the preliminary statements of anticipated excesses and savings in expenditure submitted by officers (vide para. 54 above); and
- (d) the revised estimates in respect of different heads furnished by the administrative departments concerned .

56. Revised estimates for particular receipt heads - Revised estimates of revenue receipts should also be submitted so as to reach the Finance Department not later than 30th November every year by the Controlling Officers and Departments .No particular form is prescribed, but the forwarding memorandum should explain fully and clearly how the revised figures have been arrived at.

The administrative departments of the Government and controlling officers may obtain such information from subordinate authorities as they may consider necessary.

57. Corrections to revised estimates - Any appreciable variations discovered in the revised figures of expenditure and receipts subsequent to their communication to the Finance Department should be communicated through administrative department in any case not later than December 5.

CHAPTER VIII

NEW EXPENDITURE

58. Under the rules and instructions issued by the Governor under Article 166 (2) and (3) of the Constitution, the Finance Department is required to examine and advise on all schemes of new expenditure for which it is proposed to make provision in the Budget and is empowered to decline to make provision for any scheme which has not been so examined.

*59. There is no authoritative definition of the term "new service" occurring in the Constitution [cf. Article 205 (1) (a)]. However, a working arrangement has been arrived at, under which the term "new service", though undefined, has been taken as synonymous with term "new expenditure". It is also not possible to define rigidly the term "new expenditure" and in actual practice based on convention it bears a wide interpretation. 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 expenditure". In some cases, increase in expenditure, other than increase 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 expenditure".

For the purpose of general guidance, some examples of "new expenditure" are given below:

(1) Starting of new schemes, establishments or undertakings.

Explanation - (1) Cases of "New Schemes" treated as "New Expenditure" and acted upon in the previous years will, however, be treated as "New Expenditure" if no budget provision has been made in the last five years.

Explanation - (2) 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 service by transferring it from the existing section to any other section, it will require prior approval of the Legislature.

Explanation - (3) Expenditure on existing service under one head but involving provision of funds under a different head within the same section due to change in classification of expenditure can be made by re-appropriation without prior approval of or report to the Legislature.

(2) Increase in coverage and / or revision of rate of scholarships, stipends, social security pensions etc. when the additional liability exceeds the budget provision for the scheme by Rs. 50 lakh or ten percent of the budget provision for the scheme whichever is higher.

(3) Grants-in-aid to new institutions or in excess of the approved scales.

(*) Approved by the Legislative Assembly in their sitting of August 07, 2009.

(4) Remission of loans not covered by existing rules and orders regulating such remissions.

(5) Any loans to or investment in Public Undertakings or local bodies, institutions and private bodies, etc., except where such loans or investments are covered by the existing rules or standing orders.

(6) Purchase of tools and plant, except where the cost is met from the provision for a sanctioned project or from a duly constituted Depreciation Reserve Fund.

(7) Purchase of equipment, vehicle and furniture where the cost of individual item exceeds Rs. One lakh.

Explanation - Replacement of equipment, vehicle and furniture will not be treated as new expenditure irrespective of the amount of individual item.

(8) Alienation/ transfer of Government assets

Explanation - (1) Transfer of Government assets shall include leasing them out for more than 36 months except leasing out of housing accommodation to government employees or others under existing rules or standing orders.

Explanation - (2) Relief in respect of leasing out of Government assets to a private body or individual at concessional rates shall be given through a grant-in-aid rather than by remission of dues.

Explanation - (3) The cases of alienation of Government assets to a State owned company / statutory body / society shall be reported to the Legislature along with the next batch of supplementary demands.

(9) Strengthening, reorganisation, modernisation or extension of an already existing scheme, establishment or undertaking where its cost exceeds Rs 25 lakh recurring or Rs 1.00 crore non-recurring

Explanation - (1) Where the additional expenditure does not exceed Rs 1.00 crore recurring and Rs 3.00 crore non-recurring, the expenditure can be made by reappropriation of savings in a Grant but if the additional expenditure exceeds Rs 25 lakh recurring or Rs 1.00 crore non-recurring, it shall be subject to report to Legislature.

Explanation - (2) Employment of additional staff or provision of service for normal increase of work involving no change in policy or the sanction of new scheme, shall not be treated an item of new expenditure.

Explanation - (3) Expenditure on purchase of arms and ammunition against the indent approved by the Home Department where the expenditure is within the budget provision irrespective of the cost of individual item shall not be treated an item of new expenditure.

(10) A committee / commission constituted, except under a statute by the Government if the recurring expenditure exceeds Rs. 10 lakh per annum or Rs. 20 lakh non-recurring.

(11) Surveys and studies not provided for in a project or scheme, where the expenditure is estimated to exceed Rs. 10 lakh per annum recurring or Rs. 20 lakh non-recurring.

(12) Any new authorization or increase in the amount of existing authorization or change in nature of 'Secret Service Expenditure'.

(13) Any new authorization or increase in the corpus of a Discretionary Grant.

(14) In respect of schemes receiving assistance from the Central Government, autonomous bodies etc, and in respect of expenditure relating to natural calamities, the expenditure shall not be treated as "New Expenditure" if the expenditure can be met from savings, however, such cases should be brought to the notice of the Legislature by specific inclusion in the next batch of supplementary demands.

60. To enable a proper and detailed examination by the Government, all proposals and schemes for 'new expenditure' should be submitted by the Heads of Departments or estimating officers to the administrative departments concerned of the Secretariat, through the usual channels, as soon as they are ready and should not be held up for being submitted towards the last date. The administrative departments will examine them thoroughly, both from the administrative and financial aspects, and recommend to the Finance Department only such of them as are not only administratively sound but also really essential and urgent. The proposals should reach the Finance Department in sufficient time and, in no case, later than the prescribed date, complete in all respects, to enable it to carry out proper examination and obtain such further information as may be considered necessary by it. The proposals or schemes which the administrative departments may have themselves to formulate must also be referred to the Finance Department very early. After the prescribed date, the Finance Department will be at liberty to decline to accept any proposals, whatever may be the reason for delay.

61. Every proposal or scheme involving new expenditure must be explained as fully and concisely as possible and its financial implications, both immediate and ultimate, as also the physical target clearly brought out. It should also be explained and shown distinctly whether the proposal forms a part of the development programme included in the Five Year Plan, and, if so, yearly allocation and ceiling fixed under the Plan should be specified. The estimates of cost should show the recurring and the non-recurring expenditure separately, by the major and minor heads, sub-heads, detailed heads and primary units of account. In the case of recurring expenditure and of non-recurring expenditure proposed to be spread 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 in reduction of expenditure indicated. Necessary details should be given as in Annexure-A to this chapter.

62. 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 actually be spent in a particular year. In the case of schemes to be taken up by stages or under a phased programme, the different stages and the expenditure expected to be incurred and the income anticipated, if any, at each stage should be indicated.

63. 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 the 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. Sometimes 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 buildings any of the existing buildings are likely to be rendered surplus, it should be indicated how they are proposed to be utilised.

64. Deleted

65. Proposals for starting of new undertakings, or of additional undertakings similar to those already existing, should give full financial and other details as well as the justification. In the case of the latter, the pattern and average cost of existing undertakings should be mentioned for comparison.

66. Proposals relating to sanction of loans or grants-in-aid to local bodies and other non-Government institutions, corporations, private parties and individuals, etc., should not be submitted to the Government until the admissibility of the loan or the grant-in-aid applied for in each case has been fully examined with reference to any 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.

67. It is quite possible that some schemes (both Plan and Non-plan) which are under implementation are not very useful to the public at large. A quick review has to be made to ascertain whether economy could be effected in those schemes so that cost thereon and staff could be utilized for more useful schemes. Preference will, therefore, be given to schemes of those Heads of Departments, who come forward with economy measures elsewhere.

It is better that new schemes are proposed well within time so that a thorough evaluation can be made. It is necessary that the practice of sending all the proposals together only in October – November is avoided.

68. 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.

69. After the Finance Department has examined the proposal and raised no objection to it, the administrative department will prepare explanatory note in such form or manner as may be prescribed by the Finance Department and send it to the Finance Department for being taken over.

No reference should ordinarily be made in the explanatory note to official correspondence. Each note should be signed by an officer of the department concerned not below the rank of Secretary.

70. In order to enable the Finance Department to check up the schedule of new expenditure and to avoid inadvertent omissions, each the administrative department will maintain a list of the items which have been examined and passed by the Finance Department, a separate list being maintained, with the various items arranged in order of priority, for each demand for grant/Charged Appropriation. A copy of each of these lists must be furnished to the Finance Department within a week after the last date prescribed, for accepting items of new expenditure has expired.

71. It must be carefully understood that the acceptance by the Finance Department of a proposal, item, or scheme of 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.

72. The instructions contained in the preceding paragraphs should be borne in mind also while dealing with proposals for new expenditure

arising in the course of the current year for which provision is required to be made through supplementary estimates.

Annexure-A**POINTS TO BE SPECIFICALLY LOOKED INTO BY THE CONTROLLING OFFICERS WHILE PREPARING PROPOSALS FOR ESTIMATES OF "NEW SERVICE / NEW EXPENDITURE"**

1. Is it very necessary to implement the scheme/ programme by the State Government given its limited resources?
2. Can the proposed scheme/ programme be not implemented by a non-government organization? If the scheme can be implemented by incurring less expenditure (that is, by giving grant-in-aid to a non-government organization) by a private/ non-government organization, it will reduce the burden of expenditure on the State Government.
3. The cost-benefit analysis of the proposed scheme/ programme be carried out also keeping in view the extent to which the proposed expenditure will result in economic/ social benefits.
4. Can the proposed scheme/ programme be taken up without incurring any additional expenditure by terminating some continuing scheme/ schemes?
5. What percent of the recurring expenditure on the proposed scheme/ programme is on establishment? How much expenditure on the capital side is estimated on the creation of assets and the basis thereof? Has the cost of the scheme been determined on the basis of some standards?
6. The departments should carry out "Zero-base review" of continuing schemes to ensure that items that have become irrelevant are not included. The departments should list savings thus estimated.
7. Have the projects/ schemes been prioritized, and whether such projects / schemes are proposed to be included in the budget as are financially and economically viable and which entail better returns? It is essential to avoid excessive multiplicity of schemes with same or similar objectives in the budget so that the resources are not thinly spread over such schemes. Such schemes may be dovetailed. (See para-206)
8. The concept of "Value for Money" should be borne in mind while assessing schemes.

**FORMAT FOR SUBMITTING BUDGET PROPOSALS
FOR "NEW SERVICE/ NEW EXPENDITURE"**

Department Financial Year

Grant No. and Name

Plan/ Non-Plan
(Amount in thousand rupees)

(A) Statement of Proposal

1. Name of the Scheme :
2. Description of the Scheme and its Objects :
3. Justification for the Scheme and the details of the alternatives considered :
4. (i) Description of the manner in which the scheme is proposed to be implemented including the mention of the agency through which the Scheme will be executed :
- (ii) Time schedule of the Programme and target date of completion :

(B) Financial Implications of the Proposal :

5. Total expenditure involved (Recurring and non-recurring to be shown separately), its broad item-wise details and year-wise phasing : Share of establishment expenditure in the total recurring expenditure be indicated (in percentage) :
6. If the creation of posts is required, the number of posts (Statement of pay-scales and staffing norms be attached) :
7. If the expenditure is on works; the broad details thereof, their justification and basis of estimates. Year-wise estimated expenditure on maintenance subsequent to the completion of work or/ and subsequent to the expiry of warrantee period (if any) on equipment / machines. :
8. Sources of Funds for the Scheme -
 - (i) Central Plan/ Centrally Sponsored Schemes -
Financing pattern be clearly mentioned. Position of funds receivable/ received from the Centre be clarified.

- (ii) Schemes funded by various Financial Institutions - Details be given according to (i) above
- (iii) Others - Details of funds expected to be received for the scheme through dovetailing by convergence with a view to optimum utilization of the resources.

