I

THE TAMIL NADU BUDGET MANUAL

VOLUME I

SEVENTH EDITION

(Issued by the Finance Department)

PRINTED BY THE DIRECTOR OF STATIONERY AND
PRINTING, MADRAS ON BEHALF OF THE
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1992

PREFACE

II

The Tamil Nadu Budget Manual contains the rules framed by the Finance Department for the guidance of estimating officers and departments of the Secretariat in the preparation and examination of the budget estimates and the subsequent control over expenditure to ensure that it is kept within the authorised grants. The Manual was first issued in 1925 and it was revised in 1938 following the constitutional changes consequent on the Government of India Act, 1935. The promulgation of the Constitution of India in 1950 and the changes of procedure in the financial side of the administration necessitated a third edition in 1956.

2. The rationalization of the accounting classification of Government transactions from 1962-63 necessitated certain modifications in the fourth edition of the Budget Manual.

3. The Government of India constituted a team in 1969 to consider certain matters relating to accounts and budget heads based on the recommendation of the Administrative Reforms Commission. The team felt that it was necessary to bring about as close a correlation among the Budget heads, Accounts heads and Plan heads as possible so that they could present clearly the purposes and objectives of the Government. Based on the report of this team, the Tamil Nadu Government has adopted the revised classification of accounting with effect from 1st April 1974. These changes in the structure of accounts classification and also accounting procedure were incorporated in the fifth edition of the Budget Manual issued in 1979. A reprint of this as sixth edition was brought out in 1984.

4. This edition, the seventh, includes a complete revision of the powers of reappropriation of departments. The further change made in the classification of accounts to bridge in the divergence between Plan programmes and accounting classification and ensure a closer correlation between them (with effect from 1st April, 1987) has also been incorporated in this Edition. The Chapter on

definition of basic concepts has been made more comprehensive. Suitable mention of the role played by the Government Data Centre in the compilation of accounts has also been made.

5. The chapters are conveniently given for each item of activity like preparation of Budget, reappropriation and supplementary appropriation. A chapter on Zero base budgeting hass been added.

6. The appendices to this manual are given separately in another volume.

7. Any error, inaccuracy or omission noticed, may be brought to the notice of the Secretary to Government, Finance Department.

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THE TAMIL NADU 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 to the preparation and examination of the annual budget estimates and the subsequent control over expenditure in particular to ensure that it is kept within the authorised grants or appropriations.

2. *Annual Financial Statement.*- Under Article 202 of the Constitution of India, a statement of the estimated receipts and expenditure of the State for each financial year has to be laid before the Legislative Assembly (G.O.Ms.No.672, Finance (BG.I), dt.24.7.1987). The estimates of expenditure show "Charged" and "Voted" items of expenditure separately and distinguish expenditure on revenue account from other expenditure. This statement is known as the "Annual Financial Statement" or "Budget".

3. (a) *Structure of Government Accounts.*- All receipts and disbursements of the State Government are shown in the Annual Financial Statement in three separate parts, namely:-

Part I-Consolidated Fund of Tamil Nadu.
Part II-Contingency Fund of Tamil Nadu.
Part III-Public Account of Tamil Nadu.

(b) *Consolidated Fund.*- Under Article 266 of the Constitution of India all revenues received by the 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 Tamil Nadu". No moneys out of this Fund can be appropriated except in accordance with law and for the purposes and in the manner provided in the Constitution.

(c) *Contingency Fund*.- Under Article 267 (2) of the Constitution of India, the Legislative Assembly has established a Contingency Fund in the nature of an imprest created by a non-recurring contributions of Rs.30 Crores from the Consolidated Fund of the State and the Corpus of the Fund is Rs.75 Crores at present. The Contingency Fund is intended to provide advances to the Executive Government to meet unforeseen expenditure arising in the course of a year pending its authorisation by the Legislative Assembly by law. The amounts are paid back to the Fund after the Legislative Assembly approves it what are called "The Supplementary Demands".

[*See* The Tamil Nadu Contingency Fund Act, 1954, as amended and the rule framed thereunder in Appendix (G).]

(d) *Public Account*.- Receipts and disbursements, such as deposits, reserve funds, remittances, etc., which do not form part of the "Consolidated Fund" are included in the Public Account of the State. Disbursements from the Public Account are not subject to the vote by the Legislative Assembly as they are not moneys issued out of the "Consolidated Fund".

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

(i) Revenue Account.

(ii) Capital Account.

(iii) Debt (comprising Debt and Loans and Advances).

Revenue Account is the account of (a) the current income and expenditure of the State derived mainly from taxes and duties, fees for services rendered, fines and penalties, revenue from Government estates such as forests and other miscellaneous items and (b) 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 that year.

Capital Account is the account of expenditure incurred with the object of increasing concrete assets of a material character and which are more or less of permanent value as in the case of buildings, etc. It also includes receipts arising generally from sale of concrete assets intended to be applied as a set off to capital expenditure. Expenditure on capital account is usually met from sources other than current revenues, e.g., borrowed funds or accumulated cash balances. Expenditure on assets which do not vest in Government is not treated as Capital expenditure. The practice of initial capitalisation and subsequent write back of certain items of expenditure like commuted value of pensions, grants for development, etc., adds to avoidable accounting adjustments and budgetary provisions year after year and has, therefore, been discontinued from 1974-75.

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

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

Note 3.- After it has been decided to incur expenditure for the creation of a new or additional asset, the classification of the 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 bears also charges for such further additions and improvements as may be sanctioned under the rule made by the competent authority.

(b) Revenue bears all subsequent charges for maintenance and all working expenses. These include all expenditure on the working and upkeep of the project and also on such renewal, replacement and such additions, improvements of extensions as under rules made by competent authority are debitable to the Revenue Account.

(c) The criteria for the classification of expenditure between Revenue and Capital accounts in respect of items of expenditure on the project of "Works", "Machinery and equipments", "Purchase of Commodities", "Purchase by Government Departments for consumption in various departments" and "Development of Projects like Soil Conservation" etc., are as laid down below:

Any Project/Scheme, consisting of a number of works, costing more than Rs.5.00 lakhs as a whole shall be treated as capital expenditure. If there are individual works within this project costing less than Rs. 1.00 lakh these shall also be debited to the capital account as minor works. The classification of individual works forming part of a project will depend only on whether the project itself is debitable to capital or revenue and not on the outlay on the individual works. If the scheme consists only of minor works e.g. annual lumpsum provision for minor works for each department then the entire amount irrespective of the total provision shall be debitable to revenue account.

In respect of individual works not forming part of a project/scheme, the cost of which exceeds Rs.1.00 lakh the expenditure shall be debited to the capital account. Individual works costing below Rs.1.00 lakh shall be treated as minor works debitable to the revenue account.

The expenditure on purchase of commodities in bulk such as food grains, fertilizers, materials and equipment etc., for distribution to public shall be booked to the capital account irrespective of the amount involved.

In respect of purchase by Government departments for consumption in various departments e.g. purchase of stores in Stationery and Printing Department, purchase of Cement and Steel by Public Works Department the existing practice of debit to revenue account or capital account depending on the final debit shall be followed.

Purchase of new machinery costing individually more than Rs.1.00 lakh shall be debited to capital account. Expenditure on a new arrangement of machinery costing totally more than Rs.5.00 lakhs, although individual items may cost less than Rs.1.00 lakh may be debited to capital account.

Whenever machinery is replaced costing individually more than Rs.1.00 lakh, the expenditure may be debited to capital account. While replacing the machinery if the total cost of the new arrangement is more than Rs.5.00 lakhs, although individual items may cost less than Rs.1.00 lakh the entire expenditure should be shown under capital account.

In respect of expenditure on development Projects like Soil Conservation, Agricultural pump-sets distribution etc., where the initial expenditure is met by Government and a portion of the expenditure is later treated as subsidy and the balance treated as loan to the beneficiaries, the entire initial expenditure may be debited to revenue account and inter account transfers may be resorted to give the final picture.

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 receipts and 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 receipts and disbursement sides.

5. *Sectors and Heads of Accounts*.-(a) *Six-tier classification*-For purposeful review of the Government operations and appreciation of resource allocation at the national level and for providing a link between budget outlays on the one hand and functions, programmes and schemes on the other hand, at the same time ensuring item-wise control of expenditure, a five-tier classification structure which incorporates the following has been introduced under the revised classification effective from 1st April 1974 -

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

(i) General services (Defence, Police, General Administration);

(ii) Social and Community Services (of the development functions like Education, Public Health and so on);

(iii) Economic Services (functions relating to Agriculture, Industry, Power, etc.).

(II) Major heads (comprising sub-major heads wherever necessary) to indicate the functions of Government, such as Agriculture, Education, Police, etc..

(III) Minor heads to denote the various programmes under each function or major head.

(IV) Sub-heads to denote the schemes for development expenditure or organisations for non-development expenditure under each programme minor head.

(V) Detailed heads to indicate the specific objects of expenditure such as salaries, travel expenses, etc.

While in the revised matrix only five tires-have been adopted by many States, a sixth tier of classification, viz., sub-detailed head of account has been added by this State to indicate the break-up details under the detailed heads, wherever necessary, in the Budget estimates from 1974-75 onwards.

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

PART I - CONSOLIDATED FUND.

First Tier	Sector	Social and Community Services
Second Tier	Major Head Sub-Major Head	2202. Education 01. Elementary Education
Third Tier	Minor Head	101. Government Primary Schools
Fourth Tier	Group sub-head	Schemes in the Eighth Five Year Plan II. State Plan
	Sub-head	JB. Additional enrolment of pupils of the age group 11-14
Fifth Tier	Detailed head	01. Salaries

Sixth Tier	Sub-detailed head	(1) Pay (3) Medical Charges (4) Other Allowances (7) Travel Concession

The details of classification in each tier are given below :-

(b) *Sectoral classification. -Revenue/Capital/Loan/ Plan/Non-Plan*

The following sectoral classification is adopted for accounts as well as for plan purposes to group the services of Governmental functions :-

A. *General Services* -

(a) Organs of State (b) Fiscal Services (c) Interest payments, Dividend and profits (d) Administrative Services (e) Pensions and Miscellaneous General Services (f) Defence Services	Services which are indispensable to the existence of an organised State such as Defence, Police, External Affairs and Tax Collection.

B. *Social and Community Services*	Basic Social Services for individuals or groups of individuals such as medical, education, housing, labour and employment.

C. *Economic Services* -

(a) General Economic Services (b) Agriculture and Allied Services (c) Industry and Minerals (d) Water and Power Development (e) Transport and Communications (f) Railways	Services in the fields of regulation, production and distribution to help economic growth to such as

(g) Posts and Telegraphs	agriculture, industry, power and transport.
D. *Grants-in-aid and Contributions*	Transfer of resources from Centre to Foreign Governments, Centre to States and Compensation and Assignments to Local Bodies and Panchayati Raj Institutions.

(c) *Major Heads*-Within the revenue and capital division mentioned in paragraph 4 above, the transactions are grouped into sectors which are further sub-divided into sub-sectors and major heads of account. The major heads normally indicate within each sector/sub-sector the broad functions of a particular department of Government. In the old classification, the major heads in the revenue and capital divisions were numbered serially, Roman numbers being employed on the Receipts side and Arabic numbers on the disbursement side. There was no numbering for debt, loans, deposit and remittance heads. In the revised structure of accounts which has come into effect from 1st April 1974, three digit Arabic code numbers for all the major heads in the Consolidated Fund, Contingency Fund and Public Account have been given.

This codifications has been modified further with four digit Arabic numerical code effective from 1st April, 1987, while adopting a new list of major, sub-major and minor heads of accounts in order to bring about a closer correlation between Plan schemes and Account Heads.

The coding pattern as adopted above is as under :-

A Four digit Code has been allotted to the Major head, the first digit indicating whether the Major Head is a Receipt Head or Revenue Expenditure

Head, or Capital Expenditure Head or Loan Head. If the first digit is "0" or "1" the Head of Account will represent Revenue receipts, "2" or "3" will represent Revenue Expenditure, "4" or "5" Capital expenditure, "6" or "7" Loan Head, (4000 for Capital Receipt) and "8" will represent Contingency Fund and Public Account.

Adding 2 to the first digit of the Revenue Receipts 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 Receipts Head for Crop Husbandry.

2401 The Revenue Expenditure Head for Crop Husbandry.

4401 Capital Outlay on Crop Husbandry.

6401 Loans for Crop Husbandry.

Such a pattern is however not relevant for those departments which are not operating Capital/Loan heads of accounts, e.g. Department of Supply.

In a few cases, however, where Receipt/Expenditure is not heavy, certain Major Heads have been combined under a single number, the Major Heads themselves forming sub-major Heads under that number.

