

the field/subordinate officers and to watch the expenditure in order to have real and effective control of expenditure especially in respect of the following heads:-

1. Office Expenses (including Telephone charges);
2. Travel expenses;
3. Motor Vehicles (Maintenance);
4. Machinery and Equipment;
5. Tools and Plant;
6. Major works/Minor works;
7. Other charges;
8. Other non-salary items; and
9. Provisions in respect of schemes which have been sanctioned as Part II Schemes by the Standing Finance Committee and voted by the Legislative Assembly.

In respect of the above items, steps should be taken right from April of every year to restrict expenditure to the levels indicated in the Budget Estimates.

In respect of non-salary items of expenditure detailed above, strict instructions should be issued to field subordinate officers to limit the expenditure within the Budget Estimates and a copy of the instructions should be submitted to the Government Data Centre and Government in Finance and Administrative Departments by 15th April of every year along with the Statement giving the quarterwise distribution, if possible, of Budget provision in respect of non-salary detailed heads. Distribution statement in respect of the non-salary items may be sent to Treasury Officers/Pay and Accounts Officers/Sub-Treasury Officers by the Heads of

- Department or District reconciliation Officers so that the Treasuries can pass the bills of each drawing officer with reference to provision earmarked for the drawing officer.

In respect of non-salary items listed above, all Controlling Officers/Estimating Officers may keep back a reserve of 10 per cent to 15 per cent of the total Budget provisions and distribute the balance among their subordinates. This reserve can be released at the time of fixing the Revised Estimates to meet the increases during the year which were not anticipated at the time of finalising the Budget and also the absolutely necessary increased demands of certain field officers at the end of the year. In distributing allotments, care must be taken to intimate the allotments, with complete accounts classification of each sum allotted, i.e., the major, sub-major, the minor, the sub-head, the detailed head and the sub-detailed heads.

During the years when vote on account is taken, distribution statement to the field officers, treasuries, Government Data Centre, Finance Department and Administrative Department may be for the first few months only depending on the vote taken initially.

106. It is necessary that the communication of sanctions and distribution of grants is effected with the least possible delay. Every effort should be made to complete this work before the end of April. For this purpose, the administrative departments should prepare necessary draft Government Orders etc., immediately after the connected Demands for grants have been voted by the Legislative Assembly without waiting for the final passing of the Appropriation Act and the formal intimation of the budget allotments by the Finance Department. The draft should be referred to the Finance Department for concurrence where this is necessary and kept ready with fair copies for issue early in April.

107. Sometimes proposals for certain new schemes or items of new expenditure are referred to

the Finance Department so late in the year that it is not possible for that department to examine them completely in detail. At the same time, such new schemes or items may be considered to be so urgent and essential that the inclusion of necessary provision for them in the Budget cannot be postponed. Pending the examination of all relevant details, the provision for these items may be allowed to be included in the Budget as a special case. Such provisions are in a sense lumpsum provision although they are not to be treated as such and all such items must necessarily be examined thoroughly both in the Administrative Departments and in the Finance Department before expenditure sanction can be accorded. Such further examination should be started and completed well in time after the presentation of the budget so as to enable the Administrative Departments to issue the necessary orders as early as possible after the passing the budget. The Administrative Departments should maintain a list of all such items and see that there is no delay in the issue of orders on this account.

108. In the case of permanently sanctioned expenditure e.g., pay and allowances of permanently sanctioned posts, no fresh sanction is necessary and the sanction once given remains valid unless the funds necessary to make the sanction operative have been specifically refused either by the Legislative Assembly or by Government. It is therefore, the duty of the Administrative Departments of the Secretariat to inform the disbursing officers concerned through the Heads of Departments, as soon as possible after refusal of funds by the Legislative Assembly or as soon as a decision has been taken by Government, as the case may be of all cases in respect of which sanction to a particular expenditure has been terminated. In the case of the expenditure sanctioned for a specified period, the sanction becomes inoperative after that period has expired. The disbursing officers should, therefore, move Government through proper channel in good time for extension of the term when this is considered necessary. The disbursing officers should be informed of all cases in

respect of which the sanction is not to be renewed. It is necessary that all such orders should be communicated well in time, because in the absence of a definite order to the contrary they may continue to incur, in anticipation of sanction of the competent authority applied for expenditure which will constitute a financial irregularity.