(In case of the Scheme being a Central Scheme/ Centrally Sponsored Scheme or funded by a Financial Institution, the Central share or the share of the Financial Institution and the State share be given clearly)

- 9. Details of year-wise liabilities against the estimated cost of remaining works (including land-building, furnishings, machines, equipment, vehicle etc) of different programmes / projects / schemes be given in prescribed form. (Consolidated year-wise details can be given in Form B.M.-12A in respect of the works / schemes costing upto Rs. five crore, but individual works / schemes of more than Rs. five crore should be shown separately in Form B.M.-12B).
- 10. Other details required under the provisions of the Chapters - VIII and XIX of the Uttar Pradesh Budget Manual.
- 11. Classification of the proposed budget estimate according to Heads of Account-
(It should be clearly mentioned whether the proposed provision is for both, the Central share the share of the financial institution and the State share or for State share only)

Revenue Expenditure	:
	:
Total Revenue Expenditure	:
Capital Expenditure	:
	:
Total Capital Expenditure	:

12. Other Related Details

(C) Supplementary information, if any

(D) Points on which decision/ sanction are sought

Name of Section
File No.
Date

Signature
Principal Secretary/ Secretary of the
Administrative Department

CHAPTER IX

PREPARATION OF THE ESTIMATES AND THE BUDGET BY THE FINANCE DEPARTMENT

73. Finance Department's responsibility for preparing the Budget :

Under the rules made by the Governor under Article 166 (2) and (3) of the Constitution and the instructions issued thereunder, 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 estimates and the budget thus falls upon the Finance Department and it is solely the business and responsibility of that department to settle the estimates of receipts and disbursements.

74. Scrutiny of departmental estimates : On receipt of the departmental estimates (Ref: Chapter III), the Finance Department will scrutinise the estimates, item by item, with due regard to (a) the explanations furnished by the estimating officers, (b) the comments of the Accountant General and (c) the recommendations, if any, of the administrative departments concerned on the estimates submitted through them (Ref: para. 19 of Chapter III).

75. In respect of the estimates of receipts the Finance Department will take into account any special information affecting the estimates for the forthcoming year which it may possess and which has not already been taken into account by the estimating officer, the Accountant General or the administrative department.

76. 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 instance that it should be necessary for the Finance Department to make any modification in the estimates of recurring charges proper; it will nevertheless particularly examine the estimates under primary units related to salary , and if necessary, modify them on the basis of actuals of previous year. The Finance Department will scrutinise the estimates of fluctuating charges, item by item, and will excise 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, excising any amounts which are not covered by sanction and eliminating or reducing the estimates for the forthcoming year where there is no reasonable certainty that the amount estimated will be spent. It will also scrutinise and make such corrections as are necessary in the classification of receipts and disbursements (i) under the various major heads, minor heads and primary units of appropriation and (ii) under –

- (a) votable and charged,
- (b) revenue and capital,
- (c) plan and non-plan.

77. Enquiries by the Finance Department to be attended to promptly : 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 will normally address their inquiries to the administrative departments concerned of the Secretariat and the latter will furnish the required information after consulting their Heads of Departments, etc., where necessary. In cases where it is clear that the details will have to be obtained from the Heads of Departments and other estimating officers, the Finance Department may address their inquiries direct to the officers concerned and send a copy to the administrative departments concerned. Final action will, however, ordinarily be taken by the Finance Department only on the basis of the report received from the administrative department which should be full and clear. The required information must be furnished to the Finance Department within the time allotted 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 officers of the administrative departments concerned.

78. Compilation of Detailed Estimates by the Finance Department : 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 cause the estimate as so adopted to be compiled in the form it appears in the Detailed Estimates. 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 up any doubtful point. It must, however, be clearly understood that this is not obligatory and it is for the Secretary concerned to go through each departmental estimate received from the estimating officer before it is sent to the Finance Department.

79. Further scrutiny and submission of the estimates to the Council of Ministers : When all the departmental estimates have been settled and detailed estimates are complete in all respects, the Finance Department will re-examine the estimates as a whole and will make 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, together with the schedule of new expenditure and the connected explanatory notes, shall then be placed by the Finance Department before the Council of Ministers ordinarily in the second week of January. The Council may then consider questions of policy arising from the budget, such as fresh taxation, floatation 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 amounts for items thus selected shall be added under the appropriate demands for grants 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.

80. Last stage modification : 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 fulfilment of its responsibility to present the estimates as correctly as possible.

CHAPTER X

PRESENTATION OF THE BUDGET TO AND ITS DISPOSAL BY THE LEGISLATURE

81. Details of the Budget Literature - The Budget Literature, which is supplied to the Legislature, at present consists of six Volumes, namely –

Volume I – The Finance Minister's budget speech.

Volume II – This Volume is in two parts. The Part-I is the Finance Secretary's Memorandum on the Budget, containing a brief review of the State's finances as revealed by the actuals of the previous year and the revised estimates for the current year, and a brief review of the estimated receipts and detailed explanations for the variations in the estimates of expenditure for the budget year and also the undermentioned statements:

- (1) Introduction to the Budget
- (2) Review of Financial Position
- (3) Statement of Receipts into the Consolidated Fund
- (4) Expenditure to be made from the Consolidated Fund
- (5) Contingency Fund and the Public Account
- (6) Grant wise Statement of Gross and Net Expenditure
- (7) Statements to be presented under the provisions of the Uttar Pradesh Fiscal Responsibility and Budget Management Act, 2004

The Memorandum also contains annexures showing the total indebtedness of the State, the guarantees given by the State Government involving contingent liability on the Consolidated Fund of the State, the outstanding balances of loans and advances granted by the State Government, the balances in the various Reserve Funds including Depreciation Reserve Fund and Sinking Funds, analysis of interest payments, analysis of interest receipts, statement of grants-in-aid given to various institutions, statement of subsidies given by the State Government, statement of pension, gratuity and other retirement benefits, financial results of commercial departments (Irrigation) etc.

The Part-II of this Volume contains Standard Object-wise details of expenditure under each Grant/ Appropriation

Volume III – This gives a list of the new items of expenditure included in the estimates of the budget year with connected explanatory notes (See Chapter VIII).

Volume IV – This contains the estimates of receipts of revenue and capital accounts. Estimates of refunds, if any, under any head of receipts, are also shown.

Volume V – This contains grant-wise detailed estimates of expenditure. This volume may have number of parts on the basis of number of grants and the number of schemes.

Volume VI - This contains scale-wise description of posts of Government employees in different departments.

82. Procedure for presentation to and Disposal of the Budget by the Legislature - The procedure for the presentation of the Budget to the Legislature and for its disposal is regulated by the Rules of Procedure and Conduct of Business of the Legislative Assembly and the Legislative Council.

83. According to the Rules referred to above, the budget has to go through the following stages :

- (1) presentation to the Legislature,
- (2) general discussion,
- (3) voting on the demands for grants in the Legislative Assembly,
- (4) introduction, consideration and passing of the Appropriation Bill in the Legislative Assembly and its consideration thereafter by the Legislative Council, and
- (5) obtaining the assent of the Governor to the Appropriation Bill.

84. The Budget is presented to the Legislature ordinarily in the second half of February or early in March. 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 with the same speech read either by the Finance Minister himself or by some other Minister or member of the Government.

85. On days to be appointed by the Speaker / Chairman, but not earlier than two days in the case of the Legislative Assembly and three days in the case of the Legislative Council of the presentation of the budget, begins the general discussion in both the Houses of the Legislature on the budget as a whole or on any question of principle or policy involved therein. The number of days for such discussion in the Legislative Assembly allotted by the Speaker is ordinarily five days; while in the Legislative Council the number of days is allotted by the Chairman in consultation with the Leader of the House. No motion is to be moved, nor are the details of the budget to be discussed, at this stage further than is necessary to explain the general principles and policies of the budget. The Finance Minister has a general right of reply at the end of the discussion in both the Houses.

86. After the general discussion is over, the voting on 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 (generally in italics) and are not subject to vote but can nevertheless be discussed. There is usually one demand for grant in respect of each department, but the Finance Minister may include in any one demand grants proposed for two or more departments or make a demand for grant in respect of expenditure which cannot readily be classified under particular departments. Each demand for grant contains first a statement of the total amount required, followed with details arranged by Major Head(s) and Sub-Major Heads, Minor Heads, Sub-Heads, Detailed Heads and Primary Units of Appropriation. 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 to refuse to assent, to any demand, or to assent to any demand subject to reduction of the amount specified therein. Motions can be moved to reduce or omit any grant but not to increase or alter the destination of a grant. Notice of such motions is to be given not less than two days before the day appointed for the discussion of the demand for the 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 intended motion.

87. Appropriation Bill - After the voting on all the demands for grants has been completed, an Appropriation Bill is introduced 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. The Bill has to go before both the Houses, but being a Money Bill it originates in the Legislative Assembly. Article 204(2) of the Constitution prohibits the moving of any amendment to an Appropriation Bill which has the effect of varying the amount or altering the destination of any grant made by the Assembly or of varying the amount of any expenditure charged on the Consolidated Fund. After the Appropriation Bill has been considered and passed by the Legislative Assembly, it is transmitted to the Legislative Council for its recommendations. The Legislative Council is empowered to make recommendations and required to return the Bill, within fourteen days of its receipt, to the Legislative Assembly with or without any recommendations. The Legislative Assembly may either accept or reject any of the recommendations of the Legislative Council. If it accepts any of the recommendations, the Appropriation Bill is deemed to have been passed by both the Houses with the amendments recommended by the Legislative Council and accepted by the Assembly. If, on the other hand, it does not accept any of the recommendations of the Legislative Council,

the 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.

CHAPTER XI

SUBSEQUENT ACTION IN RESPECT OF THE BUDGET : COMMUNICATION AND DISTRIBUTION OF GRANTS

88. Communication of grants - As soon as the demands for grants included in the Annual Financial Statement have been voted by the Legislative Assembly and the payment from and the appropriation out of the Consolidated Fund of the State of the sums voted by the Assembly and the sums charged on that Fund have also been authorised by means of an Appropriation Act, the Finance Department will intimate the same to all the administrative departments of the Secretariat indicating at the same time whether the demands have been voted in toto, 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 will be responsible for taking necessary action immediately for communication of budget allotments to various Heads of Departments and other controlling officers under them. The allotments placed at the disposal of each such officer for expenditure, whether voted or charged, will be intimated by the administrative departments to the Accountant General also. The controlling officers or the Heads of Departments, as the case may be, and the administrative departments concerned of the Secretariat shall be responsible to ensure that the expenditure is kept strictly within the authorised 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.

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 the Finance 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.

89. Matter to be brought to the notice of the Accountant General - The Finance Department will supply copies of the Budget Literature 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 purpose. The Finance Department will also bring to the notice of the Accountant General any resolution or other motion which has been passed by the Assembly expressing direct disapproval of an expenditure on a specified purpose.

90. Deleted

91. Distribution of grants by Controlling Officers - 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 concerned who are subordinate to them in such manner as they may deem fit. In the case of supplies relating to the estimates which are consolidated by certain departments of the Secretariat, the necessary distribution of the grants amongst the various officers concerned will be made by those departments.

In distributing allotments care must be taken to intimate the allotments with complete accounts classification of each sum allotted, i.e., the major head to the standard object of expenditure. The controlling officer should compulsorily seek the advice of the Controller Finance before the distribution of the budget to sub-ordinate disbursing officers. The budget available at the disposal of controlling officer should not be allotted in too many instalments. If the budget put at the disposal of controlling officer needs to be allotted in a number of instalments, the reasons shall be recorded by the controlling officer on the allotment file/register. The Controller Finance shall maintain a budget control register on the Form B.M.-10. Every budget allotment is to be entered in the budget control register and duly signed by the Controller Finance. The allotment order shall bear the page number of the budget control register.

Note (1) - No distribution should generally be made of the appropriations under the heads 'Grant-in-aid' and 'Scholarships' where expenditure is watched by the Controlling Officer of the total grants against the State allotments, but there is no bar to controlling officer distributing the appropriations under these heads too among the various disbursing officers if he considers it necessary to do so in the interest of exercising efficient control over expenditure.

Note (2) - In respect of such items of expenditure as dietary charges in Jails, annual contributions, purchase of arms and ammunitions for the police force, purchase of uniforms, expenditure on special repairs and petty works, etc., 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.