The codification pattern has been thus evolved in such a manner that the first digit indicates whether the major head falls in the receipts section or the expenditure section in Revenue Account or in Capital Account or Loans and Advances and Public debt or Public Accounts Sections. The last three digits will be the same for the corresponding major heads in the Revenue Receipts Section, Revenue Expenditure Section, Capital Receipts/ Expenditure section and the Loans and Advances section. The Receipts major heads are assigned the block 0020 to 1999, Expenditure major heads on Revenue Accounts from 2011 to 3999, Expenditure major heads on capital Accounts from 4001 to 5999, Major heads under Public debts from 6001 to 6004 and those under loans and advances, inter state settlement and contingency fund from 6001 to 8000 and the major heads in the public account from 8001 to 8999. For example, the major head "Medical" in the sector "Social and Community Services" and "Crop Husbandry" in the sub sector "Agriculture and Allied Services", will have the following codes:-

Receipts Major Heads. (1)	Expenditure Major Heads. (2)	Capital Major Heads. (3)	Loan Major Heads. (4)
0210 Medical and Public Health	2210 Medical and Public Health	4210 Capital Outlay on Medical and Public Health	6210 Loans for Medical and Public Health
0401 Crop Husbandry	2401 Crop Husbandry	4401 Capital Outlay on Crop Husbandry	6401 Loans for Crop Husbandry

In the loan section major heads have been opened with reference to functions and purposes instead of the beneficiaries.

(d) *Sub-Major heads*.-The Major heads are sub divided in some cases into sub major heads. Sub major heads are opened under a major head to record those transactions which are of a distinct nature and are of sufficient importance to be recorded exclusively, but at the same time allied to the function of the major head. The head of account relating to each such sub division is termed as "sub major head" and the budget code is 2 digit code e.g. under the major head "2202. Education" the sub major heads are :-

01. Elementary Education

02. Secondary Education

03. University and Higher Education etc.,

Note.-Where there is no sub major head, the numerics "00" will be used as a dummy, treating the major head, as a sub major head.

(e) *Minor heads*.-The major head and sub major heads are sub divided into minor heads. The minor heads corresponded to programmes or broad groups of programmes. It is output-oriented rather than organisation or input oriented. This Classification has facilitated performance budgeting. Classification upto this level, i.e, Sector/sub sector, major, sub-major head, minor head is prescribed by the Comptroller and Auditor General and is common to Central and State Governments. The Budget code for the minor head is a three digit code e.g., under "2202. Education", the minor heads are 01-Elementary Education :-

001. Direction and Administration.
101. Government Primary Schools.
104. Inspection, etc.

These minor heads are divided into groups of sub-head called group sub-heads. Group sub-heads are as under:-

I. Non-Plan

II. State Plan

III. Centrally-Sponsored.

V. Schemes financed by Autonomous Bodies.

VI. Schemes shared equally between State and Centre.

(f) *Sub-heads*.- Under the Group sub-heads, will figure sub-heads which indicate schemes and occasionally the administrative set-up in the case of non-plan expenditure. The Budget Code is a two-digit capital alphabet as shown below:-

	Budget Code.	Blocks of Alphabet Code.
Non-Plan	I	AA to IZ
State Plan	II	JA to RZ
Centrally Sponsored	III	SA to TZ
Schemes financed by Autonomous Bodies	V	ZA to ZZ
Schemes shared equally between State and Centre	VI	UA to YZ

(g) *Detailed head.*- Sub-heads are further divided into detailed heads. The detailed heads denote specific objects of expenditure like salaries, machinery and equipment. The budget code for a detailed head is a two-digit numeric.

The following are the standard detailed heads. These standard detailed heads record the various items of expenditure normally common to all departments:-

Code No. (1)	*Description* (2)
01	Salaries
02	Wages
03	Dearness Allowances
04	Travel Expenses
05	Office Expenses
06	Rent, Rates and Taxes
07	Publications

08	Advertising and Publicity
09	Grants-in-aid
10	Contributions
11	Subsidies
12	Scholarships and Stipends
13	Hospitality/Entertainment Expenses
14	Sumptuary Allowances
15	Secret Service Expenditure.
16	Major Works
17	Minor Works
18	Maintenance
19	Machinery and Equipments
20	Tools and Plant
21	Motor Vehicle
22	Investments
23	Loans
24	Materials and Supplies
25	Interest
26	Dividends
27	Pensions
28	Gratuities

29	Depreciation
30	Inter-Account Transfers
31	Write off and Losses
32	Suspense
33	Payments for Professional and Special Services
34	Other Charges
35	Royalty
36	International Programmes
37	Payments out of Dis-cretionary Grants for High Dignatories
38	Deputation/Travel abroad of Scientists
39	Rewards
40	Discount on Loans
41	Other Discounts
42	Service or Commitment Charges
43	Cost of Ration
44	Arms and Ammunition
45	P.O.L.(Petroleum, Oil and Lubricants)
46	Clothing, Tentage and Stores
47	Stores and Equipment.

48	Foreign Allowances
49	Festival Advances
50	Advances
51	Compensation
52	Gifts
53	Reserves
54	Expenses on Conducted Tours
55	Fees to Staff Artists
56	Feeding and Cash Doles
57	Purchase of Food Grains
58	Central State Transfer of Resources
59	Prizes and Awards
60	T.A/D.A to Non-Official Members
61	Refunds
62	Notional Value of Gifts Received
63	Customs Duty
64	Lands
65	Buildings
77	Deduct-Recoveries
78	Deduct-Recoveries (Suspense)

80 Lumpsum Provision

(G.O.Ms.No.800, Finance (BG.II), dt.26.7.1990)

In addition to the above standard detailed heads, the following additional non-standard detailed heads have been opened to meet the special requirements of certain departments:-

Code No.	*Non-Standard Detailed Heads*
66	Medicines
67	Feeding/Dietary Charges
68	Cost of Books/Note Books/ Slates, etc.
69	Procurement of Agricultural Inputs
70	Unemployment Relief
71	Printing Charges
72	Training
73	Transport Charges
74	Purchase and up-keep of Animals
75	Working Expenses
99	Miscellaneous

The standard objects of expenditure classification prescribed by the Comptroller and Auditor-General cover all the common types of expenditure incurred by various Departments and a few additional detailed heads have been opened to record certain specific items peculiar to certain departments.

(h) *Sub-detailed heads.*- The detailed heads are further divided into sub-detailed heads which are the lowest units of classification of accounts. They denote the break-up of detailed heads of accounts of object classification, wherever necessary for progress of control. The Budget code employed is One digit Arabic Numeral. Examples are given below:-

Detailed heads	*Sub-detailed heads*
01. Salaries	(1) Pay (3) Medical Charges (4) Other Allowances (7) Travel Concession
05. Office Expenses	(1) Telephone Charges (2) Other Contingencies
19. Machinery and Equipment/ Tools and Plant	(1) Purchase (3) Maintenance
21. Motor Vehicles	(1) Purchase (2) Maintenance

As this level of classification was not originally contemplated by the Comptroller and Auditor-General of India, the Accountant-General will not keep accounts to this level except in the case of the detailed head - Salaries. However, Heads of Departments/Treasuries/Government Data Centre will keep the break-up under all sub-detailed heads for the purpose of budgeting and reference.

(i) The introduction of any new Major or Minor head or abolition or change of nomenclature of any of the existing Major or Minor heads requires the prior approval of the Comptroller and Auditor-General of India. The Government can order the introduction of any new sub-head wherever necessary. The Government have delegated the powers of opening the standard detailed heads to the Heads of Departments. However, non-standard detailed heads are opened under any sub-head only by the Government with the authorisation of the Comptroller and Auditor-General. The Government may also open sub-detailed heads, wherever necessary. New sub-head of accounts will be opened and indicated by Finance (Budget-General) Department along with the allotment of Budget/D.P.Codes in the draft orders itself when routed through by the administrative Departments of Secretariat. (G.O.Ms.No.235, Finance (BG.II) dt.29.3.83).

A list of authorised Major and Minor heads is given in Appendix B.

6. *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 (other than those falling under Debt heads pertaining to the Consolidated Funds) in respect of which Government act as a banker receiving amounts 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 in the Public Works Highways Department. 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 either within the same circle of account or in another account circle.

7. *Charged Expenditure.*- Article 202 (2) of the Constitution of India requires that the estimates of expenditure embodied in the Annual Financial Statement should show separately the sums required to meet expenditure described by the Constitution as expenditure charged upon the Consolidated Fund of the State. The estimates of charged expenditure are the first charge on the consolidated Fund and shall not be submitted to the Vote of the Legislative Assembly but this will not prevent the discussion in the Legislative Assembly of any of those estimates. It is usual to print figures and details relating to charged expenditure in italics in the Budget documents.

A detailed list of the items of expenditure which are charged on the Consolidated Fund of the State is given in Appendix F.

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, 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 them to the Finance Department and to the appropriate departments of the Secretariat by the prescribed dates. The administrative departments of Secretariat scrutinise the estimates and make available their comments on these to the Finance Department which then examines the estimates. Estimates under certain heads are furnished by the administrative departments of the Secretariat and the Accountant-General. A statement showing the names of the estimating officer, administrative department of Secretariat concerned and due dates for submission is given in Appendix C.

9. *Proposals for new expenditure.*- The estimates referred to in paragraph 8 take cognizance

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 IV) should be submitted to Government from time to time as they arise and they should not be taken into account in preparing the departmental estimates. Separate estimates for proposals for the abondonment of existing revenue and for schemes of new expenditure arranged in the order of urgency should, however, be sent so as to reach the administrative department of the Secretariat by the 1st October of each year. These proposals are examined by the respective administrative departments and subsequently by the Finance Department and are then placed before the Council of Ministers, for decision as to which of the proposals should be provided for in the Budget with reference to the resources available and the comparative urgency of the proposals.

10. *Presentation of the Budget Statements to the Legislative Assembly.*- The Finance Department then consolidates the estimates embodying the decision of the Council of Ministers and prepares

(a) the summary statement of receipts and disbursements;

(b) the detailed estimates of receipts; and

(c) the statement of the demands for grants followed by detailed estimates.

The statements include both expenditure charged on the Consolidated Fund of the State and expenditure not so charged. A Budget Memorandum explaining the figures in these statements is also prepared by the Finance Department. All these documents are presented under Article 202 of the Constitution of India to Legislative Assembly by the Minister in-charge of Finance by about the end of February or early in March each year.

11.*Discussion and voting by the Legislative Assembly*.- The Legislative Assembly is at liberty to discuss the Budget including the expenditure charged on the Consolidated Fund, but with reference to Article 203(1) of the Constitution, estimates of the expenditure charged on the Consolidated Fund are not submitted to the Vote of the Legislative Assembly. The Legislative Assembly is empowered to vote on the Budget. Estimates of expenditure which are not charged on the Consolidated Fund are submitted to the Assembly in the form of Demands for Grants. The Demand will for the gross expenditure without taking into account the recoveries taken as reduction of expenditure. There should ordinarily be a Demand for Grants for each major head; but in some cases two or more Demand may be proposed for a major head while in others, two or more major heads of parts of major heads may be included in a single Demand. The Legislative Assembly may assent to or refuse to assent to any Demand or assent to a Demand subject to a reduction of the amount specified therein.

12. *Appropriation Act*.- After the Demands for 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 charged expenditure is introduced in the Legislative Assembly on the recommendation of the Governor. No amendment shall be proposed to any such Bill in the Legislative Assembly which will have the effect of varying the amount of altering the destination of any Grant so made or varying the amount of any expenditure charged on the Consolidated Fund. When this Bill is passed by the Legislative Assembly and it has also received the assent of the Governor, the amount shown therein can be expended during the financial year concerned.

13. *Other Estimates*.- Occasions may arise for approaching the Legislative Assembly with proposals for Votes on Account, Votes of Credit and Exceptional grants besides supplementary or additional or excess grants. These are dealt with in Chapters II and IX.

14. *Authorisation of expenditure*.-Except where the expenditure is covered by the standing sanctions or necessary powers have been delegated with the concurrence of the Finance Department to the administrative departments of Secretariat, Heads of Departments and subordinate authorities in these behalf 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 incurred by the Public Works Department this sanction means administrative approval as well as technical sanction).

(ii) Sufficient funds should have been provided for the expenditure in the appropriation Act or by reappropriation by the authority competent to sanction reappropriation (See Chapter IX).

(iii) No breach of the standards of financial propriety which are mentioned below, should be involved;

(a) 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 money under his control as a person of ordinary prudence would exercise in respect of expenditure of his own money.

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

(i) the amount of expenditure involved is insignificant; or

(ii) a claim for the amount can be enforced in a court of law; or

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

(c) No authority should exercise the power of sanctioning the expenditure to pass an order directly or indirectly to its own advantage.

(d) The amount of allowance, 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.

15. *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 Legislative Assembly. The extent to which the wishes of the Legislative Assembly 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 function of the Committee see Chapter XIV).

16. *Central Government's Estimates.*- The instructions contained in this Manual relate to the State Budget. The State Government have also to prepare the Budget Estimates for certain Central subjects administrated by them as Agent for the Central Government, e.g., National Highways. The instructions issued by the Central Government for the preparation of these estimates are summarised generally in Chapter XV.

CHAPTER II.

DEFINITIONS.

17. Unless there is anything repugnant in the subject or context, the terms defined in this chapter are used in the Manual in the sense here explained. Words and phrases used in the Manual which are defined in the Constitution of India or in the rules and orders framed under the Constitution bear the meanings assigned to them in those definitions:-

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

(2) *Administration 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.

(3) *Annual Financial Statement or Budget* means the statement of the estimated receipts and expenditure of the State for each financial year to be laid before the Legislative Assembly. (See also paragraph 2 of Chapter I).