## CHAPTER VIII.

### REVIEW OF RECEIPTS AND CONTROL OF EXPENDITURE.

#### SECTION 1 - REVIEW OF RECEIPTS.

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

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

(i) The departmental Controlling Officer's account should not be compiled from returns prepared by the Treasury. But the Treasury Officer is in some cases required to verify returns for submission to Departmental Controlling Officers.

(ii) The amounts collected should at once be deposited into the treasury and in order to minimise

chances of discrepancies between the treasury figures and departmental figures, the chalans with which money is remitted to or deposited into the treasury should bear full and correct classification of account.

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

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

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

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

113. The responsibility for keeping a proper watch on revenue receipts primarily rests with the Chief Controlling Officers. The Accountant-General also keeps a watch and immediately reports to the Finance Department any large increase or falling off in those receipts. Any large differences that are likely to arise in actuals as compared with the estimates should also be reported by him as soon as

reason arises for expecting them. The Accountant-General, Tamil Nadu, is required to submit to the Finance Department a monthly account showing the receipts and expenditure of the Government during the month and to the end of the month *the first of the second following month.*

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

115. To ensure that all periodical adjustments between the various departments of the Government are properly and promptly made, the Accountant-General should maintain records showing (i) all periodical adjustments that are usually required to be made; (ii) the month's account in which the adjustments should be made; and (iii) the actual date of all adjustments are made before the close of the final accounts of the year.

116. (a) Under the Tamil Nadu Government Business Rules and Secretariat Instructions, Finance Department is responsible for watching the Government's balance and their ways and means operations. To enable that department to discharge the responsibility, the Accountant-General is required to furnish to it a monthly account of the State Government's transactions. The Accountant-General informs the Finance Department immediately of the appearance of any appreciable excess in the proportionate outlay under any grant, any large differences that are likely in the actuals as compared with the estimates as soon as reason arises for expecting them.

(b) The Chief Controlling Officers of receipt heads relating to collection of taxes also sent to the Finance Department monthly statements of receipts with reasons for appreciable increase or fall in receipts.

The Finance Department makes a review of the receipts and expenditure of the Government every month

and takes appropriate steps to have sufficient balances for the ways and means operations.

## SECTION II - CONTROL OF EXPENDITURE.

117. (a) The authority administering a grant is responsible for watching the progress of expenditure under its control and for keeping it within the sanctioned grant or appropriation. In order that the control of departments over the expenditure may be effective and real and the Controlling Officers may be in a position from month to month to estimate the likelihood of savings and excesses over grants and appropriations a proper budget control system is to be followed by the methods indicated below in order to ensure a good self regulations departmentally:

- (i) proper formulation of estimates;
- (ii) proper communication of appropriations to field officers and treasuries;
- (iii) prompt accounting and reporting of reconciled accounts by treasuries and departments;
- (iv) analysis of trends of expenditure and application of mind to regulation of expenditure;
- (v) communication and implementation of decisions to regulate expenditure;
- (vi) review implementation systematically;  
(G.O.Ms.No.818,Fin (BGI), dt.29.10.90).

The procedure outlined in the following paragraphs should therefore be followed:-

(b) The Chief Controlling Officers will also be responsible for controlling expenditure from the charged appropriations placed at their disposal and



will exercise control through the subordinate Controlling Officers, if any, and the disbursing officers subordinate to them. Such control must be exercised with reference to the appropriations as they stand from time to time.

118. As soon as the grants, have been communicated to the Chief Controlling Officers, the first duty of these officers is to compare carefully the amounts actually provided for expenditure in these grant with amounts which had been proposed in the departmental estimates. A note must be taken at once of all reductions made under various units of appropriation and ways and means devised, right at the beginning of the year, to ensure that the expenditure is restricted to the amounts, actually provided. Reductions are mostly made to enforce economy in expenditure. It would be improper on the part of the administrative departments and their subordinate officers to start incurring expenditure without first carefully re-examining the position with reference to the amounts actually provided. Quarterly statement of expenditure under each head of amount must be prepared so as to watch, expenditure in comparison to amounts actually provided.