92. Early action for communication of sanctions - It is necessary that the communication of sanctions and distribution 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 administrative departments should prepare necessary draft G.Os, etc. immediately after the connected demands for grants have been voted by the Legislative Assembly without waiting for the final passing of the Appropriation Act and the formal intimation of the budget allotment by the Finance Department. The draft should be referred to the Finance Department for concurrence, where this is necessary, and kept ready with fair copies for issue early in April.

93. Items provisionally approved by Finance Department -

Sometimes proposal 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 them in the Budget cannot be postponed. Pending the examination of all relevant details, provision for these items may be allowed to be included in the Budget as a special case. Such provisions are in a sense lump provisions although they are not to be treated as such and all such items must necessarily be examined thoroughly both in the administrative departments and in the Finance Department before expenditure sanction can be accorded. In fact such further examination should be started and completed well in time after the presentation of the budget so as to enable the administrative departments to issue the necessary orders as early as possible after the passing of the budget. The administrative departments should maintain a list of all such items and see that there is no delay in the issue of orders on this account.

94. Lump Provision - It has already been stated in para 31 of Chapter V that the working out of details for utilisation of lump provisions should be started immediately after the amounts have been finally included in the budget. After the details have been finally settled in consultation with the Finance Department, the administrative department shall obtain the approval of the Minister concerned and thereafter the approval of the Finance Minister and the Chief Minister. Only then the expenditure can be authorised by issue of necessary sanctioning orders copies of which should be supplied to the Accountant General under the signature of an officer of the Finance Department.

Provided that where the total amount of the project / scheme or of the service does not exceed Rs. one crore or where the amount is required for payment of a decretal amount, the approval of the Minister of Finance and the Chief Minister shall not be necessary.

Provided further that where the amount exceeds Rs one crore but does not exceed Rs. three crore, the approval of the Chief Minister shall not be necessary.

Provided also that any individual case may be submitted by the Finance Department to the Finance Minister and the Chief Minister if it presents any unusual features in the opinion of the Finance Department.

The administrative departments should submit a report to the Cabinet by 15th April of the ensuing year stating how the lump provisions were utilised.

This procedure will, however, not be necessary in respect. of lump provisions when the expenditure is regulated by standing sanctions, instructions or rules.

95. - Deleted

CHAPTER XII

WATCHING THE PROGRESS OF REVENUE AND RECEIPTS

96. Government dues to be assessed and realised regularly and promptly - Subject to any special arrangement that may be authorised by Government with respect to any particular 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 so much 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. (List of controlling officers is given in Volume-V of the Budget Literature)

If wrong credits come to the notice of the Controlling Officers, they should at once inform the Accountant General with a view to correction of the accounts. If any credits are claimed but not found in the accounts, inquiry 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 arrangement within the office to ensure the correct and complete report of receipts.

97. General instructions - The following instructions should be borne in mind :

(i) It is essential that the departmental controlling officer's account should not be compiled from returns prepared by the treasury. But the treasury officer 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 chances 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 and duly reconciled.

(iii) The collections should on no account be utilised for meeting any expenditure.

(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.

Note - The relevant rules in Chapter IV of Financial Handbook, Volume V part-1 should be consulted.

98. Irrecoverable dues - 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 reason, 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.

99. Credit to revenue by debit to suspense head not permissible -

Unless specially authorised by any rule or order made by competent authority, no sums may be credited as revenue by debit to a suspense head, the credit must follow and not precede actual realisation.

100. Submission of progress reports to the Finance Department -

The responsibility for keeping a proper watch on revenue receipts primarily rests with the Controlling Officers. The Accountant General, however, also keeps a watch and immediately reports to the Finance Department any large increase or falling off in those receipts. Any large differences that are likely to arise in actuals as compared with the estimates should also be reported by him as soon as reason arises for expecting them. He is required to submit to the Finance Department the preliminary actuals of receipts and outgoings of each month by the 15th of the following month. The Controlling Officer will maintain details in form B.M.3 and send the same form to the Finance Department and the Accountant General by the 10th of the following month.

101. Inter departmental adjustments - To ensure that all periodical adjustments between the various departments of the Government are properly and promptly made, the Accountant General should maintain records showing (1) all periodical adjustments that are usually required to be made, (2) the month's 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.

102. Recoveries from other Governments and the local bodies, etc. -

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

CHAPTER XIII

WATCHING OF ACTUALS AND CONTROL OVER EXPENDITURE

103. General Responsibilities of the Finance Department and the Accountant General - Under the rules made by the Governor under Article 166 (2) and (3) of the Constitution, the Finance Department is responsible for watching the Government's balances and their ways and means operations. The Accountant General is, therefore, required to furnish to the Finance Department a monthly account of the Government transactions in Form B.M. 14 by the 15th of the following month; and also a monthly grant-wise account (in 15 digit code) of expenditure.

The Accountant General warns the Finance Department immediately of the appearance of any appreciable excess in the proportionate outlay under any grant (or under any sub-head or primary unit of appropriation if so required by the Finance Department). He also reports any large differences that are likely in the actuals as compared with the estimates as soon as reason arises for expecting them.

104. Book adjustments and maintenance of liability register - 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 (i) all such adjustments, (ii) the month in the accounts of which they are to be made, and (iii) the actual dates of adjustments, and see that all such adjustments are so made. He also makes other adjustment 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 receipt 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 beforehand to provide for funds for these if necessary, by sanctioning an advance from the Contingency Fund.

A separate Liability Register in Form B.M.12 should be maintained by the disbursing officers in order to keep a proper watch over any liabilities and their timely clearance. The disbursing officer shall obtain statements in Form B.M.12 from all concerned offices for which he is working as drawing and disbursing officer. Information in that statement should be furnished to the Controlling Officer by 15th April of the ensuing year. The controlling officer shall maintain register of liabilities of works / schemes costing upto Rupees five crore in Form B.M.12A and that of works / schemes costing more than Rupees five crore in Form B.M.12B.

The Controlling Officer shall send statements on the aforesaid forms to the Administrative Department, the Finance Department and the Accountant General by the 15th May of the ensuing year.

It must, however, be carefully understood that if the reasons are not sufficient to create liability, the responsibility should be fixed on the official at fault.

Note : The aforesaid limit of Rupees five crore may be enhanced by the Finance Department whenever it is felt by that department to do so.

105. Responsibility of the Administrative Departments and the Heads of Departments etc. - 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 in 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 and controlling and disbursing officers, except where the Finance Department may have agreed in writing to some other procedure. The Heads of Departments will be responsible for controlling expenditure from the grant or grants or charged appropriations placed at their disposal and will exercise control through the controlling officers, if any, and the disbursing officers subordinate to them. Such control must be exercised with reference to the grants or charged appropriations as they stand from time to time. 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.

106. Re-examination of expenditure programme with reference to the sanctioned grants - As soon as the grants have been communicated by the administrative departments to the Heads of Departments, etc., the first duty of these officers is to compare carefully the amounts actually provided for expenditure in these grants with the amounts which had been proposed in the departmental estimates. A note must be taken at once 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 the administrative departments and their subordinate officers to start incurring expenditure without first carefully re-examining the position with reference to the amounts actually provided.

107. Responsibilities of Controlling Officers - For every grant there is usually one controlling officer, but in respect of certain grants there may be more than one (See Vol. V of Budget literature). The duties and responsibilities of a controlling officer briefly are:

- (i) to ensure that the grant placed at his disposal is expended only on the objects for which it has been provided, keeping in view the standards of financial propriety [see para 12 (iii) of Chapter I];
- (ii) to keep the expenditure within the sanctioned grant;
- (iii) to keep the expenditure under a particular unit of appropriation within the sum allotted to him 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 through re-appropriations, in accordance with the rules contained in Chapter XIV;
- (iv) to move the competent authority, in proper time, to provide additional funds, either by re-appropriation 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 lapses or savings are foreseen;
- (vi) to ensure the observance by himself and his subordinates of all financial rules and regulations.

108. Responsibilities of disbursing officers - The responsibilities mentioned above of a controlling officer attach equally to a disbursing officer. In addition, a disbursing officer must ensure 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 charge fully have been placed at his disposal. The probability of any excess expenditure over the amounts allotted must be foreseen by him and 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.

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

109. Conditions for appropriation out of allotments - The Heads of Departments and the subordinate authorities to whom they have distributed allotments under particular units of appropriation, have, subject to any general or special orders, full powers to appropriate sums to meet sanctioned expenditure falling under these units, provided that -

- (a) an allotment for 'charged' expenditure must not be appropriated to votable expenditure and vice versa ;

- (b) an allotment must not be appropriated for any item of expenditure which is not covered by sanction, either general or special ;
- (c) an allotment be appropriated only for the objects for which it is sanctioned ;
- (d) no expenditure must be incurred without the previous approval of competent authority on an object the demand or the provision for which has been specially reduced by Government; and
- (e) an allotment must not be appropriated to increase the amount in any grant and specified standard object.

110. Appropriation, its meaning and operation - It will be noted that 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 account of that year. When a provision is originally proposed in the departmental estimate, or when an application is made subsequently, in the course of the year, for additional appropriation, the amount asked for should , therefore, be inclusive of 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. The accounts of each financial year are, however, kept open till June of the following year so that, as far as possible, all the transactions of the year may be entered in the accounts of the year. If it is not possible for any expenditure to be booked in the accounts of the year to which it relates 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.

111. General system of control - To facilitate control, departmental accounts are maintained by controlling officers and the progressive actuals are verified every month with those entered in the books of the Accountant General, except in the case of the departments and the account heads mentioned in paras 128-129 infra the control over expenditure on which is based on the progress of actuals as reported by the Accountant General.

Note - The controlling officers given in Vol. V of Budget Literature should reconcile their accounts on month to month basis against the accounts maintained by the Accountant General . The Accountant General will, in fact, be acting not as an audit officer but merely as an agent of Government for keeping the record of expenditure.

112. Maintenance of register of allotment and expenditure by disbursing officers - Each disbursing officer will maintain a register of expenditure under each detailed head of account with which he is concerned in Form B.M. 4. Separate registers should be maintained for the Plan and non-Plan expenditure. The allotments communicated by the controlling officer at the beginning of the year will be noted in this register in red ink under each detailed head. Should the allotment against any

standard object 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 of expenditure 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 cashed at the treasury under the appropriate standard object together with the number and date of each voucher on which money has been drawn. The number and date of each voucher will be known from the reconciliation statement provided by the treasury officer in Form B.M.5. If the reconciliation statement is not provided, the number and date of the voucher can be filled in later when it is received. At the end of each month the expenditure against each standard object will be totalled. The total expenditure will, at the same time, be deducted from the allotment shown in relevant column of the register in Form BM 4 and the balance brought forward to the account of the next month.

The disbursing officer will also maintain budget control registers in Form B.M.11 (Part I and Part II).

113. Procedure for presentation of bills at the treasury - Whenever a disbursing officer presents a bill at the treasury he should enter in the bill the complete account classification of the proposed expenditure, from the major head down to the primary unit of appropriation, and also indicate whether the expenditure is 'charged.' With a view to distinguishing expenditure relating to Plan from the non-Plan expenditure, the words 'Plan' or 'non-Plan' should be clearly written on top of the face of the treasury bill. The "Code" prescribed for different classification of heads of account, source and sector of fund should be correctly entered in the bill.

The Drawing and Disbursing officer must obtain reconciliation statement in Form B.M.5 (in triplicate) duly signed by the Treasury Officer by the 5th of the ensuing month and reconcile every drawal (voucher) from the treasury. The reconciliation statement must contain voucher number, date, grant number and all levels of heads of accounts including the standard object of expenditure.

114. Grants-in-aid and contributions : Unless in any case the Government direct otherwise, all bills for grants-in-aid and contributions are prepared and vouched for by the grantees and presented for payment through some responsible Government Officer after they have been countersigned by him. The Treasury officer shall refuse payment of all bills which do not bear the signature or countersignature 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 requiring the signature or countersignature of a government officer. This procedure will not, however, apply to the cases wherein 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. The officer who is authorised to sign such bill must reconcile the drawals from the treasury and send it to controlling officer or administrative department like any other voucher being shown in the register in Form B.M. 4.