(4) *Appropriation* means the amount authorised by the Legislative Assembly for expenditure under a major or minor head or sub-head or detailed head or part of that amount placed at the disposal of a disbursing officer (The word is also 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 of India for each grant or appropriation in which is indicated the amount of the Grant/Appropriation sanctioned and the amount spent under the Grant/Appropriation as a whole. Important variations in the expenditure and allotments under different

group heads (Voted/Charged) are explained therein with the comments of audit. (See also Chapter XII).

(6) *Appropriation Act*-See paragraph 12 of Chapter I.

(7) (a) *Budget, Basic Concept*- A Budget is a pre-determined plan, a financial and/or quantitative statement prepared prior to a defined period of time, of policy to be pursued during that period for the purpose of attaining a given objective.

The definition covers the following essentials:-

(i) Period of preparation.

(ii) Budget period.

(iii) The objectives to be attained.

(iv) Budget statements.

(v) The policy to be pursued.

(b) *Budget of an organisation or a business*.- It is a well conceived plan intended to help in increasing production and efficiency at a reduced cost with a view to optimising profits.

(c) *Budget of the State Government*.- It is the statement of the estimated receipts and expenditure of the State as per policy of the Government, for each financial year to be laid before the Legislative Assembly.

(d) *Relationship between Budget and Ways and Means*.- The Budget gives the estimates of receipts and disbursements for a whole financial year under various heads of accounts mentioned therein. Transactions throughout the year are not uniform, nor might the receipts and expenditure in a month or upto a period be proportional strictly to the budgeted figure for the whole year. The function of the ways and means wing is to keep a close watch over the daily cash balance of the State with the Reserve Bank of India, review the receipts and disbursements for each month under the major heads of receipts and expenditure and to initiate corrective measures not only to see that the need, if any, for taking temporary advances from the Reserve Bank of India to bridge the gap between inflow and outflow of cash, is kept below the maximum limit fixed by the bank for such advances but also to see that the progress of receipts and expenditure under various heads of account from month to month is kept at a level which would ensure that the receipts and expenditure for that year as a whole is more or less close to the assumptions made in the budget.

(e) *Budget control*.- 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. To facilitate control, departmental accounts are maintained by the Chief Controlling Officers and the progressive actuals month by month are reconciled with those entered in the books of the Accountant-General. (See also Section II of Chapter-III).

(f) *Budget Deficit*.- The short fall of receipts when compared to the expenditure in the three accounts of the State viz. Consolidated Fund, Contingency Fund and the Public Account taken together is known as budget deficit.

(g) *Budget Estimates* are the detailed estimates of the receipts and disbursements of a financial year.

(h) *Budget Surplus*.- The excess of receipts over expenditure in the three accounts of the state viz. Consolidated Fund, Contingency Fund and the Public Account taken together is known as Budget surplus.

(i) *Budget year* means the financial year commencing on the 1st of April and ending on the 31st of March following for which the Budget is prepared.

(j) *Existing Modified Appropriation* represents the Budget Estimate of the current year plus the supplementary estimates voted by the Legislative Assembly.

(k) *Final Modified Appropriation* means the sums allotted to any unit of appropriation as it stands at the end of the financial year, i.e., 31st March, after it has been modified by reappropriation or by supplementary or additional grant or grants sanctioned by competent authority.

(l) *Revised Estimates* is an estimate of the probable receipts or expenditure for a financial year, framed in the course of that year with reference to the transactions already recorded and anticipations for the remainder of the year in the light of the orders already issued or contemplated to be issued or any other relevant facts. Revised Estimate is not appropriation. (See also section III of Chapter III).

(m) *Capital Expenditure Budget*.- The budget showing the expenditure proposed to be made on fixed assets during the period concerned.

(n) *Commercial Budget* is the statement of accounts of commercial undertakings which are subordinate to legislative control and are owned, run and managed by the Government like Agricultural Engineering workshop. It shows the Trading Account, Profit and Loss Account and the Balance sheet of the Government Commercial undertakings and are used to determine the profit or the loss of the Commercial departments. The core of commercial budgeting consists of the laying down of the physical targets of operations which would result in the optimum utilisation of resources.

(o) *Performance Budget* is a comprehensive operational document, conceived, presented and implemented in terms of programmes, projects and activities with their financial and physical aspects closely interwoven. Performance budget seeks to present the purposes and objectives for which funds are requested, the cost of various programmes and activities proposed for achieving these objectives and quantitative data measuring the work performed or services rendered or results accomplished under each programme and activity. (See also Chapter XVI).

(8) (a) *Capital Account*.- See paragraph 4 of Chapter I.

(b) *Working Capital*.- The amount available for day-to-day expenses of running the business; the difference between current assets and current liabilities.

(c) *Paid up Capital*.-The amount paid up or credited as paid up on the shares issued.

(d) *Authorised Capital*.- The total amount of capital which a Company is empowered to raise as stated in its Memorandum of Association.

(9) *Cash Credit Accommodation*.- This is a facility offered by the Commercial banks for Industries and Trades. Under this scheme the maximum that could be borrowed by an Industry or a trade is fixed and within such a ceiling the client can borrow money by hypothecating the fixed or movable assets held by him. When the value of the assets decreases, repayments will have to be made to the banks and when it increases additional loans without exceeding the ceiling can be obtained.

The State Government resorts to such cash credit accommodation for financing its fertiliser distribution scheme.

(10) *Cash Flow*.- All cash movements, that is, all cash receipts and payments during a specified period. This is usually prepared as a monthwise "Ways and Means" Statement.

(11) *Charged appropriation* means the sum required to meet charged expenditure as specified in the schedule to an Act passed under Article 204 of the

Constitution during the financial year concerned, on the service and purposes covered by that "Charged Appropriation". It does not include provision for voted expenditure.

(12) *Charged expenditure or expenditure Charged on the Consolidated Fund* means such expenditure as is not to be submitted to the Vote of the Legislative Assembly under the provisions of the Constitution. Sums relating to "Charged" expenditure are usually printed in italics in the Detailed Estimates and Grants. (See also paragraph 7 of Chapter I).

A list of items the expenditure on which is charged on the Consolidated Fund of the State is given in Appendix F.

(13) *Charges in England*.- See Section IV of Chapter III.

(14) *Consolidated Fund of Tamil Nadu*-See paragraph 3 of Chapter I.

(15) *Constitution* means the Constitution of India.

(16) *Contingency Fund*-See paragraph 3 of Chapter I.

(17) *Controlling Officer* means the authority made responsible for the control of expenditure for any head of account. A list of Chief Controlling Officers and Subordinate Controlling Officers is given in Appendix D.

(18) *Cost benefit analysis*.- Costs and benefits, social and private diverge, market behaviour can result in socially detrimental by-products, the cost of which must be met outside the market. The cost benefit notion has been rediscovered in recent years and a considerable effort has been made in economic planning to assess social costs.

(19) *Current assets.*- Cash or its equivalent and other assets which in the ordinary course of business will be converted into cash, e.g., accounts receivable.

(20) *Current liabilities.*- Those which must be met within a relatively short period, usually within one year from the date of the balance sheet. Trade creditors, bills payable, bank overdrafts, taxes payable are some of the examples of such liabilities.

(21) *Government Data Centre.*- Deals with system-analysis techniques, coding and programming techniques for the proper maintenance of the accounts of Government.

(22) *Debenture.*- An instrument under seal issued by a company as evidence of debt or as security for a loan bearing a fixed rate of interest and providing for repayment on or before a certain fixed date, or with no fixed date for redemption, it may be secured or unsecured, redeemable or irredeemable.

(23) *Decretal amount.*- See paragraph 47-A of Chapter III.

(24) *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. Each demand for grant contains first a statement of the total amount required, followed with details arranged by major heads, minor heads, sub-heads and detailed heads, etc.

(25) *Departmental Estimate* is an estimate of income and ordinary expenditure of a department in respect of any year submitted to the Government by a head of department or other estimating officer.

(26) *Deposit.*- A sum placed usually at interest and capable of being withdrawn either on demand or only after the expiry of the agreed term.

(27) *Depreciation*.-(i) A reduction in the value of fixed assets due to such causes as wear and tear, action of the elements, obsolescence, etc.

(ii) An annual charge equal to the value of a fixed asset which is expected to lapse each year due to such causes as wear and tear, obsolescence, etc.

(iii) The accounting process for the gradual conversion of a fixed asset into expense, whereby the cost of the asset is spread over its expected useful life.

(28) *Detailed head* is the primary unit of appropriation. It exhibits expenditure under basic items like salaries, machinery and equipment. For the list of standard detailed heads with reference to the nature of expenditure-*See* paragraph 5(g) of Chapter I.

(29) *Disbursing Officer*- Every Government servant who draws money for disbursement on bills from the treasury is a Disbursing Officer, but 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.

(30) *Discount*-(i) A deduction from the price of goods allowed by a seller, e.g., trade discount, cash discount.

(ii) When the price of a share or stock is below nominal value, it is at a discount.

(iii) The difference between the value of a bill of exchange at maturity and its present value.

(iv) To give or receive value (after deduction of discount) of a bill of exchange before it is due.

(31) *Discounted cash flow*.- Refers to the present value of future cash receipts and cash payments, i.e., their value computed by taking into account a particular discount rate in transactions phased over a period of time.

(32) *Economic Planning* refers to an attempt to plan economic activity and anticipate the results. However, the term is usually used to refer to the governmental direction economic operations.

(33) *Estimates Committee* is a Committee constituted by the Legislative Assembly for the examination of such of the estimates as may deem fit to the Committee or are specifically referred to it by the House. (See Chapter XII).

(34) *Estimating Officer* means a departmental officer responsible for preparing a departmental estimate (A list of estimating officers is given in Appendix C).

(35) *Exceptional Grant*.-See Article 206 (1) (c) of the Constitution reproduced in Appendix A.

(36) *Excess Grant* means a Grant voted by the Legislative Assembly to meet the expenditure incurred in a financial year in excess of the amount granted for a service of the year. (See Section V of Chapter IX).

(37) *Finance Accounts* are the accounts prepared by the Comptroller and Auditor-General of India. They present the accounts of the transactions under the Consolidated Fund. Contingency Fund and the Public Accounts and the accounts of assets and liabilities of Government such as Debt and Loans and Advances by Government. (See also Chapter XII).

(38) *Funds*.-Certain items of expenditure like expenditure on replacement of capital assets like machineries in Government Press, Agricultural Engineering Workshop, etc., and Transport vehicles and machineries in State Transport Department cannot be met from the normal receipts for the year. In order to meet such items of expenditure a *Fund* is constituted for each of the above items such as 'Depreciation Reserve Fund', 'Natural Calamities Relief Fund', etc., to which yearly, contributions are made from the revenues of the State at fixed rates. Normally the accumulations in these funds should be

invested in readily marketable securities so as to be available in items of need. When the need of replacement of machineries/buses arise or when there is a natural calamity, the expenditure is met by drawings from those Funds. Thus the expenditure on the items if and when incurred will not upset the normal Budget for the year.

Sometimes the Government levy a cess or tax for a specific purpose e.g., Sugarcane Cess (for development of roads around Sugar Mills and also for Development of Sugarcane), surcharge on Sales Tax, (for Urban Development). The collection from such items are transferred from the revenue account to the fund account constituted for them in the Public Account. The accumulations in these funds are utilised for the specific purposes for which the levies were made.

When a Fund is constituted with reference to an Act passed by the Legislative Assembly, it is called a *"Statutory Fund"*, e.g., "Calamities Relief Fund". Funds constituted by executive orders are "*Non-Statutory*" e.g., "Urban Development Fund", "Special Welfare Fund", etc.

(39) *Grant* means the amount voted by the Legislative Assembly in respect of a demand for grant.

(40) *Head of Department* means an officer declared as such by Government.

(41) *Inventory control* provides for systems designed to provide on a continuing basis control data relating to both current and anticipated stock requirements, facilitating the prediction of possible shortages due to peak and seasonal demands. The purpose is to ensure that funds are not unnecessarily locked up in inventories but at the same time operations in the capital budget go on smoothly.

(42) *Letter of Credit* system in Government is a system of appropriation control in regard to drawings of the officers of major spending department

where payments are mostly by means of cheques. It refers to the instructions issued by the Finance Department to the Treasury/Sub-Treasury Officers indicating the periodwise allocations for each Drawing Officers of the Public Works and Forest Departments. This stipulates the amount that should be drawn by the officer concerned (i) first for a period of nine months from April to December (ii) second for a period of three months from January to March based on the Revised Estimates for the year. The Finance Department restricts such letter of credit to the Budget appropriation under respective major heads of account.

(43) *Loans*.- Money lent to be repaid on certain conditions and at certain rate of interest.

(44) *Major head* means a main head of account for the purpose of recording and classifying the receipts and disbursements relating to the functions of the Government. (See paragraph 5(c) of Chapter I).

(45) *Major Work* means a work, the estimated cost of which exceeds Rs.1,00,000.

(46) *Management Information System* is a system of generating, collecting, transmitting, analysing, storing, retrieving and using information in a rational and scientific manner as information is the most important and crucial ingredient of the decision making process. The systems approach is required to focus the attention of the administrator on all different aspects or elements which are essential to meet his objectives or getting the required information. The essential elements are : (i) Input (data) (ii) Analysis and processing (iii) Storage and retrieval, (iv) Output (Information) and (v) Plan.