119. The sheets of the detailed estimates relating to the demands for grants which are communicated to a Chief Controlling Officer show the budget estimates as finally fixed for the various heads of account with which he is concerned. Figures are entered not only against the various detailed heads of appropriation but also against the sub-detailed account heads of which they are concerned. Except in regard to the heads of account specified in Appendix - E, the amount provided in the budget estimates for each unit of appropriation should be regarded as an appropriation placed at the disposal of the Chief Controlling Officer. In the exceptional cases, the appropriation is retained in the hands of the Government in the administrative department of the Secretariat entered against each item.

120. The duties and responsibilities of a Controlling Officer briefly are (See also para 105) -

(i) to ensure that the grant placed at his disposal is expended only on the objects for which it has been provided, keeping in view the standards of financial propriety;

(ii) allotment must be made drawing officer wise after reserving some cushion in non-salary items and this must be intimated to Data Processing Centre and Chief Controlling Officer.

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

(iv) to keep the expenditure under a particular unit of appropriation as far as possible within the sum allotted under that unit, and where this is not possible to meet the excess by effecting savings in the sums allotted to him under other units and sanctioning re-appropriation which may be within his competence in accordance with the rules contained in Chapter IX;

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

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

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

121. The responsibilities mentioned above of a Chief Controlling Officer attach equally to a Subordinate Controlling Officer and a Disbursing Officer. In addition a disbursing officer must ensure that the conditions preliminary to the incurring of expenditure are satisfied namely that the sanction of

the competent authority exists and funds to cover the expenditure fully have been placed at his disposal. The possibility of any excess expenditure over the allotments made to him must be foreseen and intimation of the likely excess along with the reason for this should be sent to the Chief Controlling Officer/Subordinate Controlling Officer concerned in sufficient time to enable the latter to arrange additional funds if these are to be allotted at all. Every Chief Controlling Officer and Subordinate Controlling Officer in respect of the expenditure incurred by himself is in the same position as disbursing officer.

122. An appropriation is intended to cover all charges including any outstanding liabilities of past years to be paid during the current year or to be adjusted in the accounts of that year. When a provision is originally proposed in the departmental estimate or when an application is made subsequently in the course of the year for additional appropriation the amount asked for should therefore be inclusive of all anticipated liabilities. An appropriation is operative until the close of the financial year when any unspent balance lapses and is thus not available for unutilisation in the following year. The accounts of each financial year are however kept open till July of the following year so that as far as possible, all the transactions of the year may be entered in the accounts of the year. If it is not possible for any expenditure to be booked in the accounts of the year to which it relates owing to the fact that the actual incidence thereof is under dispute it ought to be charged to the accounts of the year in which the financial decision is taken.

123. (a) A Chief Controlling Officer has to see that the expenditure under each unit of appropriation is kept within the appropriation and, therefore, he must keep a constant watch over the progress of expenditure and also know what liabilities have been incurred but not yet paid. It is possible to control the expenditure in either of the two following ways:-

(i) by keeping the appropriation in his own hands watching the actual expenditure against the appropriation for the State as a whole;

(ii) by distributing the appropriation among his Subordinate Controlling Officers, each of whom will in turn distribute the appropriation at his disposal among the disbursing officers subordinate to him and making each such authority responsible for watching expenditure against the appropriation allotted to him.

(b) In the former, the Chief Controlling Officer is wholly responsible for watching the expenditure against the appropriation, whilst in the latter case he shares this responsibility with his subordinate officers.

(c) As a general rule, expenditure based on sanctioned scales e.g., pay of permanent establishments should be watched for the State as a whole. Where the amount actually spent depends largely on decision to be made by the disbursing officers, e.g., Travel expenses (other than fixed travelling allowances) and non-recurring Office Expenses. It is better to distribute the appropriation among the disbursing officers. The Chief Controlling Officers should retain in their own hands, the appropriations for the following heads of accounts:-