115. Prompt availability of reconciliation statement - The submission of monthly statements of expenditure by the disbursing officer to the controlling officer and by the latter to the Accountant General, prescribed in the subsequent paragraphs, should not, however, in any case be delayed on account of any delay in receiving the reconciliation statement. Should the reconciliation statement made available by the Treasury Officer show missing any of the drawals made by the disbursing officer, the latter should promptly inform the Treasury Officer and ask him to furnish the voucher numbers and dates thereof.

The above instructions must carefully be noted and strictly complied with, as the procedure is intended to facilitate prompt detection of fraudulent drawals and interpolation in the bills and prevent the inclusion in monthly cash totals of bills which were not presented by the disbursing officer. The disbursing officer must return a signed copy of the reconciliation statement received from the treasury indicating discrepancies, if any. The object of reconciliation will be defeated if there is no return of reconciliation statement.

The controlling officer will, for those parts of the budget allotment which he retains himself, adopt the same procedure as prescribed for the disbursing officer, i.e. he will keep registers of expenditure and liabilities in the same manner and form as a disbursing officer.

116. Submission of monthly statement of expenditure by disbursing officer to controlling officers - On the fifth day of each month, each disbursing officer must submit to the controlling officer concerned statement of expenditure in respect of the previous month in Form B.M. 4 being a copy of his register in this form. In statement in Form B.M.4, the numbers and dates of the treasury vouchers against those entries in respect of which reconciliation statement has been received by him from the treasury should be filled and the reconciliation statement attached to it. The wanting reconciliation statement, if any, should follow, as early as possible with the voucher numbers and dates of passing, on their receipt from the Treasury Officer. If there be nothing to report for any month, a nil statement should be sent. Treasury should supply the reconciled drawal statement to disbursing officer as early as possible .

If any error in classification is discovered before the monthly statement of accounts is submitted to the controlling officer, the statement should be corrected by the disbursing officer. If the statement has already been submitted, the mistake should be set right by means of a clear explanatory footnote in the next statement.

117. Receipt and check of the monthly statements by the controlling officers - In order to watch the receipt of the monthly returns referred to above, the Controlling Officer / Head of Department shall maintain a checklist in Form B.M.13 in which a serial number will be allotted to each individual disbursing officer. This checklist shall be kept up-to-date and reminders issued promptly if any statements are not received in time.

On receipt of the monthly statements of expenditure and liabilities from the disbursing officers, the controlling officer should carefully examine each statement and satisfy himself that-

- (i) the accounts classification has been correctly given (this will appear from the heads shown in reconciliation statement) ;
- (ii) progressive expenditure has been properly noted and the available balances correctly calculated;
- (iii) the new liabilities shown, if any, have been incurred under proper authority;
- (iv) the expenditure plus the liabilities up-to-date are within the appropriation;
- (v) the statement has been signed by the disbursing officer himself; and
- (vi) reconciliation statement has been attached by the disbursing officer or has been received direct by the controlling officer himself from the treasury.

If the controlling officer finds any defects, he shall take immediate steps to have them rectified.

118. Maintenance of registers of expenditure by the controlling officer - The Controlling Officer shall maintain register of expenditure in Form B.M.6. This register will contain the same details columns as given in Form B.M.4, and will be compiled in a similar manner, except that this will contain only the monthly totals, as reported by the disbursing officers, of expenditure under each primary unit of appropriation. In this register a separate page will be allotted for each disbursing officer.

119. The controlling officer shall also maintain another register in Form B.M.7 in which he will consolidate the statements of monthly expenditure received from his disbursing officers with his own monthly expenditure. 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 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 expenditure debited to the grant through 'accounts current', i.e., expenditure incurred in another state or in a Union Territory and communicated to the Accountant General by the authorities of that State or the Union Territory for inclusion in the accounts of this State. If any adjustment communicated by the Accountant General affects the appropriation at the

disposal of a subordinate disbursing officer, the fact that it has been made should be communicated immediately by the controlling officer to the disbursing officer concerned.

120. Watch over important but occasional items of expenditure -

The controlling officer shall keep a separate and careful watch on occasional but important items of expenditure (e.g., purchase of uniforms and arms and ammunition for the police force, equipment and medicines for hospitals and dispensaries and food grains, etc., for jails). 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 in his hands and direct the disbursing officers to apply for allotment when they wish to incur expenditure. In other cases he may distribute allotments and merely ask the disbursing officers to report the expenditure, as soon as they incur it, separately from the monthly accounts of other expenditure. Whatever method he adopts, it is essential that he should keep himself fully informed from time to time not only of the expenditure already incurred but also of the liabilities incurred which have to be met out of the sanctioned grant.

121. Watch on the general progress of expenditure - If the controlling officer finds at any stage that the expenditure is progressing too rapidly, he should promptly take such steps as he considers necessary to restrict further expenditure so that the sanctioned grant is not exceeded.

122. Review of the monthly progress of expenditure by the Administrative Department and the Finance Department - In order that the administrative departments of the Secretariat and the Finance Department may be able to review the monthly progress of expenditure, each controlling officer should prepare a statement in Form B.M.8 and forward it to the Departmental Secretary and the Finance Secretary by the end of the month following that to which the expenditure relates. As regards the heads of account directly controlled by a Departmental Secretary, the statement should be prepared in the Secretariat and sent to the Finance Secretary. The figures of actual expenditure shown in this statement should contain only the departmental figures. Reconciliation of figures with the accounts maintained by the Accountant General, referred to in the following paragraphs, takes a little time and it will serve the purpose if the month up to which reconciliation with the Accountant General's figures has been completed is indicated in a note appended to the statement. The Departmental Secretary shall satisfy himself that the explanation for the variation in each case is adequate and proper and take such steps as he may deem necessary to remove the causes for shortfalls or excesses over allotments.

123. Submission of monthly statement of expenditure by the controlling officer to the Accountant General - The controlling officer shall send to the Accountant General each month a statement showing the departmental totals of expenditure under each primary unit of appropriation, that is, a copy of the entries in the register in Form B.M.7. This statement shall be prepared and forwarded so as to reach the Accountant General by the 20th of the month following that to which the

accounts relate. It should be accompanied by the disbursing officers' statements, in original, from which the monthly account has been compiled.

124. Reconciliation of department figures of expenditure with the booked figures in the office of Accountant General - The Accountant General shall check the statement referred to above with the amounts booked in his office which will be based on the vouchers received direct from the treasuries and the accounts received from the accounting officers of other states or Union Territories. The controlling officer and the Accountant General shall be jointly responsible for the reconciliation of the figures given in the accounts maintained by the controlling officer with those which appear in the Accountant General's books and for correcting misclassifications. The responsibility of the Accountant General shall, however, be subject to the limitations placed on him under provisions of the Comptroller and Auditor - General's (Duties, Powers and Conditions of Service) Act, 1971 and the rules and regulations made thereunder (Appendix-III). The variations, if any, between the departmental and the Accounts Office figures or in the classification, noticed by his office, will be communicated by the Accountant General to the controlling officer along with the numbers and dates of related vouchers. The controlling officer will pass them on to the disbursing officers concerned with necessary orders for correction which should be made by entries in the remarks column against the item reclassified and a plus and minus entry in the register, where it is open thus: "Adjustment on account of misclassification in voucher no. dated". The controlling officer shall 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.

125. Objects of reconciliation - The reconciliation of departmental figures with the booked figures in the office of the Accountant General has two objects viz.

- (i) to ensure that the departmental accounts are sufficiently accurate to secure efficient departmental financial control, and
- (ii) to secure the accuracy of the accounts maintained in the Accounts office from which the final published accounts are compiled.

126. Discrepancies up to certain limits to be ignored - In view of the very considerable amount of labour which would be involved in a complete reconciliation of the two sets of figures, which would not be commensurate with the results obtained and also in pursuance of the instructions issued by the Comptroller and Auditor-General to the effect that the reconciliation of discrepancies should not be more minute than is necessary to attain the two objects mentioned above, a difference in progressive expenditure under a minor head to the extent of three per cent of the progressive allotment for that head or Rs. 2,000, whichever is less, may be ignored, provided that the allotment under no primary unit of appropriation subordinate to that minor head is exceeded. If the

expenditure under any primary unit of appropriation suggests the possibility of an excess, the figures should be examined in detail and discrepancies reconciled so as to bring them within the permissible limit.

The above relaxation shall not, however, apply to the reconciliation of figures relating to disbursement of loans for which there should be a cent percent reconciliation of the departmental figures with these booked in the Accounts office.

127. Reconciliation of figures by personal contact - 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. If on any occasion the controlling officer finds that observance of the procedure prescribed in paragraphs 123 and 124 is leading to protracted correspondence and causing undue delay in effecting a complete reconciliation, he may 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 reconciling discrepancies by personal discussion and verification. The staff so deputed should have papers proving their identity and a letter of authority signed by the controlling officer himself. They should take with them requisite records 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 will then be prepared in triplicate in two columns bearing the stamp of the office of the Accountant General, 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. One copy will be made over to the departmental staff and the other sent by post to the controlling officer concerned by name in a closed cover, with an endorsement signed by a gazetted officer of the Accounts Office to the effect that the mistakes, misclassifications and omissions on the part of the departmental officers may be corrected and an intimation of compliance sent to the Accounts Office within a fortnight. On the authority of this statement, which should be seen by him personally, the 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. The procedure mentioned above is intended to reduce the volume of correspondence and to expedite reconciliation.

128. Separate procedure for certain departments - The general procedure does not apply to the Remittance Departments, e.g. Forest, Public Works, Irrigation, Rural Engineering Service, Minor Irrigation etc. except in the case of drawals from treasuries to meet establishment expenditure.

(Special rules and procedure applicable to the Forest Department are detailed in Chapter XII of Financial Handbook, Volume VII while those applicable to Engineering Departments are contained in Chapter XXV of Financial Handbook, Volume VI).

129. Expenditure controlled by Secretaries to the Government - The secretariat level Drawing and Disbursing Officers are also supposed to prepare the statements prescribed for Drawing and Disbursing Officer as well as Controlling Officers. The cheque sections [Governor's Secretariat, Vidhan Parishad, Vidhan Sabha and IRLA (Individual Running Ledger Account)] also render their accounts to the Accountant General.

130. Functions of the Administrative Departments : The functions of the administrative departments of the Government in respect of control of expenditure (except in those cases in which the expenditure is controlled by Secretaries to the Government) are generally supervisory, and it is undesirable that they should assume any of the direct responsibilities which devolve properly on the controlling and disbursing officers. They will, however, either on the report of any Head of a Department subordinate to them or at the instance of the Finance Department or the Accountant General or on their own initiative, take any action which maybe necessary in the general interest of economy or to check extravagance or to obviate excesses over allotments. They will also take action, when necessary, to restrict expenditure and to investigate the causes of extravagance and excess and also to mete out suitable punishment, after observing proper procedure, to the officials found to be at fault, to prevent the recurrence of any irregularity or impropriety in expenditure.

131. Deleted

132. Procedure for dealing with anticipated excesses - When on an examination of the monthly statement of expenditure of a disbursing officer, or on a separate report received from the disbursing officer himself, it appears that the allotments placed at his disposal need readjustment or supplementing, the controlling officer should proceed as follows :

- (i) He should, in the first place, examine the allotments made to other disbursing officers under the same unit of appropriation and transfer to the disbursing officer who requires additional allotment such sums as can be spared, informing the disbursing officers whose allotments are so reduced. The disbursing officers concerned shall personally ensure that the allotment is reduced accordingly by the Treasury Officer.
- (ii) Should he find such re-distribution impossible he should examine the allotments against other units of appropriation with the object of discovering probable savings and effecting a transfer. He should obtain the sanction of the competent authority for re-appropriation.
- (iii) If provision of funds from within the same unit of appropriation proves to be impossible, an examination of the whole grant placed at his disposal should be undertaken to see whether there are likely to be savings under any of the other units of

appropriation. If such savings are anticipated, he should proceed as indicated in clause (ii) above.