(47) *Minor head* means a head subordinate to a Major head or Sub-Major head. (See paragraph 5(e) of Chapter I).

(48) *Minor work* means a work estimated cost of which does not exceed Rs.1,00,000.

(49) *Modified Appropriation* means the sums allotted to any unit of appropriation as it stands on any particular date after it has been modified by reappropriation or by supplementary or additional grant or grants sanctioned by competent authority.

(50) *New Expenditure*. (See Chapter IV).

(51) *New Instrument of Service*.(See Chapter X)

(52) *New service* means a service the expenditure on which is not contemplated in the budget (Appropriation Act) for the year and the expenditure exceeds certain monetary limits and for which a supplementary statement of expenditure should be presented to the Legislative Assembly in accordance with the decisions of the Public Accounts Committee. (See Chapter X).

(53) *Number Statement- See* paragraphs 38 and 39 of Chapter III.

(54) *Part I Estimates-See* paragraph 22 of Chapter III.

(55) *Part II Estimates-See* paragraph 23 of Chapter III.

(56) *Plan.*- Any scheme to accomplish a purpose constitutes a Plan. While firms and industries plan future production, advertising, etc., Government plan, in varying degrees, the future development or performance of their economics. This is usually on an Annual Plan basis and Five-Year Plan basis. Plan schemes are mainly divided into two categories, viz., State Schemes and Centrally Sponsored Schemes. In respect of *State Schemes,* expenditure is incurred by the State and assistance is released according to prescribed pattern by the Central Government to State Government subject to an over-all ceiling. *Centrally Sponsored Schemes* are those for which the Centre and Planning Commission attach special importance, the progress of each one being watched by the Centre. The share of expenditure on these schemes which is usually

fully borne by Central Government, is given to State Government, as assistance outside the total pool of assistance made available to the State Government for financing the Plan. There is yet another category of schemes viz., Schemes assisted by Autonomous Bodies, in respect of which the financial assistance is rendered by the agencies like Indian Council of Agricultural Research, National Co-operative Development Corporation, etc.

(57) *Primary Unit of appropriation.*-See paragraph 5(g) of Chapter I. The primary units of appropriation are variable according to the administrative convenience and as such the exact units will appear every year in the volume "Detailed Budget Estimates".

(58) *Programme Evaluation and Review Technique (PERT) (Critical Path Method) network analysis* is the designing of the accounts data to enable a review of the physical progress, not only in terms of money spent, but in terms of the time taken for given activities, as against the time stipulated in the time bound activity net-work, to be prepared along with the estimate. The modern practice in respect of major projects is to analyse the project both in terms of the various kinds of activities and in terms of the time consumed for each activity and prepare a net work analysis to decide on the timing of the individual activities. Net work analysis consists in compiling a diagram, called net work diagram, showing the logical sequence of activities and the relationship between them. From this diagram, the total duration of the project can be calculated. It will also reveal the sequence of activities which contain some measure of flexibility in the time available for their completion as well as those which do not have such flexibility. This implies that all major estimates will have to be subjected to PERT/CPM network analysis. Critical Path, or the series of operations crucial to timely and proper execution of the project within the estimated cost, should be constantly watched. Based on the use of the Programme Evaluation and Review Technique (Critical Path Method Technique) it should

be possible to prepare a memorandum on the possible escalation in costs over the execution period. Action can be taken to complete the execution of the project in the minimum time with minimum increase in costs. The net work itself should be periodically updated with reference to changing conditions so that it is operational.

(59) *Public Account*. (See paragraph 3 of Chapter I).

(60) *Public Accounts Committee* is a committee constituted by the Legislative Assembly for the examination of the reports of the Comptroller and Auditor-General of India relating to the Appropriation accounts of the State, the Annual Finance Accounts of the State or such other accounts or financial matters as are laid before it or which the Committee deems necessary to scrutinise. (See Chapter XIV).

(61) *Public Debt* .- (See paragraph 4 of Chapter I).

(62) *Reappropriation* means the transfer by a competent authority of saving from one unit of appropriation to meet additional expenditure under another unit within the same grant or charged appropriation. (See Section II in Chapter IX).

(63) *Recurring charge* is a charge which involves liability beyond the financial year in which it is originally sanctioned; expenditure sanctioned for a specific purpose and for a specified period (not more than a financial year) is not a recurring charge.

(64) *Remittances*.-The head of account 'Remittances' under Public Account embraces all adjusting heads under which appear remittances of cash between treasuries and transfers between different accounting circles as in the case of Public Works Department. The initial debits or credits to the head Remittance will be cleared eventually by corresponding receipts or payments either within the same circle of accounts or in another accounts circle.

(65) *Report of the Comptroller and Auditor-General of India* deals with the points arising out of Appropriation Accounts and Finance Accounts of the year and other irregularities noticed in the course of audit financial transactions of the Government. It is prepared by the Accountant-General each year and is countersigned by the Comptroller and Auditor-General of India. (See also Chapter XII).

(66) *Revenue Account*. (See paragraph 4, Chapter I).

(67) *Standing sanctions* relate to revenue based on existing laws, rules or orders and expenditure incurred by virtue of existing rules and orders.

(68) *Sub-detailed heads* denote break-up of detailed heads or object classification, wherever necessary, and possible. (See paragraph 5(h) of Chapter I).

(69) *Sub-head* means a head subordinate to a minor head. It indicates schemes for Plan Programmes or administrative set-up in the case of non-plan expenditure. (See paragraph 5(f) of Chapter I).

(70) *Sub-major head-See* paragraph 5(d) of Chapter I.

(71) *Supplementary statement of expenditure* means the statement to be laid before the Legislative Assembly 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 supplementary grant may be token or substantive (*See* Section III of Chapter IX).

(72) *Suspense.*- The head 'Suspense' under Public Account accommodates interim transactions for which further operations are necessary before the transactions can be considered complete and finally

accounted for i.e., 'Suspense' is not a final head of account.

(73) *Technical Sanction* is the approval to the detailed designs, plans specifications and qualities by the competent engineering authority, which is required to be given to any work before its commencement.

(74) *Vote on account* means a grant made in advance by the Legislative Assembly in pursuance of Article 206(1)(a) of the Constitution, in respect of the estimated expenditure for a part of the new financial year, pending the completion of the procedure relating to the voting of the demands for grants and the passing of the Appropriation Bill. The Annual Financial Statement is generally presented to the Legislative Assembly in the month of February and normally the general discussion thereon in Legislative Assembly, the voting of the demands for grants by the Legislative Assembly and the passing of the Appropriation Bill 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 circumstance 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.

(75) *Vote of credit.-See* Article 206 (1) (b) of the Constitution reproduced in Appendix A.

(76) *Voted expenditure* means expenditure which is subject to the vote of the Legislative Assembly. It is to be distinguished from 'Charged' expenditure.

(77) *Zero base line budgeting* means a '*de novo*' examination of all items of expenditure incurred by a department to find out their necessity with reference to functions and responsibilities of the department.

(78) *Zero base line budgeting for accelarated growth (Ze-BAG)*: The modified process of Zero Based Budgeting to incorporate Government's role and functions, structures and operations for accelarated growth.

CHAPTER III.

PREPARATION OF DEPARTMENTAL ESTIMATES

SECTION I-GENERAL

18. *Accuracy of estimates and responsibility therefor.*-(a) 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 materials from the various departmental officers, and the departments of Secretariat. If the material supplied by the departmental officers and Secretariat Departments 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 see that the estimates are neither inflated nor under-pitched but are as accurate as possible.

(b) As the Government accounts are maintained in general on a cash basis, the estimates should take into account only such receipts and payments (including those in respect of the arrears of past years), as the estimating officer expects to be actually *realised or made* during the budget year and not on the basis of the total dues outstanding.

19. *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 sent 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 revenues, 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 Government but are merely repayments made out of the receipts. The receipts on capital account are also taken as reduction of expenditure and not shown on the receipt side.

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. The recoveries of expenditure in such cases are treated as revenue receipts of the Government rendering such services or supplies.

20. *Rounding off.*- The estimates under each lowest unit should be rounded off to the nearest Rs.1,000. Ordinarily provisions amounting to Rs.500 and above will be rounded to Rs.1,000 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.1,000 should be provided. This is however intended only to simplify budgeting by avoiding meticulous calculations. The sanctions to be accorded after the passing of the budget will be for the actual amounts and not in accordance with the rounded figures. In the case of estimates in respect of expenditure incurred in United Kingdom and adjusted finally by the Chief Accounts Officer, High Commission in United Kingdom the estimates should be rounded to £ 25 or Rs.1,000.

21. *Channels and dates for transmission or 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 the subordinate officers. The skeleton forms (in triplicate) duly filled in should be returned to Finance Department direct in duplicate

along with Examination sheet, and the third copy may be sent to the administrative Department in the Secretariat. The administrative department of the Secretariat will scrutinise the estimates and make available their comments to the Finance Department. A statement showing the estimating officers for the various heads of account, the administrative departments of Secretariat, the due dates for receipt of estimates in the Finance Department direct from the estimating officers and from the administrative departments of Secretariat is given in Appendix C. It is utmost important that the duly scrutinized 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 and may involve a possibility of any item not being adequately provided for or even omitted altogether.

22. *Part I Estimates*.- The departmental estimates referred to above should take cognizance of only 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. These are called the Part I Estimates.

23. *Part II Estimates*.- (a) Proposals which involves 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 IV) should be submitted to Government separately by the prescribed date. If a departmental officer feels any doubt whether a particular proposal should be treated as constituting a "new expenditure", he should make a reference to Government in the administrative department concerned well in advance of the prescribed date.

(b) Proposals relating to "new expenditure" should be submitted to Government as and when ready and in any case not later than the 1st October so that administrative departments of 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 be ordinarily 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.

24. *Classification of receipts and expenditure in Part I Estimates*.- A list of major and minor heads of account as prescribed by the Comptroller and Auditor-General of India is given in Appendix B. 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 major or minor heads require the approval of the Comptroller and Auditor-General and cannot be carried out until such approval has been obtained. The sub-heads, detailed heads and sub-detailed heads are however variable according to convenience and as such the exact units will appear every year in the State Budget under "Detailed Budget Estimate". The detailed classification of receipt heads is shown in the volume "Detailed Budget Estimate of Revenue". In the matter of accounting and control of expenditure, the classification and nomenclature of the head as given in the Detailed Budget Estimates should be followed unless they are subsequently modified by the Finance Department.

Note.- While submitting the departmental estimates, under the detailed heads the estimating officer should as far as possible, propose estimates under the standard detailed heads see para 5(g) of Chapter I. The estimating officer may, where absolutely necessary, have a 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 detailed head should be introduced or the provision made under any of the existing standard detailed heads.

25. *Estimates to be accompanied by explanatory notes.*- 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, detailed heads and sub-detailed heads, etc., in the same order in which the estimates have 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. Both the estimate and this note should be sent in duplicate direct to the Finance Department with a copy to the administrative department of the Secretariat.

26. *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 15th December. Corrections received after these dates will not be considered.

SECTION II--BUDGET ESTIMATES.

(a) Revenue and Receipts-Part I.

27. 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:-

(i) The estimates should be based on the existing rules and rates of taxes, duties, fees, etc., and no increase or reductions due to changes in such rates which have not been sanctioned by Government should be proposed;

(ii) 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 the 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;

(iii) In preparing the estimates of all receipts of fluctuating nature careful attention should be given to all abnormal factors as well as to normal conditions and tendencies like opening up of a new irrigation work for breaching of irrigation canals or famine conditions affecting the realisation of revenue;

(iv) 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;

(v) Provision is to be made in the revenue estimates, where necessary for refunds, which are shown under a separate minor head '*Deduct*-Refunds' under the major/sub-major head falling in the sector 'B. Non-Tax Revenue' unless it is not practicable to exhibit such refunds as sub-heads below the programme minor heads under the relevant major/sub-major heads in this sector and under 'C. Grants-in-aid and contributions'. Refunds will be accounted for under a distinct sub-head '*Deduct*-Refunds' opened below the relevant minor head under major/sub-major heads falling under "A Tax Revenue" so that the net collection from the each tax/duty can be readily ascertained from the accounts; and

(vi) If proposals for enhancement or reduction in the rates of taxes, fees, etc., have been sent to Government separately, the financial effect of such proposals should be indicated in the explanatory note.

28. 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 explanatory note of the estimating officer, especially when the estimate proposed for the ensuing year is in any way abnormal, due regard being paid to the following variations:-

(i) actuals of the past year compared with the original and the revised estimates of that year;

(ii) revised estimates for the current year as compared with the original estimates; and

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

29. Where several items of 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 item in the explanatory note.

(b) Expenditure-Part I.

30. The estimates of expenditure under Part I are those for the expenditure expected to be incurred in the coming year for the normal working of the departments with reference to the existing sanctions. No item constituting "new expenditure" should therefore be included in these estimates. The estimates 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 scrutinized before provision for it is included and the amount should be restricted to the absolute minimum necessary. The various general or specific orders issued by Government or by heads of department for economy in expenditure must be carefully borne in mind and complied with.

31. The Finance Department prepares skeleton printed forms and supplies to each head of the department or other estimating officer who submits estimates direct to the Government, in the printed skeleton forms. The following is a typical skeleton form for the detailed estimate of expenditure for 1993-94.