(i) 2030. Stamps and Registration

01 Stamps - Judicial -

101 Cost of Stamps -

I. Non-Plan-

AA. Supply from  
Central

Stamp Stores .. 2030 01 101 AA 0005

24. Materials and

Supplies .. 2030 01 101 AA 2405

1. Manufacturing  
cost payable to  
Nasik Press .. 2030 01 101 AA 2414

102 Expenses on sale  
of Stamps-

I. Non-Plan-

AA. Sale of Court-  
fee Stamps .. 2030 01 102 AA 0003

34. Other Charges .. 2030 01 102 AA 3402

1. Discount on  
Sale .. 2030 01 102 AA 3411

02 Stamps-Non-Judicial-

101 Cost of Stamps-

I. Non-Plan-

AA. Supply from  
Central  
Stamp Stores .. 2030 02 101 AA 0004

02 Stamps-Non-Judicial-

102 Expenses on sale  
of stamps

I. Non-Plan-

AA. Madras City .. 2030 02 102 AA 0002

34. Other Charges .. 2030 02 102 AA 2404

1. Discount on sale  
of stamps .. 2030 02 102 AA 3410

AB. Moffussil .. 2030 02 102 AB 0000

41. Other Discounts .. 2030 02 102 AB 4104

(ii) Under all major heads of expenditure-

(a) Salaries - pay - Permanent.

(b) Other Allowances - Cost of passages.

(c) Grants-in-aid.

(d) Charges payable to Governments, departments and others, otherwise a Chief Controlling Officer has full discretion to decide in each case whether he will retain the appropriation in his own hands or distribute it among his subordinates. When the appropriation is distributed, it is desirable for the Chief Controlling Officer to retain in his own hands a reserve of 10 per cent to 15 per cent of the total budget provisions in respect of non-salary items from which he can sanction additional amounts asked for by Subordinate Controlling Officers when necessary and each Subordinate Controlling Officer should similarly retained a small sum in his own hands so that he may sanction when necessary, small additional amounts asked for by the disbursing officers subordinate to him.

NOTE:- The distribution of appropriation by the Chief Controlling Officer among his Subordinate Controlling Officers and the latter among the disbursing officers subordinate to them should be made immediately on receipt of the first edition of Budget sheets and should be completed before the 5th April and 20th April respectively of each year. The distribution should be altered, if necessary with reference to the variations if any in the final edition of the Budget (i.e. the death grants the Schedule to the Appropriation act). The alterations made should be communicated to the officers concerned without delay.

124. 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.

125. (a) Every Disbursing Officer will maintain a register of expenditure under each detailed head of account with which he is concerned in Form C. The allotments communicated by the Controlling Officer at the beginning of the year will be noted in this register in red ink under each detailed head in the space provided for the purpose. If the allotment against any unit is increased or decreased by the Controlling Officer subsequently, the amount of the allotment will be corrected in the register by plus or minus entry in red ink. Should a disbursing officer receive information from his Controlling Officer that any particular item has been misclassified, he will correct the accounts of expenditure and the available balances of the allotments by means of plus or minus entries in red ink. As soon as a bill is passed at the treasury it should be posted in the appropriate columns of the register against the treasury district in which the payment is made. In the case of pay and allowances of village establishments cattle pound charges and loan disbursed under the Land Improvement Loans and Agriculturists Loan Acts, it is sufficient to copy the monthly totals from the records maintained by the disbursing officers. The adjustments if any made by the Accountant-General and intimated to the disbursing officer should be entered on receipt of the intimation.

(b) After the close of each month, every disbursing officer should after such reconciliation with the treasury figures as may be prescribed by the Chief Controlling Officer in consultation with the District Treasury Officer, forward to the Controlling Officer immediately superior to him an extract of his account in Form C omitting the details leading up to the district total against number IV.

126. *Subordinate Controlling Officers Register* - The Subordinate Controlling Officer should consolidate in Form 'D' the figures in his own register of disbursements (Form C) and the figures contained in the extracts of accounts received from the disbursing officers subordinate to him. The disbursements appertaining to each sub-head of

appropriation or detailed account head should be grouped by district treasury. The Subordinate Controlling Officers should after such reconciliation with the treasury figures as may be prescribed by the Chief Controlling Officer forward an extract of his register in Form D to the Chief Controlling Officer showing only the totals against each serial number except serial numbers VI and IX which should be omitted.

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

(i) to ensure that the departmental accounts are sufficiently accurate to secure efficient departmental financial control; and

(ii) to secure the accuracy of the accounts maintained in the Accounts office from which the final published accounts are compiled.