- (iv) If savings are not available, it should be examined whether special economies can be effected or whether the excess should be met by postponement of expenditure on unessential or less urgent items.
- (v) If none of the methods indicated above is feasible, an application for additional funds should be made to the Government in administrative department concerned which will, if necessary, move the Finance Department for provision of additional funds by re-appropriations or through the supplementary estimates. Normally, an application for a supplementary grant will not be entertained by the Government unless the anticipated excess is due to causes beyond the control of the authority concerned and funds cannot be found by any legitimate postponement of expenditure for which provision already exists in the budget or the expenditure in question cannot be postponed.

CHAPTER XIV

SAVINGS IN APPROPRIATIONS, EXPENDITURE NOT PROVIDED FOR IN THE BUDGET - RE-APPROPRIATIONS, SUPPLEMENTARY ESTIMATES AND EXCESS GRANTS

133. The payment from and the appropriation out of the Consolidated Fund of the State and the sums voted by the Legislative Assembly and the sums charged on that Fund are specified in the Schedule to the Appropriation Act which authorises the appropriation of these sums for the 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 contained in the Volume 'Detailed Estimates and Grants' as finally passed by the Legislature.

134. 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 due to any administrative reason, resulting in savings. Subject to certain restrictions and limitations mentioned hereafter, the savings available under certain heads can be re-appropriated to meet requirements for additional funds under other heads within the same Grant or the Appropriation concerned. The further savings if any, 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 re-appropriations and resumption of savings must be completed before the close of the year. The rules relating to these are contained in Sections I and Section II of this Chapter.

135. Circumstances may sometimes arise on account of which the amount authorised for expenditure in a year may be found to be insufficient for the purposes of that year or a 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 Section III of this Chapter.

136. Sometimes a need may arise for incurring unforeseen expenditure of an urgent nature before it can be approved by the Legislature. In such a case, an advance may be sanctioned from the Contingency Fund,

established under the Uttar Pradesh Contingency Fund Act 1950, for meeting such expenditure pending its authorisation by the Legislature through an Appropriation Act. The Uttar Pradesh Contingency Fund Act and the rules framed thereunder are reproduced in Appendix IV.

137. If after the close of the year it is revealed, through the Appropriation Accounts, that any expenditure was incurred under any Grant or Charged Appropriation in excess of the total final appropriation for that year under that Grant or Charged Appropriation, the excess expenditure should be regularised, on the basis of the recommendation of the Committee on Public Accounts, by presenting to the Legislative Assembly demands for excess grants as required under Articles 205 (1) (b) of the Constitution. Incurring of unauthorised 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 Section IV of this Chapter.

SECTION - I

SAVINGS IN APPROPRIATIONS

138. The progress of expenditure month by month and careful assessment of the commitments and liabilities for the remaining part of the year may indicate savings in the appropriations shown against the several minor or sub-heads in the detailed budget estimates and grants. The savings may be due to various reasons.

139. All savings anticipated by the controlling officers should be reported by them with full details and reasons to the administrative departments concerned of the Secretariat immediately they are foreseen, unless these are required to meet anticipated requirements for additional funds under some other heads within the total allotment under the same grant / appropriation placed under their control. No amount out of the savings should be held in reserve for meeting additional expenditure not definitely foreseen or already approved by the competent authority. Except as provided under paragraph 142, the administrative departments should intimate such of the savings reported by the controlling officers as may not be required by them to the Finance Department which will resume the savings. Savings so resumed will be re-allotted by the Finance Department, if necessary, when dealing with applications for re-appropriations or supplementary grants or appropriations.

140. Every controlling officer must furnish the final statement of excesses and savings in Form B.M. 2 (Part - II) which should reach the Finance Department, through the Administrative Department concerned, not later than 25th January. Where a Secretary to Government is the controlling officer, the statement should reach the Finance Department by 15th January. The disbursing officers or district level officers should prepare the aforesaid statements on the basis of expenditure up to December and furnish to controlling officer latest by January 5. These statements should be prepared with utmost care, as inaccurate statements may lead to uncovered excess expenditure or unsurrendered savings both of

which constitute a financial irregularity – the former a more serious irregularity. The administrative departments will prepare their proposals for re-appropriations or surrenders of savings on the basis of those statements. The savings surrendered will be in addition to those surrendered earlier in accordance with the provisions of the preceding paragraph. The disbursing officer will intimate and send the copy of the details of all surrenders to the concerned Treasury Officer. The Treasury Officer shall reduce the allotment accordingly.

141. It must be carefully noted that no amount out of the savings reported in the final statement shall subsequently be utilised by the controlling officer without the prior approval of the Finance Department. Savings coming to notice after the dispatch of the final statement should be reported separately as soon as possible. All final savings must be surrendered to the Finance Department by 25th March. 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 are not able to accept such surrenders.

142. In the Public Works, Irrigation and other Remittance Departments, anticipated savings in the budget grants should also be intimated to the Finance Department. The above mentioned departments will keep a note of the savings, distinguishing between lapses and savings, and ask the disbursing officer concerned not to utilize these savings without prior approval.

143. If the appropriation under a unit is reduced either due to resumption of savings or by re-appropriation of funds made from it to some other unit, it is the duty and responsibility of the controlling officer to see that the expenditure debitible to that unit is kept within the reduced appropriation.

144. Savings should be surrendered to the Finance Department in multiples of Rs. 1000. Lesser amounts are not required to be surrendered .

145. A copy of each order resuming savings will be furnished by the Finance Department to the Accountant General.

146. Registers shall be maintained in form BM-2 (Part II) in the administrative department and the Finance Department to keep a record of the savings resumed by the Finance Department. The amounts re-allotted for re-appropriation out of the savings resumed earlier will also be noted in the register.

SECTION - II
RE-APPROPRIATIONS

147. 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 of appropriation. Transfer of funds from one unit to another, however, some times becomes unavoidable.

148. The appropriation audit is conducted by the Accountant General. Transfer of funds from one primary unit to another will constitute the smallest unit of re-appropriation.

149. Deleted

150. Re-appropriation is permissible only when it is known or anticipated that the appropriation for the unit from which funds are diverted will not be utilised in full or that savings can definitely be effected in it. It is both objectionable and irregular to sanction a re-appropriation 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.

151. Re-appropriations where not permissible: Re-appropriations are not permissible -

- (i) from one Grant/Appropriation to another
- (ii) from the Charged to the voted section or vice versa ;
- (iii) 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 service by transferring it from the existing section to any other section;
- (iv) to provide for new expenditure, whether voted or charged (for explanation of the expression "new expenditure" see Chapter VIII);
- (v) to increase or provide for the expenditure on an item the provision for which was specifically reduced or disapproved by the Assembly either through a substantive or a token cut; and
- (vi) after the close of the financial year.

152. Recoveries not to be taken into account : As the demands for grants, whether original or supplementary, placed before the Legislature are for gross expenditure without taking into account deductions on account of recoveries, credits on account of recoveries of expenditure must be ignored for the purposes of sanctioning re-appropriation of funds or obtaining supplementary grants.

153. Re-appropriations should invariably be in multiples of Rs. 1000. Petty additional requirement below these limits under any particular sub-head should be collected by the controlling officer or other subordinate officer concerned by inclusion in a consolidated re-appropriation application in respect of that sub-head and the disbursing officers concerned should be informed that the requirements would be included in a consolidated re-appropriation order to be issued in due course before the close of the year.

154. Powers to sanction re-appropriation : Subject to the restrictions mentioned in para 151, Finance Department shall have the powers to sanction any re-appropriation within a grant from one major, minor or subordinate head to another. Provided that the Planning Department shall be consulted before sanctioning any re-appropriation which has the effect of increasing the ceiling for a Plan scheme allotted by that department for a particular financial year.

155. Deleted.

156. While submitting proposal for re-appropriation to the Finance Department, the administrative department concerned should also explain if -

(a) re-appropriation involves undertaking a recurring liability, that is, a liability which extends beyond the financial year in question;

(b) a certain part of the provision for a new service, scheme or item of expenditure is to be utilized (this provision should ordinarily be utilized for the purpose for which it was included in the budget);

(c) re-appropriation is sought to meet an item of expenditure which has not been sanctioned by the competent authority;

(d) re-appropriation involves transfer of funds on original works which will increase the maintenance charges in future.

157. Deleted

158. Instructions for preparing applications for re-appropriations : All proposals for re-appropriations should be submitted to the Finance Department in the prescribed form (Form B.M. 9 Part I). The reasons for the original appropriation proving insufficient, as also those for the anticipated savings which it is proposed to utilise, should invariably be explained fully and clearly in each application item by item. Registers in Form B.M. 9 (Part II) shall be maintained in the administrative departments and Finance Department to keep a record of the re-appropriations sanctioned.

159. Procedure for submitting applications : All applications for re-appropriations should be numbered and dated. They should be signed by the applicants and be submitted in quadruplicate to the administrative department of the Government which administers or controls the grant or the appropriation concerned. The administrative department concerned shall refer the proposal to the Finance Department with its

recommendations. While submitting the applications, the officers will furnish a certificate similar to that mentioned in paragraph 160 below. As far as possible, all such applications requiring action in the Finance Department should reach that Department by 20th March.

160. Communication of sanction to Audit : Copies of all orders sanctioning re-appropriations issued by the administrative department / Finance Department should be supplied to the Finance Department and the Accountant General and should invariably be accompanied by a certificate that the re-appropriations sanctioned do not infringe any of the restrictions or the limitations specified in paragraphs 150 and 151. The certificate shall be recorded on the body of each re-appropriation order.

SECTION - III

SUPPLEMENTARY ESTIMATES

161. A supplementary grant or appropriation is in addition to the total authorised 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.

162. 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 Appropriation Act for the year, even though it can be met wholly or in part by re-appropriations within the amount authorised under the grant or 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. 1000 or the amount actually required, as the case may be, should be included in the supplementary statement of expenditure, while in cases falling under clause (iii) only a token sum of Rs. 1000 need be included.

163. If a supplementary estimate is for increased provision in respect of a sanctioned object, the authority concerned should show :

- (a) that the need for the increased provision could not be foreseen at the time when the original departmental estimate was framed, and

- (b) that in the absence of such provision injustice would be caused to some person not at fault, or serious inconvenience or serious loss or damage would be caused to the public service.

A supplementary estimate for increased provision will not be presented unless condition (b) is fulfilled. Failure to fulfil condition (a) [whether condition (b) is fulfilled or not] is a financial irregularity and may involve a report to the Committee on Public Accounts.

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

- (a) that the expenditure has been newly imposed by statute, or by order of a court of law, or other competent authority ; or
- (b) that urgent necessity has arisen for the proposed expenditure the postponement of which would (i) involve extra expenditure ultimately, or (ii) be administratively impossible or would be against any accepted policy.

The Finance Department must necessarily agree to the presentation of supplementary estimate in case (a), while in case (b) its presentation will depend on the urgency of the proposed expenditure.

165. The principles enunciated in paragraphs 163 and 164 apply also to an application for a supplementary estimate in respect of any demand to which the Assembly has previously refused its assent or the amount of which the Assembly has reduced either by a reduction of the whole grant or by the omission or reduction of any of the items of expenditure of which the grant is composed.

166. The primary responsibility in regard to proposals for supplementary grants or appropriations rests on the controlling officer who should explain clearly in each case not only why a supplementary grant or appropriation is required but also why the need could not be foreseen at the time when the original budget estimates were framed. In explaining the proposals, it should be clearly explained in detail whether specific conditions as prescribed under para 163 or 164, as may be relevant, are strictly fulfilled. If it is under clause (b) of para 164, the authority concerned should explain the necessity and the urgency of the proposed expenditure and also why it is not administratively possible to postpone it. Greatest care should, therefore, be 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 on the Appropriation Accounts which will come up before the Legislature and the Committee on Public Accounts in due course.

167. Proposals for supplementary grants or appropriations should be submitted by the controlling officers to the 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 sanctioning re-appropriations of funds. If the supplementary grant or appropriation is required under para 163 and if savings resumed by the Finance Department under the Grant or the Appropriation concerned are available for re-allotment, that department will, if convinced of the necessity for the supplementary grant or appropriation, sanction it by re-appropriation from these savings. If there are no such 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 utilised by that Department in reducing the supplementary estimate under that grant or appropriation required under para 164 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 in part by re-appropriation of savings.