Sub-Major, Minor, Sub-head, detailed heads of appropri-ations.	Accounts 1991-92		Budget Estimate 1992-93		Revised Estimate 1992-93		Budget Estimate 1993-94	
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)

Columns (3), (5), (7) and (9) give figures by minor heads, sub-heads and detailed heads of appropriation while columns (2), (4), (6) and (8) give details for the items comprised in some detailed heads of appropriation. The sub-detailed head figures will in each case add upto the figure shown immediately above in the next column against the detailed head concerned.

32. 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 depreciated. The estimating officer must give his closest personal

attention to each and every item and see that the items of expenditure which have become obsolete are omitted. At the same time it is his duty to see that provision for all expenditure that can be reasonably foreseen and does not constitute "new expenditure" is made in the estimate. Care must be taken that no provision for increased expenditure requiring specific sanction of the competent authority is included unless sanction has already been obtained and that even in the case of a sanction scheme provision is made for only so much of it as can actually be brought into effect in the budget year.

33. 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 feature during the past years, any recognizable regularity in the pitch of expenditure and any special feature known to be certain or likely to arise during the budget year. When any specific item of expenditure although covered by standing sanction is to be held in abeyance under the orders of 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 explanatory note at the appropriate place.

34. *Lumpsum provision*.- Lumpsum provision should not as a rule be made in the estimates. In some cases however lumpsum provisions becomes unavoidable, e.g., provision for grants to local bodies or to provide managements for water supply and drainage schemes, road and bridges and the like. Except when expenditure out of lumpsum 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 and working out of the 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.

35. The earlier practice of exhibition of certain expenditure and receipts taking place in United Kingdom under distinct minor heads 'Charges in England', and 'Receipts in England' under the various expenditure and receipt major heads has been discontinued. Such items of expenditure and receipts will be accounted for and merged with other expenditure/receipts of the same nature under the relevant programme minor head. Detailed instructions for the preparation of these estimates are given in *section IV*.

36. *Estimates for pay and leave salaries of Officers and establishments*.- The pay, leave salary and fixed allowances of a Government servant (excluding pensioner) for a month become due for payment at the end of the month, i.e., on the last working day of each month. If the last working day of a month is a Saturday the payment will be made on the previous working day. The salaries for the month of March, shall however be disbursed on the first working day in April, since it will be covered by the Budget of the next financial year.

37. (a) The estimates should be framed on the basis of the expenditure likely to be incurred in the coming year on account of the officers and subordinates likely to be on duty and the actual pay (including special pay and personal pay but excluding compensatory allowances) to be drawn by them irrespective of the actual sanctioned strength. In the case of holders of posts carrying time scale 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 estimates 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 under training but no separate provision should be made on account of leave

salaries. In small cadres of gazetted officers provision 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.

(b) 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.

(c) The estimate in respect of pay of temporary posts should be shown separately from that relating to permanent posts.

(d) It is probable that estimates carefully prepared in accordance with the foregoing instructions may still be too high. They should, therefore, be examined with reference to the differences between the estimates and the actuals in past years and a lumpsum deduction should be made for probable savings. Each estimate should be rounded to the nearest thousand rupees.

38. *Numerical strength of officers and establishments.*- The number of posts budgeted for in the current year and those for which provisions have been proposed for next year in the estimates should be clearly indicated, both for permanent and temporary posts. The scales of pay should also be included under each detailed head, but it will be sufficient if only the minimum and maximum pay is shown instead of the full scale. In the case of temporary posts provision should be made only for the continuance of such posts as are definitely required to be retained and for the period for which they will be actually required. The number and the date of the orders by which each post was created or last retained should invariably be quoted for reference. If any additional temporary posts are required for any sanctioned scheme

or project on the basis of the approved programme or work, provision for them may be included in the budget estimates. Their necessity should, however, be clearly explained and it should be reported whether the cost involved is included in the sanctioned cost of the scheme or project.

39. The Number Statement for Pay of Officers and Establishment should be prepared in Annexure I to this Chapter. Number Statement for fixed allowances like Dearness Allowance, House Rent Allownace, etc., should be prepared in Annexure-II to this chapter. While furnishing these Number Statements, care should be taken to follow instructions on the standardisation of new detailed heads issued by the Government. Besides, an abstract in the Annexure-III should also be given, specifying the total strength as also the details of the staff in each category in each department, including permanent and temporary establishment, both in Gazetted and Non-gazetted Services, Sub-headwise, under the respective major heads. Those sub-heads not representing provisions for staff should be left out. The Number Statements so compiled should set out the staff position as on 1st July of each year and should be submitted by the Estimating Officers to Government in Finance Department on the 1st August of each year well in advance of the departmental estimates.

NOTE - When submitting the budget estimates for village establishments, whose pay bills are audited by Treasury Officers, the Revenue Administration departments should append to the estimates certificate to the effect that sanctioned scale has been verified and found correct. This certificate should be based on similar certificates to be obtained by the Revenue Administration Departments from the treasury Officer concerned.

40. *Allowances.*- The estimates for allowances should generally be drawn up under the two detailed heads/sub-detailed heads of Salaries-Other allowances and Dearness Allowance. The estimates pertaining to Fixed Travelling Allowance should, however, be drawn

up under the detailed head 'Travel Expenses'. In the case of Dearness Allowance and other Allowances which are 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 on fluctuating items like Travel Expenses should generally be based on the current year's allotment viewed in the light of 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 Travel Expenses (other than fixed travelling allowance) is restricted to the absolute minimum amount necessary, consistant with the paramount need to observe economy under this head. Unless full and convincing reasons have been given in the explanatory note, all increases proposed by the estimating officers are liable to be cut down by the Finance Department.

41. *Allowances of staff paid from contingencies*.- Provision for compensatory allowances, if any drawn by staff whose pay is met from "Contingencies" should be made under the detailed head 'wages'.

42. (a) *Office Expenses*.- The estimates for this class of expenditure require careful scrutiny by the Controlling Officer. The actuals for three years should be given in the explanatory note. Abnormal charges if any should be specified and excluded from the total in calculating the average of the three years preceeding. Justification is needed in all cases in which it is proposed to exceed the normal average.

(b). *Maintenance*.- The detailed head 'Maintenance', will include all provisions on maintenance of works and also include repairs incidental to maintenance costing not more than Rs.5,000.

In cases of new works the cost of which is between Rs.5,000 and Rs.10,000 and treated as expenditure of civil departments, the expenditure if identifiable under a programme or project, should be accounted for under that programme as an object classification, viz., 'Minor Works'. If this is not possible, it should be classified under the minor head "Other expenditure".

43. *Works.*- Expenditure on works is classified under distinct detailed heads titled "minor works" or "major works" under the respective activity sub-heads depending on the outlays involved on the work. All works the cost of which exceeds Rs.1,00,000 individually will be debited to the detailed head "Major Works" under the respective activity sub-heads. Any work the cost of which is less than Rs.1,00,000 will be booked under the detailed head "Minor Works" under respective activity sub-heads.

Under each detailed head "Major Works" details of the actual works will have to be furnished in the following form along with the budget estimates in respect of all departments:-

Item Number	Name of Work	Estimated cost as per latest sanction	Cumulative expenditure on the work up to the end of the previous year	Budget Estimate for the current year
(1)	(2)	(3)	(4)	(5)
		Rs.	Rs.	Rs

Revised Estimate for the current year	Budget Estimate for the next year	Remarks
(6)	(7)	(8)
Rs.	Rs.	

Information in column (3) should be the latest sanctioned estimate. The figures of actuals upto the end of 31st March of the previous year should take into account clearance of the debits from the transitory heads in the Public Account. In respect of new sanctions issued during the year for which there are no provisions in the budget estimates of the current year, information in a separate statement should be furnished in the following form in addition to the estimates normally furnished in the above form:

Details of work with Government Order Number and date.	Amount of Estimate	Provision sought for in current year's Revised Estimate.	Provision for ensuing year's Budget estimates, if any.
(1)	(2)	(3)	(4)

In respect of provisions sought for under the detailed head "minor works" full justification with details of minor works, costing between Rs.10,000 to Rs.1,00,000 should be furnished.

44. *Departmentwise ceilings for minor works.*- In order to ensure that the expenditure on minor works for a particular department is not excessive in any year, Government have prescribed suitable monetary limits upto which expenditure on minor works under the buildings sub-heads of various departments can be incurred in any year. Based on the recommendations of the Administrative Reforms Commission orders have been issued in G.O.Ms.No.160, PWD, dated 3rd February 1975 classifying any work the cost of which is below Rs.1 lakh as a minor work. Consequently a comprehensive revision of the departmentwise ceilings for minor works had been undertaken to be in consonance with the revised definition of a minor work and the revised ceilings for the various departments are as follows:-

Serial number and Name of Department (1)	Existing monetary limit (2) Rs.	Revised monetary limit (3) Rs.
1. Land Revenue	20,000	2,00,000
2. State Excise duties	1,000	5,000

3. Registration	60,000	1,00,000
4. General Administration Residence of the Governor (Charged)	50,000	50,000
5. General Administration: (Dt. Administration) (Other works including Secretariat)	1,50,000	4,00,000
6. Administration of Justice (High Court and other works)	1,41,000	1,50,000
7. Jails	77,000	85,000
8. Police	1,59,000	2,25,000
9. Scientific Departments (Government Museum)	15,000	20,000
10. Education (other than Technical Education)	1,00,000	3,00,000
11. Technical Education	1,00,000	1,00,000
12. Medical	4,00,000	5,00,000
13. Public Health (King Institute)	7,500	50,000
14. Public Health (Excluding King Institute)	12,500	
15. Agriculture	26,000	30,000
16. Fisheries	5,000	5,000
17. Animal Husbandry	36,000	55,000
18. Co-operation	2,500	4,000
19. Industries	10,000	10,000
20. Public Works	1,75,000	1,75,000

21. Stationery and Printing	22,500	30,000
22. Fire Protection and Control	60,000	60,000
23. Labour (including Factories)	5,000	5,000
24. Communication (including Highways and Rural Works)	2,00,000	2,00,000
25. Forest	5,000	5,000
26. Commercial Taxes	...	4,50,000

The above limits take effect from the financial year 1981-82.

45. *Motor Vehicles*.- The expenditure on Motor Vehicles used for any purpose, whether for functional activity like Ambulance or for running an office shall be recorded under this detailed head. The sub-detailed head "Purchases" will record expenditure on purchase of vehicles constituting an additional to the fleet strength or replacement for condemned vehicle. The sub-detailed head "Maintenance" shall record the expenditure on purchase of spare parts, repair charges and servicing charges. The expenditure on propulsion charges shall be debited to the detailed head "Petroleum, Oil and Lubricants".

46. *Other Charges*.- The detailed head "Other charges" is meant to be a residuary head to record expenditure which cannot be fitted into other standard detailed objects of expenditure. This has to be very sparingly used ensuring that the provisions exceeding Rs.25,000 should not be exhibited under this head, in order to avoid indiscriminate classification of items of expenditure under this detailed head and to simplify the accounting practice. [G.O.Ms.No.800, Finance (BG-II), dt.26.7.90]. The Finance Department will authorise the opening of this detailed head in respect of any sub-head only after satisfying itself that the expenditure cannot be conveniently booked under one of the specific standard detailed objects of expenditure.

47. *Customs duty on imported stores.*- The duty should be calculated at the tariff rates in force at the time on the gross value of the stores including incidental charges, such as those for packing, insurance, freight and landing of the stores.

The estimates on customs duty normally form part of the cost of the stores on which duty is paid and should therefore be included in the cost of the stores and shown in the estimates accordingly. This will apply to the stores purchased for the Public Works Department when the cost of the imported stores is eventually treated as part of the cost of the works for which they are used and also to stores imported directly by educational and other institutions instead of through the High Commissioner for India.

In all other cases, the cost of imported stores is debited under the relevant major, minor, sub and detailed heads of account under which they would have been classified had the transactions taken place in India, and the customs duty which is paid in India should be debited to a separate account head "customs duty" as part of the expenditure of the Chief Controlling Officer or Officers under the major head concerned.

47-A. *Payment of decretal amounts.*- Expenditure on payments made in satisfaction of any judgement, decree or award of any court is to be treated as Charged on the Consolidated Fund of the State. As reappropriation between Charged and Voted provision is not permissible, it is necessary that charged provision should be restricted to the absolute minimum additional funds being arranged later, if required through supplementary estimates. In cases where no appropriation within the grant for charged expenditure is available, advance from Contingency Fund can be obtained.

NOTE.- The expenditure on the award by the Arbitrator under the Arbitration Act, 1940 under section 10-A of Industrial Disputes Act, 1947 is not a charged item of expenditure.

SECTION III-REVISED ESTIMATES.

48. 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 anticipations for the remainder of the year in the light of the orders already issued or contemplated to be issued or any other relevant facts. Revised estimate is only an estimate and as it is not voted by the Legislative Assembly it is not an appropriation. It does not authorize any expenditure or does it supersede the budget estimate as the basis for regulation of the expenditure. If provision is made for additional expenditure in them, it is necessary to apply separately for the additional appropriation required, unless this has already been sanctioned. Similarly a reduction in any provision of funds in the revised estimate does not obviate the necessity for formal surrender of any amount provided in the budget estimates which is not likely to be spent. At the same time it is the duty of the Controlling Officer to see that as far as possible the expenditure during the remaining part of the year is so restricted that the total expenditure for the year does not exceed the revised estimate figure. That is, Final Modified Appropriation shall not exceed Revised Estimate taking the demand as a whole.