128. *Reconciliation by disbursing, etc., Officers* - All disbursing Officers and Subordinate Controlling Officers should reconcile their departmental figures with the treasury figures before Officers in the manner prescribed for Subordinate Controlling Officers. He should send an assistant of his office to the Accountant-General's office with the departmental registers every month on a date fixed by the Accountant-General. The assistant, should with the assistance of the Accountant general's staff, compare the departmental figures with those recorded in Accountant-General's books. A statement of Officers in the manner prescribed for Subordinate Controlling Officers. He should send an assistant of his office to the Accountant-General's office with the departmental registers every month on a date fixed by the Accountant-General. The assistant, should with the assistance of the Accountant general's staff, compare the departmental figures with those recorded in Accountant-General's books. A statement of discrepancies will be prepared, in duplicate and analysed in two columns, one showing the adjustments to be made in the Accountant-General's books and the



other showing the adjustments to be made by the Chief Controlling Officer. The Accountant-General's office will keep one copy, the assistant will take the other back to his office, where necessary adjustments should be effected in the departmental registers. The Chief Controlling Officer should inform the Accountant-General that this has been done. The Accountant-General will likewise make the necessary adjustments in his books and inform the Chief Controlling Officers that he has done so. The latter should then send a certificate to the Accountant-General stating that the figures in his registers have been reconciled with those in the books of the Accountant-General.

(b) If the Chief Controlling Officer's office is outside Madras, he should send to the Accountant-General on or before the 28th day of the month following that to which the accounts relate, an extract in Form D showing the figures under each minor head, sub-head, detailed head and sub-detailed head, except the adjustments communicated by the Accountant-General and the figures against serial number IX to XI. The Accountant-General will check the figures with his own accounts and he and the Chief Controlling Officer will be jointly responsible for the reconciliation of differences, in the figures and the rectification of discrepancies in classification.

130. In respect of appropriations under the control of the Commissioner for Government Examinations, against which bills are drawn by both officials and non-officials, the Commissioner will control the expenditure by making a reduction of the appropriation by the amount of each bill countersigned by him and by obtaining the accounts of each month from the Accountant-General not later than the 28th of the following month.

The Secretary of Legislative Assembly Secretariat will follow the same procedure in controlling the expenditure on the Travel Expenses of the Members of the Assembly.

131. Accountant-General's adjustments.-The Accountant-General will inform a Chief Controlling Officer of all expenditure for which the latter is responsible and which has been adjusted in the accounts either by the Accountant-General himself as in the case of inter-departmental adjustment or through Central Accounts Section of the Reserve Bank of India, Nagpur (e.g., Inter-Governmental adjustments) or through the Accountant-General, General revenues (e.g., expenditure in England). The Chief Controlling Officer will enter the adjustments directly in his own account in form C or will communicate them to his subordinate officers for entry in their accounts, according as the charge is one for which he has retained the appropriation or one for which he has distributed the appropriation to his subordinate officers. Care should be taken to avoid double entries in respect of adjustments.

132. (a) the Chief Controlling Officer shall keep a separate and careful watch on important but occasional items of expenditure (e.g., purchase of clothing and equipment and arms and ammunition for the Police force, machinery and equipment and medicines for hospitals and dispensaries and foodgrains, etc., for jails). Such expenditure is incurred occasionally or at irregular intervals throughout the year and watching the monthly progress of expenditure is not appropriate in such cases. He will decide for himself what suitable method he should adopt to watch such expenditure and keep control over it. In some cases he may prefer to keep the entire grant in his hands and direct the disbursing officers to apply for allotments when they wish to incur expenditure. In other cases he may distribute allotments and merely ask the disbursing officers to report the expenditure, as soon as they incur it separately from the monthly accounts of other expenditure. Whatever method he adopts, it is essential that he should keep himself fully informed from time to time not only of the expenditure already incurred but also of the liabilities incurred which have to be met out of the sanctioned grant.

(b) The Chief Controlling Officers and the Estimating Officers are supplied every month with the actuals for the month and progressive total upto the month by the Government Data Centre. They should verify the departmental actuals with the Government Data Centre actuals and intimate any discrepancy or error to the Director, Government Data Centre immediately to enable the Government Data Centre to compile correctly in the final statement for the concerned month. These tallied accounts should enable the Chief Controlling Officers to exercise proper control over expenditure. [G.O.Ms.No.818, Finance (BG.I), dated 29.10.91].