168. 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 the future years also, that should also be clearly mentioned and estimates given. All applications for supplementary grants or 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.

169. On the passing of the Appropriation Act pertaining to the supplementary statement of expenditure, the Finance Department will communicate to the administrative departments concerned and also to the Accountant General the amounts included in the Act under the several grants or appropriations. The administrative departments should take immediate steps to communicate the additional grants and appropriations to the subordinate authorities concerned and also to issue, where necessary specific orders sanctioning the incurring of additional 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 through the Finance Department (except where the administrative departments are competent under the delegated powers to issue such sanctions without reference to the Finance Department after necessary funds have been provided in the

budget) . The administrative departments should also take steps to have the necessary re-appropriations sanctioned as early as possible in those cases in which the additional expenditure was proposed to be met wholly or in part from savings.

Instructions given in para 92 apply mutatis mutandis in respect of supplementary grants or appropriations.

170. Deleted

SECTION - IV

EXCESS GRANTS AND APPROPRIATIONS

171. 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 Legislative Assembly and is to be dealt with in the same way as if it were a demand for a grant.

172. 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 regularise expenditure incurred in excess of the grant made in a past year. 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.

173. The same principles and procedure apply to an excess in the total appropriation for charged expenditure under the heads of accounts included within a grant or under the separate charged appropriations : the only difference being that an excess in respect of charged expenditure does not require the vote of the Assembly.

CHAPTER XV

FINANCIAL IRREGULARITIES

174. The incurring of expenditure by Government officers is governed by the following essential conditions :

- (1) that there should be provision of funds authorised by competent authority fixing the limits within which expenditure can be incurred ;
- (2) that the expenditure incurred should conform to the relevant provisions of the Appropriation Act, the Constitution and the laws made thereunder and should also be in accordance with the financial rules and regulations framed by competent authority ;
- (3) that there should exist sanction, either special or general, accorded by competent authority, authorising expenditure ; and
- (4) that the expenditure should be incurred with due regard to broad and general principles of financial propriety [see para 12 (iii) of Chapter I].

It is difficult to define exactly and comprehensively the meaning of the term "financial irregularity." But a large majority of financial irregularities fall under one or the other of the following categories. The list is only illustrative and is not exhaustive :

- (1) Excess over a grant voted by the Assembly or over a charged appropriation.
- (2) Defective or inaccurate budgeting, necessitating large surrenders or resulting in excesses.
- (3) Defective control of expenditure resulting in -
 - (a) unnecessary or excessive supplementary grants,
 - (b) unnecessary or excessive re-appropriations,
 - (c) injudicious re-appropriations and surrenders, causing excess over allotments,
 - (d) unspent and unsurrendered appropriations,
 - (e) unremedied or uncovered excesses, and
 - (f) late allotments.
- (4) Misclassification of expenditure.
- (5) Re-appropriations which are not made in accordance with the rules in this Manual or which have the effect of increasing expenditure on an item the provision for which has been specifically reduced by a vote of the Legislative Assembly.

- (6) Expenditure on a service not covered by a vote of the Assembly, unless the requisite funds have been arranged by obtaining an advance from the Contingency Fund before incurring expenditure.
- (7) Expenditure incurred without sufficient sanction.
- (8) Expenditure incurred without allotment of adequate funds.
- (9) Loss of public money or property due to fraud, misappropriation or carelessness in accounting.
- (10) Drawing from treasuries of money not required for immediate use.
- (11) Abandonment of revenue without proper sanction, e.g., sale of Government property below market rates, or reduction of dues payable under a license or lease without the sanction of the competent authority in each case.
- (12) Any large claim against another Government, local body or other outside party allowed to remain outstanding for an unduly long time.
- (13) Any irregularity connected with a contract, such as -
 - (i) Placing of a contract without obtaining competitive tenders in an open and public manner except in cases where the necessity for obtaining such tenders has been waived by any general or special rule or order by the competent authority (see Appendix XIX to the Financial Handbook, Volume V, Part I);
 - (ii) Acceptance without adequate reason, of a tender other than the lowest.
 - (iii) inadequate scrutiny of tendered rates before acceptance ;
 - (iv) unsuitability of the form of contract ;
 - (v) failure to complete all necessary formalities connected with a contract, including the obtaining of expenditure sanction before permitting the contractor to start work ;
 - (vi) deviation from the contractual terms in favour of the contractor or varying the terms without the approval of the competent authority ;
 - (vii) omissions to enforce the conditions of a contract, such as those requiring the deposit of security or levy of penalty.
- (14) Any irregularity connected with purchases, such as -
 - (i) purchases which contravene the rules for the purchase of articles for the public service;
 - (ii) purchase in excess of reasonably anticipated requirements ;

- (iii) purchase of materials of inferior quality.
- (15) Any extraordinary or apparently unnecessary expenditure, such as-
- (i) payments made as acts of grace except where permitted by any rule or order ;
 - (ii) compensation paid for damage sustained except in cases in which a claim for such damage could be enforced in a court of law or in which such compensation is admissible under any rule or order;
 - (iii) payments in excess of amounts admissible under statute, contract or rule;
 - (iv) payments necessitated by failure to enforce the terms of a contract ;
 - (v) irrecoverable balances of advance payments made on account of services, etc., which were ultimately not rendered.
- (16) Any uneconomical or apparently wasteful expenditure due to -
- (i) the inception of works without adequate investigation of their utility or feasibility and without conducting proper preliminary surveys and preparing detailed estimates of cost and obtaining necessary administrative and technical approval to the estimates ;
 - (ii) the inception of deposit works for local bodies, etc., without the requisite deposits having been obtained from the parties concerned ;
 - (iii) execution of works by a Government agency which lacks the ability or the facilities to execute them properly ;
 - (iv) the unsatisfactory working of Government commercial undertakings ;
 - (v) the fixation of incorrect rents of residential buildings ;
 - (vi) other causes.
- (17) Any irregularity connected with a grant-in-aid, such as neglect
- (i) by the sanctioning authority of conditions precedent to the grant or
 - (ii) by the grantee of the conditions, expressed or implied, attached to the grant by the sanctioning authority.
- (18) Any instance of the absence of administrative regulations and procedure sufficient to secure a proper and effective check upon monetary transactions.

CHAPTER XVI

APPROPRIATION ACCOUNTS, FINANCE ACCOUNTS AND AUDIT REPORTS THEREON

175. Appropriation Accounts - The Appropriation Accounts and the Audit Report thereon are prepared by the Comptroller and Auditor-General of India for each year in accordance with the provisions of the Constitution and procedure laid down by the Comptroller & Auditor General of India. Their object is to present the audited accounts of all the expenditure of the year, whether voted or charged, in the form of a separate Appropriation Account for each grant / appropriation, with any important observations considered necessary to make as a result of the audit investigation. They also include the comments deemed to be necessary to make upon the result of the audit of trading, manufacturing and profit and loss accounts and balance-sheets kept in respect of Government commercial or quasi-commercial concerns and upon the examination of accounts of receipts and of stores and stock. In order that only agreed statements of facts and completed cases are included in the reports, a convention exists between the Comptroller and Auditor-General and the State Government whereby cases relating to any previous year which become ready for inclusion after the last report was written are included in the report of a subsequent year.

176. Finance Accounts - Besides the Appropriation Accounts, the Comptroller and Auditor-General of India 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 different accounts and other data coming under examination; that is to say, both the revenue and capital accounts, the accounts of the debt and the liabilities and assets of the Government as deduced from the balances recorded in their books and other information.

177. Preliminary action in the Finance Department on receipt of the Appropriation Accounts, the Finance Accounts and Audit Reports thereon - 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 Legislative Department to arrange for the item relating to the laying of these documents before both the Houses of the Legislature being included in the agenda of business of the Houses.

178. Reference to the Committee on Public Accounts :

- (i) After the Appropriation Accounts, the Finance Accounts and the Audit Reports thereon are laid on the table of the House, they shall stand referred to the Committee on Public Accounts for examination and report.

- (ii) If they are received by the Assembly Secretariat at a time when the Assembly is not in session, then these may be referred to the Committee on Public Accounts by order of the Speaker.

Note : All functions which relate to the public undertakings / Corporations of the State shall be outside the purview and jurisdiction of the Committee on Public Accounts. The functions relating to the public undertakings / corporations are vested in the Joint Committee on the Public Undertaking and Corporations (See Appendix II).

179. The Committee on Public Accounts is a Committee of the Legislative Assembly and is constituted under Rules of Procedure and Conduct of Business of the Uttar Pradesh Legislative Assembly (See Appendix II).

180. Constitution and function of the Committee on Public Accounts - The constitution and functions of this Committee are described in rules 229 and 230 of the Rules of Procedure and Conduct of Business of the Uttar Pradesh Legislative Assembly 1958. (See Appendix II).

181. The other general rules of procedure applicable to the Committee on Public Accounts as well as to the other Committees of the Legislative Assembly are contained in Rules 200 to 269-K, of the Rules of Procedure and Conduct of Business of Uttar Pradesh Legislative Assembly, 1958. (See Appendix II).

182. The Comptroller and Auditor General of India, or his representative the Accountant General, Uttar Pradesh and the Finance Secretary or his representative are invited to attend the meetings of the Committee. These officers may offer their advice on any matter which comes under discussion.

183. The Committee is entitled to offer criticism and make recommendations or suggestions upon any matter discussed in the Appropriation and Finance Accounts and the Reports thereon received from the Comptroller and Auditor-General of India in respect of both receipts and expenditure (voted or charged) or any other matter referred to it or which the Committee deems necessary to scrutinize.

184. Presentation of the Committee's Report before the Legislative Assembly - The report of the Committee on Public Accounts will be presented to the Assembly by the Chairman of the Committee. Thereafter, copies of the report will be sent by the Assembly Secretariat to the Administrative Departments of the Secretariat for taking necessary action on the recommendations of the Committee and also to the Accountant General, Uttar Pradesh, the Finance Department, the Comptroller and Auditor-General of India, other States and the Government of India, for information. Action taken by the Departments

concerned on the recommendations of the Committee shall be communicated by them to the Assembly Secretariat, the Finance Department and the Accountant General :

Provided that the Committee may, if it so desires, direct that any of its recommendations be sent to the departments concerned for immediate necessary action without waiting for the report to be presented to the Assembly. In such a case, a copy of 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 Assembly Secretariat, the Finance Department and the Accountant General.

185. The departments and officers concerned shall keep secret all papers concerning the action taken on the recommendations of the Committee sent to them in advance till the report is laid on the table of the Legislature.

186. Action to give effect to the recommendations of the Committee and of the Legislative Assembly will be taken by the departments concerned but the Legislative Assembly Secretariat is responsible for seeing that such action has been taken.

187. 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 Assembly Secretariat 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 the House.

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

189. Accountant General's comments on the action taken on Committee's recommendations - The Accountant General in the next and subsequent Appropriation Accounts and his reports thereon and the Comptroller and Auditor-General of India 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.

190. Excess Grants - The procedure for dealing with the demands for excess grants has been described in Section IV of Chapter XIV.

CHAPTER XVII

COMMITTEE ON ESTIMATES

191. Deleted

192. Deleted

193. Deleted

194. Deleted

For Rules and Functions of the Committee on Estimates please see Appendix II.

CHAPTER XVIII

PUBLIC ACCOUNT OF THE STATE

195. Besides the normal receipts and expenditure of Government which relate to the Consolidated Fund, certain other transactions enter Government accounts, in respect of which, the Government acts more as a banker, for example, transactions relating to provident funds, other deposits such as security deposits made by contractors or court deposits or deposits by a local body for execution of projects through a government agency, etc. The moneys thus received are kept in the public account and the connected disbursements are also made therefrom. Generally speaking, public account funds do not belong to Government and have to be paid back some time or the other to the persons and authorities who deposited them. Legislative authorisation for payments from the public account is, therefore, not required. In a few cases, a part of the revenue of Government is set apart in separate funds for expenditure on specific objects like sugar development, maintenance of roads, industrial development, replacement of depreciated assets of Irrigation Department, Public Works Department. These amounts are withdrawn from the Consolidated Fund with the approval of State Legislature and kept in the public account for expenditure on the specific objects. The actual expenditure on the specific objects is, however, again submitted for vote of the State Legislature even though the moneys have already been earmarked by the State Legislature for transfer to the funds.