49. The reduction in the revised estimate may be due to one or more of the following causes:-

(i) actual postponement of expenditure;

(ii) real savings due to economy measures; and

(iii) normal savings due either to over estimating or administrative causes e.g., casualties, etc.

Savings due to clause (i) are in no circumstances to be used to meet new items of expenditure without prior sanction of Government. Unless savings due to clause (ii) have been made deliberately to provide for a foreseen emergency, they should not ordinarily be utilised in the course of the year for new items of expenditure.

50. The revised estimates of the current year are *prima facie* the best indications as to what the budget estimates for the coming years could be. It is thereore essential that they 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 enable the Government to arrive at the approximate closing balance of the year which will be the opening balance of the next year.

51. *Methods for framing the revised estimate.*- 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 the 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 figures differ appreciably from the previous years figure, the reason or reasons for variation, should be clearly explained. Also if any special factors have affected the figures 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 adjustment 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.

52. (a) The revised estimates are generally based on the actuals of the first four or six months of the year. Assuming that at the time of the preparation of the revised estimates, the actuals, for

the first four months of the current year are available, then the revised estimates may be calculated as follows:-

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

(ii) by taking a proportionate figure so that the revised estimates will be 12/4 (i.e. three times) the actuals of the first four months; or

(iii) by assuming that the revised estimates for the current year will bear the same proportion to the actuals of the first four months as the actuals of the previous year before those of the first four months of that year;

(iv). by working out the multiplier 'M' by the formula,

$$M = \frac{M1 + M2 + M3}{3}$$

where M1, M2, M3, represent the ratio

$$M = \frac{\text{12 months actuals of previous year (i.e. full year)}}{\text{First 4 months actuals of the previous year}}$$

and by multiplying the 4 months' actuals of the year in question with this average 'M' of the past year.

NOTE:- M1 shall denote the ratio of actuals of the first preceding year.

M2 shall denote the ratio of actuals of the second preceding year.

M3 shall denote the ratio of actuals of the third preceding year.

(b) The heads of departments and other estimating officers should use their discretion and adopt one or other of the above methods of 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 and also allowing for seasonality if any, in certain transactions peculiar to the concerned department. It would always be of advantage to base the forecast on a careful of the figures of three years immediately preceding rather than those of a single year.

53. *Corrections to the revised estimates.*- Any appreciable variations discovered in the revised estimate of expenditure and receipts subsequent to the communication to the Finance Department should be communicated to that department within one month from the date of sending the estimate and in any case not later than the 15th December.

SECTION IV-CHARGES IN ENGLAND

54. *General.*- The bulk of the State Expenditure is incurred in India but a small part of it is incurred abroad (i) in purchasing stores and (ii) in payment of leave salaries and deputation pay, sterling overseas pay, pension and annuities, etc., Stores required for the State are purchased in several foreign countries. Purchases in the United Kingdom and in certain European Countries are made through the India Stores Department, London, Payments for stores purchased through the India Stores Department, London, and stores ordered direct from the firms abroad subject to inspection by the Director-General, India Stores Department, London, are made initially by the High Commissioner for India, London, from the funds placed at his disposal and the debts are passed on to India every month. The Accountant-General, Central Revenues, New Delhi, passes on the debits to the Accountant-General, Tamil Nadu for adjustment against the balances of the State. The amount in sterling

under each major or group head is converted into rupees at the average rate of exchange for the month, but it is split up into two parts, viz.,

(1) the rupee equivalent at the official rate of exchanges, and

(2) the difference between this figure and the figures calculated, on the basis of the average rate for the month. Under the procedure obtained prior to 31st March 1974, the difference between the conventional rate and the average rate is debited/credited as a loss or gain in exchange under the relevant capital major heads of commercial departments for the transactions relating to them or in lump under "2075. Miscellaneous General Services or 0075. Miscellaneous General Services" if the transactions relate to revenue heads. Under the revised arrangement effective from 1st April 1974 separate adjustments for loss or gain by exchange are dispensed with and the transactions are adjusted at a uniform composite rate, namely, I.M.F. parity rate plus a percentage thereof to cover loss by exchange, etc. Accordingly under the revised accounting procedure, the Chief Accounts Officer, High Commission in United Kingdom will send accounts classifying the transactions, presently shown by him under the minor heads "Charges in England", "Receipts in England" under the relevant major, minor, sub and detailed heads of account under which they would have been classified had the transactions taken place in India. The Chief Accounts Officer will continue to be the estimating officer for these transactions. He will continue to pass on the transactions now classified by him under the remittance head to the Accounts Officers in India through the remittance account as at present for final adjustment.

55. Nature of expenditure.- The charges incurred in England by the High Commissioner of India on behalf of the State Government fall mainly under the following categories:-

(a) Purchase of stores.
(b) Leave salaries and deputation pay payable in England.

(c) Sterling overseas pay (where admissible and drawn in England)

(d) Pensions and annuities gratuities, etc.

(e) Miscellaneous items like scholarships, contributions, stipends, cost of publications indented through the High Commissioner, etc.

56. *Preparation of estimates*.- (a) The only regular item of receipts in England is the amount derived from the sale of Government publications. Small sums are also recovered on account of overpayments, etc. The estimates for receipts are prepared by the High Commissioner for India in London.

(b) The High Commissioner for India in London prepares an estimate for the expenditure he incurs in England on behalf of the State Government and sends to this Government. A small amount of expenditure by way of payment of pensions to Military Officers in respect of civil employments on behalf of the Tamil Nadu Government is incurred by the Secretary of State, Commonwealth Relations Office. The estimates for such expenditure are prepared by the Accountant-General, Commonwealth Relations Office and sent to the Tamil Nadu Government in the Finance Department by about the 15th November through the High Commissioner for India, London.

(c) The High Commissioner is the disbursing officer in regard to charges in England under his control. But he makes payments as a rule only in accordance with the sanctions accorded by the Tamil Nadu Government and their officers. It is, therefore, necessary that Heads of Department and other estimating officers should prepare the estimates for these charges in the first instance. As the disbursing officer, the High Commissioner has accurate information with regard to the progress of expenditure, the prices of stores and the dates on which the stores will be ready and payments will be made and he will correct the estimates sent to him from India on the basis of the fuller information available to him. In order that the High Commissioner's estimates may be received by the Government in Finance Department in time for examination, heads of department and other estimating officers in India should prepare the revised estimates for the current year and the budget estimates for the ensuing year for charges in England under the control of the High Commissioner, separately from and in advance of the consolidated departmental estimates.

57. *Rate of conversion for purposes of estimates.*- For purposes of budget estimates, the rate of forty rupees to a pound is to be adopted. Provision in sterling should be made by the High Commission in its estimates in multiples of £ 25 and the figures of expenditure in England which are finally adopted by the Finance Department for incorporation in the State detailed estimate should be multiples of Rs.1,000. Any figure less than £ 25 or Rs.1,000 will be rounded to the nearest £ 25 or Rs.1,000.

58. Adjustment in accounts of Loss or Gain by Exchange.-

(a) When a remittance from India is made to the High Commissioner the actual rupees debited to Government accounts by the Reserve Bank of India (and not the rupee equivalent at parity rate) will be adjusted under a suspense head as in the case of remittance to other Indian Missions abroad.

(b) When the High Commissioner's accounts are received all the transactions appearing therein including those relating to the remittance of cash should be converted at a composite rate of Exchange (i.e.I.M.F. parity rate plus a percentage thereof to cover the loss by exchange) as fixed by the Ministry of Finance from time to time.

(c) The debits and credits afforded to the suspense head under which the remittance of cash is adjusted will not be equal as, the actual rupees debited or credited by the Reserve Bank of India and the contra credits or debits appearing in the High Commissioner's Account converted at composite rate will be different. At the end of the year the net difference under the above suspense head on account of debits or credits afforded by the Reserve Bank of India and accounted for in Government accounts in equivalent rupees and the corresponding credits or debits appearing in the accounts of the High Commission in United Kingdom at the composite rate will represent the net gain or loss. This difference may be transferred in lump as a gain by exchange under the minor head "Gain by Exchange" under "0075. Miscellaneous General Services" or as a loss by exchange under the minor head "Loss by Exchange" under "2075. Miscellaneous General Services".

(d) All the transactions shown in the Mission's account including the receipt of remittance may be converted at the composite rate of exchange. There will not be any separate adjustment of loss or gain by exchange, and as in the case of remittance to the High Commissioner in United Kingdom, the balance, if any, outstanding under the suspense heads will also be transferred to the major head "Miscellaneous General Services" as loss or gain. Similarly the composite rate should be adopted for the conversion of transactions appearing in the accounts of the India Supply Mission, Washington and consequential recovery effected by/from other departments, Accountant-General, etc., from/by the Pay and Accounts Officer, Department of Supply.

59. *Stores.*- The expenditure on stores purchased in England should be included under the minor head under which expenditure for similar purchases in India is shown.

60. *Leave Salaries and deputation pay and sterling overseas pay.*- Estimates for these heads should be prepared in the forms given below. There should be separate Statements for :

(a) expenditure charged on the Consolidated Fund of the State; and

(b) voted expenditure.

and under each head of these for the Revised Estimate for the current year and the Budget Estimate for the coming year.

FORM I-LEAVE SALARIES AND DEPUTATION PAY.

Head of Account (1)	Name of the Officer (2)	Whether on depudation or on leave (3)	Period of leave or deputation (4)

	Rate per month (5)	Total for the year (6)	Total converted in sterling at the tare applicable to leave salaries (7)
	Rs.	Rs.	Rs.
	------	------	------
Total			
	------	------	------

Form II - Sterling Overseas Pay.

Head of Account	Name of the Officer	Sterling overseas pay per month	Total for the year
(1)	(2)	(3)	(4)
		Total	

When leave salary or deputation pay is paid in England, sterling overseas pay is not recorded separately in the accounts but is included in the leave salary or deputation pay as the case may be. The provision proposed for leave salary or deputation pay and that for sterling overseas pay (to be included in leave salary or deputation pay in the accounts) should, however, be indicated separately for each officer in columns (5) to (7) of Form I. The estimates for leave salaries and deputation pay and sterling overseas pay under "2052. Secretariat-General Services - 090. Secretariat - AG. Share of the cost of the High Commissioner's Establishment - 33. Payments for Professional and Special Service", will be prepared by the Chief Secretary to Government in consultation with the Accountant-General, Tamil Nadu.

61. *Latest date for submission of estimates to the Government*.- The estimates for charges in England, other than pensions, should reach the administrative department of the Secretariat concerned not later than the 1st August and the estimates for pensions will be prepared by the Accountant-General in the usual form and sent to the Finance Department not later than the 1st September.

62. *Deleted.*

63. *Scrutiny and transmission of estimates for charges in England other than those for stores to the High Commissioner.*- The estimates of charges in England other than those for stores received by the administrative department of the Secretariat will be scrutinised by them and forwarded to the Finance department not later than the 5th September with such modifications as they may consider necessary. The Finance Department will examine these estimates as well as the estimates of pension charges received from the Accountant-General and send consolidated estimates to the High Commissioner so as to reach him not later than the 4th October.

64. *Receipt of corrected estimates from the High Commissioner.*- The High Commissioner on the basis of these estimates and forecast and the more up-to-date information in his possession as regards the extension of periods of leave, etc, of officers, corrects the estimates sent to him and forwards his revised estimates of the current year and the budget estimates of the ensuing year to the Finance Department so as to reach that department in the third week of October.

CHAPTER IV.

PREPARATION AND SCRUTINY OF PART-II ESTIMATES.

65. Under the Tamil Nadu Government Business Rules and the Secretariat Instructions, 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 of new expenditure which has not been so examined. (Extracts from the Secretariat Instructions are given in Appendix A.)

66. (a) It is not possible to define rigidly the term "new expenditure". 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 upgradation of posts or development of an existing scheme or facility is also, where it is appreciable, treated as "new expenditure".

(b) All proposals which are not in the nature of maintenance work are to be treated as Part-II, e.g., if the proposal is to plant 1,000 acres of Blue Gum every year, then the planting part will be Part-II every year and the maintenance of previous year 1,000 acres alone will be Part-I unless of course at the beginning of the Plan period, the sanction is given for the entire five years.

(c) Another feature to be noted regarding Part-II schemes is that all schemes in regard to which Government have still an option to incur or not to incur expenditure with reference to the budgetary position, should be classified as Part-II Schemes. For example, in respect of a scheme for construction of buildings under a head of development there may be a lumpsum plan outlay for an entire plan period. A certain amount of expenditure might have been incurred in the first year, by sanctioning a few works. Even though there is a plan provision, it is left to the Government to either incur the expenditure or not to incur in subsequent years. If the administrative department desires to incur the expenditure by taking up new items of work say in the next year, it should bring forward the proposal for consideration as a Part-II scheme for the next year.

67. (a) The classes of new expenditure which should be considered under Part-II of the Budget Estimates requiring reference to the Standing Finance Committee of the Cabinet and then to the Cabinet before the issue of orders sanctioning the schemes are listed out in Paragraph 170 (b) of this Manual. In addition, the schemes which are totally new in concept or content and other schemes which Finance Department at its discretion, wants to be treated as New Schemes, are brought forward as Part-II Schemes, irrespective of the monetary limits laid down.