(c) *Reconciliation of loans and advances.*-The Accountant-General authorises a list of heads of account to be operated in the receipts and expenditure sides of loans and advances sections of Treasury Accounts. The authorisation is issued to all Treasury Officers and copied to the Heads of Departments. The detailed heads of account for which budget provisions is rupees one lakh or more, or for which outside assistance is obtained are authorised by the Account-General to be operated in the Treasury accounts. In respect of the detailed heads which are not authorised by the Accountant-General, the transactions coming under them will be accommodated under the head "Other loans" provided under the same group head of account. In these cases the Departmental Officers should maintain separate departmental accounts for each scheme separately to enable them to reconcile their figures with those of the Accountant-General.

133. An analytical review on the reconciled accounts month by month is to be made by the Chief Controlling Officers pinpointing the excessive expenditure to subordinate controlling officers/Disbursing Officers with the firm action on them wherever necessary in order to avoid Treasury appropriation Control System. [G.O.Ms.No.818, Finance, (BGI), dt.29.10.91]. If the Chief Controlling Officer finds at any stage that the expenditure is progressing too rapidly, he should promptly take such steps as he

may consider necessary to restrict further expenditure so that the sanctioned grant is not exceeded.

134. The functions of the administrative departments of Secretariat in respect of control of expenditure (except in those cases in which the expenditure is controlled by the Secretaries to Government) are generally supervisory and it is undesirable that they should assume any of the direct responsibilities which devolve properly on the Controlling and Disbursing Officers. They will, however, take a quarterly review on the implementation of the budget control system with reference to the allocations of appropriations made to the Heads of Department under their control and give directions for its adherence. [G.O.Ms.No.818, Finance, (BG.I), dated 29.10.91]. They will, either on the report of any head of a department subordinate to them or at the instance of the Finance Department or the Accountant-General or on their own initiative take any action which may be necessary in the general interest of economy or to check extravagance or to obviate excesses over allotments. They will also take action when necessary to restrict expenditure and to investigate the cause of extravagance and excess and also to make out suitable punishment, after observing proper procedure to the officials found to be at fault, to prevent the recurrence of any irregularity or impropriety in expenditure.

135. (a) For the heads specified in Appendix E, the expenditure will be watched by the Secretary to the Government in the Department concerned with the assistance of monthly actuals received from the Accountant-General. Where only adjustments and no direct cash payments are made under a head of account; e.g., items (i), (ii), (iii), (ix), etc., in Appendix (E) or where the Accountant-General audits each individual payment, it will be sufficient if the monthly actuals received from the Accountant-General are examined for the purpose of obtaining additional appropriations or surrendering amounts not required for expenditure.

(b) In regard to the other heads of account listed out in Appendix 'E' excepting grants-in-aid under "2059 Public Works", "2210 Medical and Public Health", "2216 Housing" and "3054 Roads and Bridges" the departments of the Secretariat should check the monthly actuals of expenditure received from the Accountant-General with reference to the standing sanctions or other orders issued by the Government or by obtaining departmental figures from subordinate authorities. The procedure prescribed in paragraph 123 for the reconciliation of the Chief Controlling Officer's figures should, as far as possible, be followed and the correctness of actuals should be verified every month.

(c) For grants-in-aid under "2059 Public Works", "2210 Medical and Public Health", "2216 Housing" and "3054 Roads and Bridges" the Accountant-General will send a statement of actuals in Form 'E' not later than the 22nd of each month showing by districts the amounts of the several classes of grants-in-aid actually disbursed to each local body during the previous months. The statement relating to grants for water-supply schemes will be sent to the Municipal Administration and Water Supply Department and the statement relating to other grants will be sent to the Public Works Department. After necessary action has been taken by the Government, the returns received from the Accountant-General in each month except those relating to March will be returned to him by the 5th of the succeeding month.

(d) As regards non-recurring grants to local bodies for roads and bridges and improvements of village communications, the Rural Development and Municipal Administration and Water Supply Departments will communicate to the local bodies concerned the amounts provided in the budget estimates as soon as possible after the Appropriation Act has been passed. The Chairmen of the municipal council and the panchayat unions for which grants have been provided should submit to the Government not later than the 10th January every year a statement in Form 'F' showing:

(i) the expenditure incurred on and the grant drawn against each items of work up to the end of the previous December; and

(ii) the probable expenditure, estimated as accurately as possible for the remaining three months of the year.

*Expenditure / Receipts in England* - With the abolition of the minor head "Charges in England/Receipts in England" the Chief Accounts Officer, High Commission for India in United Kingdom will classify the transactions presently recorded under these minor heads, 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. He will continue to be the estimating officer for these transactions. In order to enable the authorities to discharge that duty, it is essential that the authorities in India send to them prompt intimation of any circumstances which are likely to affect the original budget estimates.