196. The main divisions of the public account of this State are -

I. Small Savings, Provident Fund etc.

(b) State Provident Funds.

It includes General Provident Funds, Contributory Provident Fund, All India Services Provident Fund, Contributory Provident Pension Fund, Provident Funds of Employees of Educational Institution.

(c) Other Accounts

It includes Insurance and Pension Funds, Special Deposits and Accounts.

J. Reserve fund

(a) Reserve Funds bearing Interest

It includes Depreciation Reserve Funds – Government Commercial Departments and Undertakings, General and Other Reserve Funds.

(b) Reserve Funds not bearing Interest

It includes Sinking Funds, Famine Relief Fund, Roads and Bridges Fund, Depreciation / Renewal Reserve Fund,

Revenue Reserve Funds, Development and Welfare Funds,
General and Other Reserve Funds

K. Deposit and Advance

(a) Deposits bearing Interest

It includes Civil Deposits, Deposits of Local Funds and
Other Deposits

(b) Deposits not bearing Interest

It includes Civil Deposits, Deposits of Local Funds and
Other Deposits

(c) Advances

It includes Civil Advances.

L. Suspense And Miscellaneous

(b) Suspense

It includes Suspense Accounts, Accounting Adjustment
Suspense

(c) Other Accounts

It includes Cheques and Bills, Departmental Balances,
Permanent Cash Imprest, Cash Balance Investment Account,
Security Deposits made by Government, Deposits with Reserve
Bank, Remittances into Banks / Treasuries

(d) Accounts with Governments of other Countries

(e) Miscellaneous

It includes Miscellaneous Government Accounts

M. Remittances

(a) Money Orders and other Remittances

It includes Money Orders, Cash Remittances and
adjustments between officers rendering accounts to the same
Accounts Officer, Other Remittances

(b) Inter-Government Adjustment Account

It includes Adjusting Account between Central and State
Governments, Inter-State Suspense Account,

197. Deleted.

198. Deleted

199. Deleted

200. Deleted

201. Deleted

202. Deleted

CHAPTER XIX

MISCELLANEOUS

203. All Heads of Departments and other controlling and disbursing officers, as well as the officers of the administrative departments in the Secretariat who have to deal with budgets and the sanctioning of expenditure, are expected to make themselves thoroughly familiar with the rules contained in this Manual. Adequate knowledge of the important financial and accounting rules contained in the various Financial Handbooks and in the various Departmental Codes and Manuals is also necessary for them. Ignorance of rules is never accepted as a plea for absolving an officer from the responsibility devolved on him in financial matters.

204. The need for effective control and strict economy in expenditure has repeatedly been emphasised in various Government Orders issued from time to time. In spite of this, cases often come to notice in which it is revealed that some waste of public money has taken place. In relation to certain official transactions, the amounts wasted may be small sums. For example, lights and fans may be left turned on unnecessarily; slower and costlier means of communication might have been used where quicker and cheaper ones would serve the purpose. In other cases the amounts wasted may be very large sums, e.g., when tools and plant or equipment are ordered without sufficient care and are later on found to be unsuitable for the purpose; stores and materials are stocked very much in excess of requirements and deteriorate due to lack of care or passage of time. At times, the execution of large works is taken up without proper approved designs or estimates and even without availability of land resulting in wasteful expenditure.

The employment of unnecessarily large staff in Government offices, failure to enforce reasonable standards of work and output, failure to take proper care of Government property, failure to ensure that the State gets its full money's worth when purchases are made on its behalf of goods or services, are some of the other forms of wastefulness which often come to notice. It is the duty of every public servant to strive to the utmost of his capacity to eliminate all unnecessary or infructuous expenditure.

It is needless to add that any drive for economy in public expenditure can be successful only if the large majority of public servants, and in particular, the senior officers in charge of the important spending departments, participate in the drive and co-operate with the Government to the fullest possible extent. The Heads of Departments and other senior officers can do much by precept and example, by supervision and by control to make their subordinates truly economy minded.

205. It must be added here that the mere observance of rules and regulations will not result in all the economy that is possible. The observance of the rules and regulations will certainly eliminate many

losses which would otherwise have occurred; and to that extent Government money will undoubtedly be saved. But rules and regulations are in general designed only to delimit the sphere of any particular type of expenditure and to prevent malpractices. Within that delimitation or restriction, however, there is always considerable scope for the exercise of discretion, specially in regard to the extent of expenditure, on the part of the spending officer. This discretion, if properly exercised, ensures that Government money is spent in the most economical manner possible. If the discretion is improperly or carelessly exercised, the rules will merely ensure that the expenditure is not technically irregular. They cannot ensure that the expenditure has been as economical as possible. To put this in other words, spending officers must not only act in strict accordance with the various rules and regulations but also apply those rules and regulations in a spirit of devotion to the interests of the State. The rules should be administered not just mechanically but in an intelligent manner so that the intention behind the rules is fully realised. Spending officers should constantly remind themselves of the fact that every public officer is expected to exercise the same vigilance in respect of expenditure incurred from public moneys as a person of ordinary prudence would exercise in respect of expenditure of his own money. The best way of ensuring economy in public expenditure is for every officer to always keep this principle in the forefront of his mind.

206. A related question to which a reference must also be made is the elimination of certain kinds of expenditure. It may be that a particular existing scheme or service is being administered with due regard to economy. But it may be possible either to give up the scheme altogether (because it has outlived its utility or has not come up to expectations or changed circumstances have made its continuance unnecessary), to amalgamate it with some other allied scheme or service, or at least to modify it in such a manner that the expenditure incurred on it is appreciably reduced.

It is also necessary that the projects / schemes should be prioritized and such projects / schemes taken up which are financially and economically viable and have higher returns. There is also a need to avoid thin spreading of resources and multiplicity of schemes with similar objectives.

207. Expenditure on contingencies has to be incurred with utmost care. Attempts are sometimes made, in the closing weeks of the financial year, to use up the full provision for contingencies by making purchases which are either unnecessary or of no real urgency. This practice must stop and no purchase whatsoever of furniture and office equipment, etc, for use in office or in touring should be allowed after February 15 in any financial year.

The supervisory and inspecting officers in the course of their visit or inspections of their subordinate offices must make a point of checking the details of contingent expenditure and satisfying themselves that the above instructions have not been infringed, that no expenditure has been incurred on avoidable items and that in respect of items which are

necessary, no lavishness has been indulged in. If any case comes to notice in which Government instructions have not been observed, the question of taking suitable disciplinary action against the officials at fault should be examined in accordance with proper procedure.

Pro forma Accounts for commercial undertakings

208. As far as possible pro forma accounts should be maintained in respect of all schemes and undertakings of Government which have been declared as "commercial" in such details as may be prescribed by Government in consultation with the Accountant General, and the latest known profit and loss position of each such scheme or undertaking should be indicated when proposals for provision of funds for expenditure are submitted to Government.

Other miscellaneous provisions

209. The Finance Department will maintain a list of official and of non-official institutions and individuals to whom copies of the budget literature are to be supplied free of cost or on payment. Copies will be supplied to them as soon as they are released for issue.

210. A calendar showing the more important dates of the budget programme is given in Appendix VI.

211. Zero-base budgeting : Under the conventional system of budgeting, the on-going schemes are rarely put to serious test. Provisions are generally made for the on-going schemes year after year without any scrutiny regarding the basic need to continue the schemes. Adjustments are usually made only for changes in prices and rates, as also new expenditure on expansions and new starts.

In order that on-going programmes and schemes and the provision of funds for them are critically reviewed periodically, the Government introduced the system of Zero-base budgeting under which the expenditure on even the on-going activities has to be justified. The concept encompasses both non-development and development expenditure. Zero-base budgeting requires identification and sharpening of objectives, examination of various alternative ways of achieving those objectives, selecting the best alternative through cost-benefit and cost-effectiveness analysis, prioritization of objectives and programmes, switching of resources from programmes with lower priority to those with higher priority, and identification and elimination of programmes which have outlived their utility. The objective of Zero-base budgeting is not just to cut the expenditure but to make a more purposive allocation of resources to various programmes.

While reviewing various schemes, the following points should also be kept in view -

- (a) Details of income and expenditure on various services provided by the Government may be prepared and revision of fees and user charges etc. considered periodically.

- (b) Review of the cost of collection of revenue should be done vis-a-vis revenue collected with a view to ensuring that the collection of revenue is cost-effective.
- (c) Consequent on the availability of improved versions of office devices staff norms should be revised as a part of regular exercise.
- (d) Grant-in-aid and subsidies are provided by the State Government under various schemes. Such assistances as have outlived their utility should be discontinued.
- (e) Work procedure should be simplified as also the forms of various returns and their number reduced wherever possible.
- (f) Wherever possible, work should be outsourced instead of engaging staff on contract.
- (g) Disposal of surplus and un-serviceable stock and stores (including tools and plant) should be done under time bound programme.

212. Guidelines for Formulation and Appraisal of Schemes / projects : Rigorous project formulation and appraisal have a major bearing on the relevance and impact of projects as well as on their timely implementation. Additional time and effort spent at the project formulation and appraisal stage would result in qualitative improvement in terms of ultimate project impact.

The following guidelines are laid down for formulation and appraisal of Government funded schemes/projects, covering all sectors and departments :

- (i) **Project identification : Feasibility report :** The project preparation should commence with the preparation of a Feasibility Report (FR) by the Administrative Department. The project will be considered for 'in-principle' approval by the Planning Department and the Finance Department for inclusion in the Plan based on the FR. The FR should focus on analysis of the existing situation, nature and magnitude of the problems to be addressed, need and justification for the project in the context of government priorities, alternative strategies, initial environmental and social impact analysis, preliminary site investigations, stake holder commitment and risk factors. The FR should establish whether the project is conceptually sound and feasible and enable a decision to be taken regarding inclusion in the Plan and preparation of a Detailed Project Report (DPR). The FR should present a rough estimate of the project cost. Consultation with stakeholders should be held to ensure involvement of stakeholders in the project concept and design.

- (ii) **Preparation of DPR** : The administrative department should prepare the DPR for the project/scheme after obtaining 'in-principle' approval of the Planning Department. The various stakeholders in the project should continue to be associated while preparing the DPR. The services of experts/professional bodies may be hired for preparation of the DPR, if considered necessary. The DPR must address all issues related to the justification, financing and implementation of the project/scheme. A generic structure of the DPR is at Annexure-A. The Terms of Reference (TOR) for preparation of the DPR should cover all aspects of the generic DPR structure. In addition, sector/project specific aspects should be incorporated in the TOR as required. The requirements of the Expenditure Finance Committee (EFC) / Public Investment Board (PIB) format may also be kept in view.
- (iii) **Inter-Departmental consultations** : The final DPR should be circulated along with draft EFC/PIB Memo to the Finance Department, Planning Department and any other concerned departments for seeking comments before official level appraisal. Techno economic clearance should also be obtained from State and Central Government agencies, wherever required. Thereafter, the EFC/PIB memo along with appraisal note/comments of the relevant departments and Planning Department should be placed before EFC/PIB for consideration.
- (iv) **Applicability** : These guidelines will apply to all schemes / projects, including social sector schemes / projects, costing Rs.5 crores and above or such limit as may be prescribed by the Government from time to time. In sectors where a number of sub-projects are taken up under a scheme, this limit will apply to the umbrella project under which the sub-projects are included.
- (v) **Identical process for public sector projects requiring budgetary support or entailing contingent liability on Government** : The process for seeking approval would be identical both for new public sector projects requiring budgetary support, as well as those entailing contingent liability on Government.
- (vi) **Evaluation** : Evaluation arrangements for the project, whether concurrent, mid-term and/or post-project, should be spelt out in the DPR. It may be noted that continuation of projects/schemes from one Plan period to another will not be permissible without an independent, in-depth evaluation. Evaluation work may be outsourced to reputed institutions, if required.