(b) The following criteria are usually laid down in regard to selection of Part-II schemes:--

(i) The first charge on available resources will be for schemes which form part of the plan;

(ii) New development schemes which do not find a place in the approved five-year plans, will under no circumstances, be provided for on the non-plan side;

(iii) Schemes involving non-developmental expenditure will be given the lowest priority;

(iv) Preference will be given to quick yielding programmes and schemes which are expected to yield a net revenue even in the first few years of operation; and

(v) 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 utilised for more useful schemes. Preference will, therefore, be given to schemes of those Heads of Departments, who come forward with economy measures elsewhere.

68. *Details to be given*:- Every proposal or scheme 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 part of the development programme included in the Five-Year Plan. The estimates of cost should show the recurring and the non-recurring expenditure separately by the major heads, minor heads, sub-heads and detailed heads of account in all cases and by sub-detailed heads of account, where considered necessary. In the case of recurring expenditure and of non-recurring expenditure proposed to be spread over a period of years, the estimates for each year should be given.

Heads of Department should also furnish full details of assistance expected from outside (other than the block grant and loan received for the plan), any special conditions to be fulfilled, the period for which such assistance will be forthcoming and the share of expenditure to be borne by the State Government, so that the Finance Department may be able to assess accurately the net liability that has to be borne by the Government.

It is better that new schemes are proposed even from the month of May so that a thorough evaluation can be made. It is necessary that the practice of sending all the proposals together only in October is avoided.

68-A. PROCEDURE FOR SCRUTINY OF PART-II SCHEMES BY THE STATE PLANNING COMMISSION :-

Prior to submission of new schemes to the Government in Planning and Development Department and Finance Department for their examination and scrutiny, the Part-II Schemes of each year shall be scrutinized by the State Planning Commission, keeping in view of the schemes already under implementation, specifying the benefits of the schemes, costs in each year, cash flow statements, usage of new technology if any, additional staff and vehicles required, overhead charges, results of O&M studies or Zero Base Budget reviews, etc. The procedure for this scrutiny will be as follows :-

(i) The State Planning Commission will call for schemes for the next financial year in April each year, giving adequate time for preparation of the schemes. The Commission will also prescribe the formats for obtaining such data as may be necessary along with scheme proposals, in order to facilitate detailed examination of the schemes by it.

ii) Heads of Department shall send these proposals to the State Planning Commission by 15th May of each year in the prescribed formats. Such new schemes should generally be from within the Five year Plan and should be upto twice the previous year's ceiling, in the absence of the communication of the Part-II ceilings for that year.

iii) The Member-secretary, State Planning Commission, will appraise the proposals in the Commission and in meetings with individual Heads of Department. The first round of such meetings will be held during June-July and the second round during August-September, giving adequate time for examination of all new schemes and for obtaining additional information or making modifications.

iv) During the appraisal, schemes not considered sufficiently beneficial will be weeded out and a shelf of recommended schemes prepared, after careful consideration of the scheme content including requirement of additional staff and over-head expenditure. The costs of introduction of each such scheme in the initial year and in each year of the plan will be estimated and cash flow statements prepared for each year of implementation during the plan period.

v) Part-II scheme ceilings will be indicated by Government and specific proposals will be called for in October of each year. The State Planning Commission will then call for meetings with each Secretary to Government and the concerned Heads of Department and Members of the Planning Commission. This meeting will consider the shelf of appraised schemes, prioritise them and recommend as Part-II schemes, only such schemes as can be fitted within the ceiling for the Secretariat Department. The procedure for consideration of Part-II schemes beyond this stage by the Government is as contemplated in para 173 of the this Manual.

68-B. Part-II Schemes relating to Non-Plan departments such as Revenue, Personnel and Administrative Reforms, Commercial Taxes and Religious Endowments, Finance, Public and Home departments are, however, finalised within the ceilings fixed at a preliminary meeting by the Secretary to Government, Finance Department with the Secretaries of these non-plan departments separately for placing before the Standing Finance Committee for its considereation.

69. *Last date for submission of Part-II Schemes.*- To enable a proper and detailed examination being carried out by Government, all proposals or schemes under Part-II of the Budget should be submitted by the heads of departments or estimating officers concerned to the administrative departments of the Secretariat concerned as soon as they are ready and should not be held up for being submitted towards the last date which is the 1st October. 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 are also really essential and urgent. The proposals should reach the Finance Department in sufficient time and in any case not later than the 1st Novermber, 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 Finance Department will be at liberty to decline to accept any proposal for consideration after the 1st November irrespective of the reasons. After the schemes have been examined by the Finance Department, the administrative departments of Secretariat should obtain orders in circulation to the Ministers concerned and the Minister in-charge of Finance for considering the schemes as Part-II Schemes and send copies of Part-II Note to the Finance Department immediately and in any case not later than the 15th November. By 15th November, each administrative department should send to the Finance Department a list of Part-II Schemes with which it is concerned indicating therein the order of priority in which the scheme should be considered. This list should comprise of two sections, one for Plan Schemes and other for non-Plan schemes, the schemes being arranged in the order of priority in each one of these sections.

70. In framing the estimates of cost, the date from which a Part-II Scheme is likely to be introduced and whether it will be introduced in full from the beginning or by stages must be carefully considered. A scheme of new expenditure cannot be introduced until provision for it has been included in the Appropriation Act, or until the necessary sanction to the scheme has been accorded by the Government. No action which commits the Government to expenditure should be taken in anticipation of their sanction. The period which may be required for preliminaries after the receipt of the Appropriation Act and the orders of the Government will depend on the nature of the scheme. A new office cannot be opened until the

personnel of the office is settled, a building rented and the necessary furniture and equipment provided, while the opening of a new school, must in any case wait till the commencement of the school year. In brief, only so much should be provided in the estimates as will actually be spent in a particular year.

71. *Works*.- Schemes relating to works must be accompanied by sketch plans and approximate estimates. In all cases of works and schemes costing more than Rs.5 lakhs, preparation of detailed estimates should be taken up only on issue of a Memo/Letter of Intent by the authority competent to accord administrative sanction to the schemes and works on receipt of which action should be taken to select a suitable site and arrange for its investigation by the Public Works Department. The Public Works Department will then prepare detailed plans, designs and estimates which will be technically sanctioned by the competent authority in the Public Works Department and submitted to the Government in the administrative Department for according administrative approval. Grants or loans to local bodies for new works will not be considered unless detailed plans and estimates have been sanctioned by the competent authority and unless their necessity has been established. 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. 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.

72. *Loans or loans and grants*.- Proposals relating to sanction of loans or loans and grants-in-aid to local bodies and other non-Government institutions, private parties, etc., should not be submitted to Government until the admissibility of the loan or grants-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 grants-in-aid applied 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 expenditure, if any, can be met by the party concerned from its own resources;

(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 grants-in-aid should be clearly mentioned; and

(iv) in respect of loans, the Demand Collection and Balance position of loans already given to the institution must be checked up to see if the institution is regular in payment of principal and interest.

73. The Education Department, Health and Family Welfare Department, the Rural Development Department and Municipal Administration and Water Supply Department, Public Works Department and other Departments which normally have institutions and public undertakings getting loans from Government should each compile annually a list of the new schemes in connection with which applications for loans or loans and grants have been received. It should be in two parts :- one for schemes to be financed entirely from loans and another for schemes to be financed partly from loans and partly from grants. No scheme should be included in the list unless the local body's ability to finance the required loans have been established. The schemes will be arranged in the

order of priority in the lists drawn up in the forms given below:-

Form I - Statement showing schemes to be financed entirely from loans.

Serial number in order of priority (1)	Local body (2)	Nature of the scheme (3)	Total sanctioned cost (4)	Amount of loan required (5)
		Rs.	Rs.	Rs.

Amount required in 199 -9 (6)	Balance to be met in future years (7)
Rs.	Rs.

Form II - statement showing schemes to be financed partly from grants and partly from loans.

Serial number in order of priority (1)	Local body (2)	Nature of the scheme (3)	Total estimated cost (4)	Total amount to be met from State Funds	
				Grant (5)	Loan (6)
			Rs.	Rs.	Rs.

Amount required in current year		Balance to be met in future years	
Grant (7)	Loan (8)	Grant (9)	Loan (10)
Rs.	Rs.	Rs.	Rs.

These lists should be in two parts-one for Plan Schemes and the other for Non-Plan schemes.

74. When a scheme involving abandonment of an existing item of revenue in whole or in part has been considered as a Part II Scheme and provided for in the budget estimates of a year, or when provision has been included for a scheme of new expenditure either in the Appropriation Act for the year after consideration as a Part II Scheme or in the Appropriation Act pertaining to the Supplementary statement of expenditure and the scheme is not likely to be introduced in that year, it should be brought forward as a Part II Scheme in connection with the budget for a subsequent year. For this purpose, a scheme will be regarded as having been introduced during a year if the Government are committed to the expenditure or some part of it during the year even though no expenditure is actually incurred or is likely to be incurred during that year. For instance, placing an order for plant or machinery or entering into a contract for the execution of certain works would commit the Government to expenditure.

75. *Schemes of new expenditure to be introduced in the course of the financial year*:- The different classes of schemes of new expenditure to be sanctioned in the course of a financial year, the conditions to be satisfied before such sanctions are accorded, the financial procedure to be followed by the Secretariat Departments are detailed in chapter X.

CHAPTER V.

PREPARATION OF THE BUDGET BY THE FINANCE DEPARTMET.

76. (a) Under the rules made by the Government for the convenient transaction of the business of the State Government 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 Legislative Assembly in each year. Although the material is supplied by the Heads of Department and other estimating officers, the actual preparation of the budget and the estimates 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.

(b) The Heads of Departments and other estimating officers report precisely to Government by the dates prescribed, their demands for expenditure for the ensuing year under two heads - Part-I and Part-II. Part-I Estimates provide for the normal functioning of the departments with reference to 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 taking into account the approved outlays of the Union Planning Commission on the State Plan sectoral outlays including that of earmarked schemes/Minimum Needs Programme Components as well as the allocated outlays for Centrally Sponsored and Centrally assisted (equally shared) and other schemes assisted by autonomous bodies, etc. Proposals which involve a reduction or increase in revenue otherwise than in pursuance of authorised codes, manuals, rules or orders and proposals involving "new expenditure" (*See* Chapter IV) are treated as Part-II Schemes.

77. On receipt of the departmental estimates, the Finance Department will scrutinise the estimates item by item, with due regard to (a) the explanations

furnished by the estimating officers, (b) th recommendations, if any, of the administrativ departments concerned, and (c) the trend of actua expenditure during the current year and thre preceding years.

78. In respect of the estimates of receipts the Finance Department will take into account an special information affecting the estimates for th forthcoming year which it may possess and which ha not already been taken into account by the estimatin officer, the Accountant-General or the administrativ department.

79. In respect of the estimates o expenditure, the Finance Department will make th closest scrutiny of the items relating to fluctuatin and non-recurring charges. That Department wil particularly examine the estimates under such units as "Salaries", and "Office expenses" and, if necessary modify them in respect of adjustments necessary on account of probable savings or on the basis of actuals of previous years. The Finance Department will scrutinise the estimates of fluctuating charges, item by item and will not allow any increases which are not adequately or satisfactorily explained. It will also 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, exercising 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, sub-heads and detailed heads which are primary units of appropriation ; and

(ii) under voted and charged, revenue and capital, Plan and non-Plan, etc.

80. 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 for such further information being supplied to it with the least possible delay needs no emphasis. The Finance Department will normally address their enquiries to the administrative departments of the Secretariat concerned and the latter will furnish the required information where necessary after consulting the Heads of Department, etc. In case where it is clear that the details will have to be obtained from the Heads of Department and other estimating officers, the Finance Department may address their enquires direct to the officers concerned and send a copy to the administrative department of the Secretariat 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 complete in all respects 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 responsibiltiy for any incorrectness of the estimates will ultimately devolve on the officers of the administrative departments concerned.

81.(a) As a result of its scrutiny of each departmental estimate the Finance Department will adopt figures for each item included in the estimates and will cause the estimate as so adopted to be compiled in the form it appears in the detailed estimates. Simultaneously the Finance Department will communicate to the Heads of Department and the Administrative Departments of the Secretariat concerned the figures adopted by it. The Heads of Department and the Administrative Departments concerned may send immediately modifications to the figures adopted by the Finance Department with sufficient reasons if they consider them necessary.

(b) The Commissioner for Revenue Administration will send to the Finance Department and Revenue Department on the 1st January a report on the modifications, if any, to be made in the estimates of receipts under Land Revenue in the light of the latest information available together with an account of the causes likely to affect the collections and a brief review of the conditions in the State.

82. When all the departmental estimates have been settled and detailed estimates are completed in all respects, the Finance Department will re-examine the estimates as a whole and will make such changes as may be found to be necessary due, for example, to overall ways and means position or modification of the contemplated central assistance or any other financial factor affecting the estimates.