(vii) Time and Cost over-run :

(1) Designs of all functional, non-residential and residential buildings should be standardized.

(2) At least eighty percent of the budget allotted for capital works to a department shall be utilized on ongoing projects/ schemes. Not more than twenty percent of the budget allotted shall be available for taking up new projects/ schemes/ works.

(3) New capital works shall not be launched without first ensuring availability of adequate funds. In order to prevent cost escalation, and ensure timely returns from the bigger projects, priority should be accorded to the completion of ongoing projects rather than launching new projects. Departments should provide forty percent of the estimated cost in the first year, forty percent in the second year and the remaining twenty percent in the third year. In case of longer duration or shorter duration projects, suitable phasing may be done with the prior consent of the Finance Department.

(4) Before commencing construction work, the department concerned shall ensure execution of proper Agreement / Memorandum of Understanding with the work agency.

(5) The departments and the work agencies will ensure that no additions and alterations in the approved design, drawings and estimates are done without the prior written orders of the competent authority. With a view to obviating any possibility of time-and-cost over-run and substandard quality of work, the departmental officers concerned shall exercise close supervision on the work agencies and ensure that :

- (i) the work progresses as per time schedule without compromising with the quality thereof;
- (ii) funds are released as per physical progress of the work.

(6) The instructions given in (5) above shall apply mutatis mutandis in respect of the capital works financed by way of government grant-in-aid.

(7) The Principal Secretaries / Secretaries of the departments concerned shall ensure monthly review of all incomplete projects, and in respect of the projects where the cost over-run and/or time over-run have/ has exceeded ten percent of the approved limit, send reports to the Planning Department. The Planning Department will compile reports received from all the departments and submit a report to the

Chief Secretary every quarter. A check-list for determining the responsibility for the time and cost over-runs is at Annexure-B.

Provided that any individual case may be submitted by the Chief Secretary to the Chief Minister which he deems necessary.

- (viii) These guidelines will not supersede any specific dispensation approved for a department by the Government.
- (ix) The register of buildings is a record of Government property. It should be brought up-to-date by the local officer when there is a change in capital value. The inspecting officers / audit officers during their inspection will see to it that the aforesaid register is properly maintained and kept up-to-date.

ANNEXURE - A**GENERIC STRUCTURE OF THE DPR**

- (i) **Context/background** : This section should provide a brief description of the sector/sub-sector, the government priority, strategy and policy framework as well as a brief description of the existing situation.
- (ii) **Problems to be addressed** : This section should elaborate the problems to be addressed through the project/scheme at the local/regional/State level, as the case may be. Evidence regarding the nature and magnitude of the problems should be presented, supported by baseline data/surveys/reports. Clear evidence should be available regarding the nature and magnitude of the problems to be addressed.
- (iii) **Project Objectives** : This section should indicate the Development Objectives proposed to be achieved, ranked in order of importance. The deliverables/ outputs for each Development Objective should be spelt out clearly. This section should also provide a general description of the project.
- (iv) **Target beneficiaries** : There should be clear identification of target beneficiaries. Stakeholder analysis should be undertaken, including consultation with stakeholders at the time of project formulation. Options regarding cost sharing and beneficiary participation should be explored and incorporated in the project. Impact of the project on weaker sections of society, positive or negative, should be assessed and remedial steps suggested in case of adverse impact.
- (v) **Project strategy** : This section should present an analysis of alternative strategies available to achieve the Development Objectives. Reasons for selecting the proposed strategy should be brought out. Involvement of NGOs should be considered. Basis for prioritization of locations should be indicated (where relevant). Options and opportunity for leveraging government funds through public-private partnership must be given priority and explored in depth.
- (vi) **Legal Framework** : This section should present the legal framework within which the project will be implemented and strengths and weakness of the legal framework in so far as it impacts on achievement of project objectives.
- (vii) **Environmental impact assessment** : Environmental impact assessment should be undertaken, wherever required and measures identified to mitigate adverse impact, if any. Issues relating to land acquisition, diversion of forest land, rehabilitation and resettlement should be addressed in this section.
- (viii) **On-going initiatives** : This section should provide a description of ongoing initiatives and the manner in which duplication will be

avoided and synergy created through the proposed project.

- (ix) **Technology issues** : This section should elaborate on technology choices, if any, evaluation of options, as well as the basis for choice of technology for the proposed project.
- (x) **Management arrangements** : Responsibilities of different agencies for project management and implementation should be elaborated. The organizational structure at various levels as well as monitoring and coordination arrangements should be spelt out.
- (xi) **Means of Finance and Project Budget** : This section should focus on means of finance, evaluation of options, project budget, cost estimates and phasing of expenditure. Options for cost sharing and cost recovery (user charges) should be considered and built into the total project cost. Infrastructure projects may be assessed on the basis of the cost of debt finance and the tenor of debt. Options for raising funds through private sector participation should also be considered and built into the project cost.
- (xii) **Time frame** : This section should indicate the proposed 'Zero' date for commencement and also provide a PERT / CPM chart, wherever relevant.
- (xiii) **Risk analysis** : This section should focus on identification and assessment of project risks and how these are proposed to be mitigated. Risk analysis could include legal/contractual risks, environmental risks, revenue risks, project management risks, regulatory risks, etc.
- (xiv) **Evaluation** : This section should focus on lessons learnt from evaluation of similar projects implemented in the past. Evaluation arrangements for the project, whether concurrent, mid-term or post-project should be spelt out. It may be noted that continuation of projects/schemes from one Plan period to another will not be permissible without an independent, in-depth evaluation being undertaken.
- (xv) **Success criteria** : Success criteria to assess whether the Development Objectives have been achieved should be spelt out in measurable terms. Base-line data should be available against which success of the project will be assessed at the end of the project (Impact assessment). In this regard, it is essential that base-line surveys be undertaken in case of large, beneficiary-oriented projects.

Success criteria for each Deliverable/Output of the project should also be specified in measurable terms to assess achievement against proximate goals.
- (xvi) **Financial and economic analysis** : Financial and economic analysis of the project may be undertaken where the financial returns are quantifiable. This analysis would generally be required for investment and infrastructure projects, but may not always be

feasible for social sector projects where the benefits cannot be easily quantified.

(xvii) Sustainability : Issues relating to sustainability, including stakeholder commitment, operation and maintenance of assets after project completion, and other related issues should be addressed in this section.

Note : Requirements of the EFC/PIB format may also be kept in view while preparing the DPR.

C - FUND CONSTRAINTS

Failures	Agency/person responsible
<p>* General</p> <ul style="list-style-type: none"> ➤ Requirement not properly assessed ➤ Sanctioned without adequate funds ➤ Late request for release ➤ Delayed release of funds ➤ Additional projects taken up affecting fund availability for this project ➤ Others (Specify) 	<ul style="list-style-type: none"> ➤ ➤ ➤ ➤ ➤ ➤
<p>* Foreign loan/grant</p> <ul style="list-style-type: none"> ➤ Not tied up on time ➤ Tied up but delay at DEA ➤ Alternative funding not identified ➤ Others (Specify) 	<ul style="list-style-type: none"> ➤ ➤ ➤ ➤
<p>* Internal Resources</p> <ul style="list-style-type: none"> ➤ Inadequately assessed ➤ New projects taken up affecting funding of the project ➤ Others (Specify) 	<ul style="list-style-type: none"> ➤ ➤ ➤
<p>* Institutional Finance</p> <ul style="list-style-type: none"> ➤ Advance action not taken ➤ Others (Specify) 	<ul style="list-style-type: none"> ➤ ➤
<p>* Matching resources from beneficiaries etc.</p> <ul style="list-style-type: none"> ➤ Due consent of contributors not obtained ➤ Funds not released on time ➤ Released but partly ➤ Others (Specify) 	<ul style="list-style-type: none"> ➤ ➤ ➤ ➤

D - TECHNICAL/DESIGN PROBLEMS

Failures	Agency/person responsible
<p>* Faulty Technical Parameters</p> <ul style="list-style-type: none"> ➤ 1st stage clearance required but not obtained ➤ Poor quality of Detailed Feasibility/ Project Reports ➤ Short listing of Consultants not done ➤ Alternatives not adequately defined ➤ Lay-out plans/design not got approved from competent authorities ➤ Others (Specify) 	<ul style="list-style-type: none"> ➤ ➤ ➤ ➤ ➤ ➤
<p>* Change in Scope / Quantity / Technology</p> <ul style="list-style-type: none"> ➤ Inadequacy of investigations/surveys ➤ Change in size/scale ➤ Additions foreseeable but not foreseen ➤ Additions not foreseeable (new regulations, environmental etc.) ➤ Under-estimation ➤ Wrong choice of technology ➤ Non-identification of alternative technologies in advance ➤ Non-identification of suitable vendors ➤ Others (Specify) 	<ul style="list-style-type: none"> ➤ ➤ ➤ ➤ ➤ ➤ ➤ ➤
<p>* State of preparedness of the PSU</p> <ul style="list-style-type: none"> ➤ Project team not appointed on time ➤ Statutory clearances not obtained in advance ➤ Lay-out plans / designs not prepared on time ➤ Basic engineering not done on time ➤ Delay in technical clearances ➤ Others (Specify) 	<ul style="list-style-type: none"> ➤ ➤ ➤ ➤ ➤ ➤

E - TENDERING/CONTRACTING

Failures	Agency/person responsible
<p>* Advance action</p> <ul style="list-style-type: none"> ➤ Size/specifications etc. not finalized ➤ Contractors/suppliers not identified ➤ Contract terms not formulated properly ➤ Job packages unprofessionally made ➤ Others (Specify) 	<ul style="list-style-type: none"> ➤ ➤ ➤ ➤ ➤
<p>* Time schedule for tendering</p> <ul style="list-style-type: none"> ➤ Not drawn up ➤ Delay in preparation of tender documents ➤ Delay in issuing tender notice ➤ Delay in opening and evaluation of tenders ➤ Delay in awarding the contract ➤ Others (Specify) 	<ul style="list-style-type: none"> ➤ ➤ ➤ ➤ ➤ ➤
<p>* Ineffectiveness of contractual clauses:</p> <ul style="list-style-type: none"> ➤ Liquidated Damages Clause not included ➤ Liquidated Damages Clause not invoked ➤ Liquidated Damages Clause not adequate ➤ Poor performance of the contractor ➤ Contractor's failure due to missing linkages ➤ Others (Specify) 	<ul style="list-style-type: none"> ➤ ➤ ➤ ➤ ➤ ➤

F - IMPLEMENTATION PLAN AND MONITORING MECHANISM

Failures	Agency/person responsible
<p>* Commissioning Schedule :</p> <ul style="list-style-type: none"> ➤ Commissioning Schedule not realistic ➤ Sequencing and scheduling of activities not professional ➤ No Bar Chart / PERT diagram prepared ➤ Others (Specify) 	<ul style="list-style-type: none"> ➤ ➤ ➤ ➤
<p>* Implementation Plan :</p> <ul style="list-style-type: none"> ➤ Key personnel not placed on time ➤ Delay in finalization of modalities for execution ➤ Linkages not properly assessed ➤ Risk / uncertainties not identified ➤ Others (Specify) 	<ul style="list-style-type: none"> ➤ ➤ ➤ ➤ ➤
<p>* Monitoring Mechanism at Project Level</p> <ul style="list-style-type: none"> ➤ Nodal Officer (Chief Executive) for the project not designated ➤ Periodical review was not done ➤ Progress reviewed but no corrective action taken ➤ Others (Specify) 	<ul style="list-style-type: none"> ➤ ➤ ➤ ➤
<p>* Monitoring Mechanism at Department level</p> <ul style="list-style-type: none"> ➤ Not set-up ➤ Progress not monitored periodically ➤ Progress reviewed but no action taken ➤ Problems not brought before competent authority ➤ Others (Specify) 	<ul style="list-style-type: none"> ➤ ➤ ➤ ➤ ➤

Note : Requirements of the reviewing authority may also be kept in view while preparing the check list.