83. The Finance Department will consolidate the copies of Part-II schemes received from the administrative departments of the Secretariat arrange them in the order of priority indicated by the departments and place them early in January before the Standing Finance Committee for its consideration. Simultaneously the Finance Department will make available to the Standing Finance Committee the resources position as emerging from the departmental estimates duly modified and as fixed by Finance Department Part-I. The Standing Finance Committee will go through each Part-II Scheme, consider its urgency with reference to the proposed State Plan, the needs of Heads of Department, etc., and makes its recommendations to the Council of Ministers.

84.(a) The Finance Department will then include provision for all Part-II Schemes recommended by the Standing Finance Committee and finalise the budget. A preliminary note by the Finance Secretary based on the figures in the consolidated estimates (both Part-I and Part-II) together with the schedule of new expenditure and the recommendations made by the Standing Finance Committee shall then be placed by the Finance Department before the Council of Ministers ordinarily in the third 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 approve with reference to the funds available all or any of the Part-II Schemes recommended by the Standing Finance Committee. The modifications made by the Council of Ministers shall then be incorporated under the appropriate demands for grants in the detailed estimates to be presented to the Legislative Assembly. Other decisions taken by the Government affecting the estimates will also be incorporated therein. The Budget is then ripe for presentation to the Legislative Assembly.

(b) For departmental purposes, the Finance Department also prepares in separate volumes, the "Detailed Estimates of receipts and disbursements under debt, deposits, etc., heads."

85. The Finance Department may, at any stage, before the budget is presented to the Legislative Assembly make such modifications in the estimate as may be necessiated 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 VI

PRESENTATION OF THE BUDGET TO AND ITS DISPOSAL BY THE LEGISLATIVE ASSEMBLY

86. The budget literature which is supplied to the Legislative Assembly at present consists of:-

(i) Annual Financial Statement;

(ii) Detailed Budget Estimates for each Demand;

(iii) Detailed Budget Estimates of Revenue;

(iv) Statement of Posts and Scales of Pay;

(v) Introduction to Budget;

(vi) Budget Memorandum;

(vii) Appendices to the Budget Memorandum;

(viii) Budget Speech;

(ix) Appendices to the Budget Speech;

87. (i) *The Budget Speech* is largely a policy document where the Minister in-charge of Finance reviews the salient features of the financial administration of the year ending and the year commencing but the main purpose is to focus attention on the policies and programmes of the party he represents and how far they had been already implemented and how far they are to be further implemented during the budget year.

(ii) *The Annual Financial Statement* is a concise document consisting of:-

(I) General Statement of Revenue and Expenditure on Revenue Account of the Government of Tamil Nadu.

(II) General Statement of Receipts and Disbursements on other accounts of the Government of Tamil Nadu.

These two statements constitute the Budget. They are supported by four detailed statements also printed in the same volume.

(A) Statement of Revenue of the Government of Tamil Nadu.

(B) Statement of Expenditure on Revenue Account of the Government of Tamil Nadu.

(C) Statement of Capital Expenditure of the Government of Tamil Nadu.

(D) Statement of Receipts and Disbursements of the Government of Tamil Nadu on all other accounts, i.e., under Debt., Deposits, etc., heads and Loans and Advances.

(iii) *The Budget Memorandum* is intended as a guide for the study of the Budget. Part I is a review of the financial position for the three Budget years. The summary of the financial statement is given thereafter for ready reference. Part II of the volume analyses and explains the figures of revenue under each head of account and of expenditure under each demand.. Part III consists of the list of schemes of new expenditure for which provision has been included in the Budget Estimates.

(iv) *The Appendices to the Budget Memorandum* are brought out as a separate publication from the year 1974-75. The following statements are appended in the Appendices to the Budget Memorandum:-

(a) Statement showing transactions relating to the Tamil Nadu Famine Relief Fund from the year, 1985-86.(Appendix I)

(b) Statement showing the provision made for Puratchi Thalaivar M.G.R. Nutritious Meal Programme.

(c) Statement showing the loans from the Central Government (Appendix III).

(d) Statement of guarantees given by the Government of Tamil Nadu (Appendix IV).

(e) List of schemes in respect of which the amounts of the Revised Estimates sanctioned during the year have exceeded appreciably the estimates as originally intimated to the Legislative Assembly (Appendix V).

(f) Statement showing the Assistance rendered to Local Bodies (other than Metropolitan Development of Madras) (Appendix VI).

(i) Statement showing the expenditure for Metropolitan Development of Madras (Appendix VII).

(j) Statement showing Open Market Loans (Appendix VIII).

(k) Abstract of the recommendations of the Finance Commissions (Appendix IX).

(l) Assistance to the Government Statutory Boards, Corporations, Private Companies, etc., from the State Government (Appendix X).

(m) Statement showing certain capital Liabilities and Assets of Tamil Nadu (Appendix XI).

(n) Statement showing the expenditure on Revenue Account under certain objects like "Salaries" etc., (Appendix XII).

(o) Statement showing the provisions made for Tribal Sub Plan expenditure (Appendix XIII).

(p) Statement showing the provision made for Special Self Sufficiency Scheme (Appendix XIV).

All other publications such as Performance Budgets presented to the Legislative Assembly are intended for the proper understanding of the Budget and for regulating the voting on demands.

88. The following Budget publications will be sent to the Secretary, Legislative Assembly Secretariat on the morning (at 7 a.m.) of the date fixed for presentation of the Budget for circulation to the members of the Legislative Assembly :-

1. Budget Speech and Appendices.

2. Budget Memorandum (without Budget at a glance).

3. Budget at a glance.

4. The Annual Financial Statement.

5. A summary of Demands for Grants.

6. Introduction to Budget.

The Budget Publications, viz., the Detailed Estimates of Revenue and Detailed Estimates of Demands for Grants intended for supply to the members of the Legislative Assembly will be sent to the Secretary to the Legislative Assembly about 3 days prior to the date fixed for presentation of Demands for Grants in the Legislative Assembly.

89. The procedure for the presentation of the Budget to the Legislative Assembly and for its disposal is regulated by the Tamil Nadu Legislative Assembly Rules relating to financial business. The relevant rules as in force at present have been re-produced in Appendix A.

90. According to the Legislative Assembly Rules, the Budget has to go through the following stages:-

(i) Presentation to the Legislative Assembly.

(ii) General discussion.

(iii) Voting on Demands for Grants in the Legislative Assembly.

(iv) Introduction, consideration and passing of the Appropriation Bill in the Legislative Assembly.

(v) Obtaining the assent of the Governor to the Appropriation Bill.

91. On a day to be fixed by the Governor, which will ordinarily be towards the end of February or early in March, the Minister in-charge of Finance will present the Budget to the Legislative Assembly with a speech explaining the salient features of the Budget. On the same day the members of the Legislative Assembly will be furnished with copies of the Budget documents.

92. After presentation of the budget to the Legislative Assembly, the Finance Department will communicate to Heads of Departments and other estimating officers the sheets of the Demands for grants with which they are concerned. Copies of the Demands for grants will be sent to the Accountant-General, Tamil Nadu, the High Commissioner for India in London, the Accountant-General, Commonwealth Relations Office, London and the Auditor, Indian Accounts in the United Kingdom and Government of India and other State Governments, Research Organisations, autonomous bodies and public libraries, as per the approved mailing list. Although provision may be included for schemes of new expenditure in the Demands for grants no officer may take any action in regard to any such scheme which will have the effect of committing the Government to expenditure until the Appropriation Bill is passed and the scheme is sanctioned.

93. (a) The Speaker in consultation with the Business Advisory Committee and the Leader of the House shall fix and appoint sufficient number of days but not exceeding ten days for general discussion in the Legislative Assembly and twenty-five days for voting of demands for grants in the Legislative Assembly. There will be no discussion on the day of presentation.

(b) The Chairman in consultation with the leader of the House and Business Advisory Committee shall fix and appoint sufficient number of days for general discussion of the Budget.

94. On such days as may be appointed by the Speaker the general discussion begins in Legislative Assembly on the budget as a whole or on any question of principle or policy involved therein. 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 Minister in-charge of Finance has a general right of reply at the end of the discussion in the Legislative Assembly.

95. After the general discussion is over, the voting of demands for grants is taken up in the Legislative Assembly in accordance with the programme approved by the Speaker. 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 amount required for charged expenditure are shown separately 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 Minister in-charge of Finance may include in any one demand for 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, sub-major head, minor heads, sub-heads, detailed heads and sub-detailed heads. The Demand is moved by the Minister in-charge of the subject or department or by some other Minister 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 any demand by a specified sum but not to increase or alter the destination of a demand. Notice of such motions

should reach the office of the Assembly not later than 3 p.m. on the day fixed by the Speaker for each Demand or group of Demands. Every such motion must be accompanied by brief note explaining in precise terms the purpose of the intended motion. When several motions have been given notice of proposing reductions in the same demand, they shall be arranged and discussed in such order as the Speaker may determine.

96. On a day fixed by the Speaker before the last of the days allotted by him for moving of demands for grants, further demands for grants may be moved provided that

(i) If they required for purpose which in the opinion of the Governor are of an emergent nature;

(ii) they are for new matters which have not been included in the original estimates of the year.

Such demands shall be classified according to the original demands for grants the details being shown by detailed heads under each grant. It must be understood that all expenditure to be incurred in the coming years should be foreseen and provided for in the Demands for grants presented to the Legislative Assembly and that further Demands for grants will be accepted only in very exceptional circumstances.

The Assembly may assent or refuse to assent to any demand, or assent to a demand subject to a reduction of the amount specified therein.

97. After the voting of 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 all moneys required to meet (a) the grants made by the Legislative 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. The debate on an Appropriation Bill shall be restricted to matters of public importance or administrative policy implied in the grants covered by

the Bill which have not already been raised while the relevant demands for grants were under consideration. Article 204(2) of the Constitution of India 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 of varying the amount of any expenditure charged on the Consolidated Fund. The Governor's assent to the bill is thereafter obtained, and when that has been given, the amount shown in the Act assented to by the Governor and the Schedule thereto become the sanctioned grants for expenditure under the various Demands.

98. *Vote on Account*-After the Budget is presented to the Legislative Assembly towards the end of February, the general discussion thereon, voting of the demands for grants and the Legislation of the Appropriation Act are normally expected to be completed by the end of March next so as to make available the appropriation authorised for each service for the budgeted year right from the commencement of the year, viz., 1st April. But in certain circumstances, a longer time may be allowed for general discussion, voting of demands and the passing of the Appropriation Bill with the result that it may not be possible to complete the Legislative work connected with the budget on or before the 31st March and it may be necessary to continue the work in a part of the budget year also. On such occasions, demands for advance grants in respect of the estimated expenditure for a part of the budget year may be presented to the Legislative Assembly. Thereafter the demands will be discussed and voted and finally passed as an Appropriation Act in the manner laid down in Article 203 of the Constitution of India.

Such advance grants are known as vote on account. After an advance grant is made by the Legislative Assembly, an Appropriation Bill relating to the advance grant will be introduced. The procedure for discussion, passing of the Bill, getting the assent of the Governor, etc., will be the same as in the case of any other Appropriation Bill.

In a year when Vote on Account is taken, say, for one-fourth of the Budget to enable the Executive to incur expenditure for the first three months in the year the Chief Controlling Officer shall not distribute more than this proportion, viz., One-fourth of the demands eventhough Finance Department may have sent Budget documents giving provision relating to the full year. The balance, viz., three-fourths of the provision should be communicated only after the main Appropriation Bill is passed and duly communicated (also vide paras 99 and 105 regarding distribution of Budget).

CHAPTER VII.

SUBSEQUENT ACTION IN RESPECT OF THE BUDGET AFTER THE BUDGET IS VOTED.

99. As soon as the Demands for Grants includes 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 and the Heads of Department indicating at the same time whether the demands have been voted *in toto* or whether any amount has been omitted or reduced by the Assembly, either through substantive or token cuts and the purposes or object underlying each such cut. The administrative department of the Secretariat and the Heads of Departments will be responsible for taking necessary action immediately for communication of budget allotments to other controlling and disbursing officers under them. The allotments placed at the disposal of each such officer for expenditure, whether voted or charged will be intimated to the Accountant-General and the High Commissioner for India, London also. The Chief Controlling Officers or the Heads of Department, as the case may be, and the administrative departments of the Secretariat concerned 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.

100. 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 Legislative Assembly 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 to the Finance Department.

101. If the variations between the figures in the Budget laid before the Legislative Assembly and those in the Appropriation Act are sufficiently large, the detailed estimates will be reprinted and copies of the revised edition will be supplied to the departments of the Secretariat and the Accountant-General, Tamil Nadu, etc.

102. The Finance Department will supply copies of the Budget literature to the Accountant-General, Tamil Nadu and while doing so will communicate to him cases in which a demand being presented to it, the Legislative 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 any other motion which has been passed by the Assembly expressing direct disapproval of expenditure on a specified purpose.

103. The Finance Department will also supply copies of the Budget literature to the Comptroller and Auditor-General of India, New Delhi, various Ministries of the Government of India, Planning Commission and the Other State Governments.

104. The Finance Department will communicate to the High Commissioner of India, London, and the Director of Audit, Indian Accounts in the United Kingdom, the grants finally approved for expenditure in England under the relevant major, minor, sub-heads and detailed heads of account with which the High Commissioner is concerned.

105. It is absolutely necessary that action is taken by the Heads of Departments and other Controlling Officers even at the beginning of the year to distribute the allocations made in the Budget among