137. *Special procedure for Public Works and Forest Departments*- The procedure laid down below applies to expenditure in the Public Works and Forest Departments only when the officers meet the charges by drawing bills on the Pay and Accounts office in the city or on the treasuries, e.g., Salaries and Office expenses. As regards the mofussil offices of the Public Works Department, the reconciliation should be effected by the Superintending Engineers concerned by means of monthly statements of account and discrepancies. In regard to the charges which these departments meet by drawing cheques on the treasury, the accounts compiled by the Accountant-General are based on initial accounts maintained by the departmental officers themselves and the procedure for the control of expenditure is, therefore, somewhat different as indicated below:-

(a) *Public Works Department* - (i) The divisional accounts furnish all the information necessary for the watching of expenditure. The

divisional officers should prepare a monthly statement in Form 'G' (Form 'X' in the P.W.A. Code) for each major head of account. This statement should show the various minor heads, sub-heads and individual works for which specific appropriations have been sanctioned by higher authorities as well as the appropriations therefor as modified from time to time. If a lumpsum appropriation has been placed at the disposal of the divisional officer for more than one work, they may be grouped together and only the total shown. The expenditure incurred under each unit of appropriation should be posted in the relevant column from the register of works and the schedules of works expenditure. For suspense heads, the net credit or debits alone need be posted. Undischarged liabilities and anticipated credits should be separately recorded in the column provided for the purpose.

(ii) The statement should be completed within a week after the date fixed for closing of the divisional accounts and a copy forwarded to the Superintending Engineers. The latter will consolidate the statements received from the divisional officers into a circle report in Form 'H' (Form 'Y' in P.W.A. Code) and send a copy to the Chief Engineer. The Chief Engineer will check the accounts with those in the Accountant-General's office following the procedure prescribed in paragraph 127 and communicate any discrepancy between the departmental and the Accountant-General's accounts to the Superintending Engineer for reconciliation. Corrections, if any, intimated by the Chief Engineer should be incorporated by the Superintending Engineer in his accounts and communicated to the Executive Engineer.

(iii) The Chief Engineer will also review the progress of expenditure for each circle with the help of the circle report and also consolidate the circle statements in Form 'H' (Form 'Y' in the P.W.A. Code) for the purpose of reviewing the progress of expenditure for the whole State.

(b) *Forest Department*-The disbursing officers, other than the State Silviculturist and the Forest

Utilization Officer, should send to the Conservator of Forests in Form 'J', a progressive statement of expenditure for each month compared with the appropriations, so as to reach him not later than the 8th of the succeeding month. This statement should be compiled from the monthly divisional account forwarded to the Accountant-General. The District Forest Officer should also submit to the Conservator every month three days after the monthly accounts are sent to the Accountant-General, a statement in Form 'K' of the progress of expenditure on individual works sanctioned by a higher authority. The details of expenditure under office expenses, etc., should be watched through the contingent registers.

The Conservator receives from the Accountant-General a monthly summary of expenditure under the several heads of accounts and he should reconcile the summaries with the district returns in Forms 'J' and 'K'. He should also consolidate his own expenditure and that is shown in the statement of the District Forest Officers in a progressive statement for the whole circle in Form 'L'.

The Conservator should also prepare return in Form 'J' for the circle as a whole and send it to the Chief Conservator so as to reach him not later than the 18th of the month. The Chief Conservator will also obtain similar statements for each month by the 18th of the succeeding month, directly from the State Silviculturist and the Forest Utilization Officer and will then consolidate his own expenditure and that is shown in the circle and other returns in a single statement in Form 'L', so that he may watch the expenditure of the department as a whole against the appropriations. He should also reconcile the statement with the summary of expenditure for the month based on audited figures which will be sent to him by the Accountant-General.

(c) The Government have introduced a system of issue of letter of credits commencing from 1st August 1972 for each Drawing Officer of Public Works and Forest Departments on the Sub-Treasuries or Treasuries



stipulating the amount that could be drawn by the officer concerned in three instalments (i) First for a period of 6 months from April to September based on the Budget Estimates, for the year, (ii) Second for a period of 3 months from October to December based on the Budget Estimates for the year, (iii) Third for a period of 3 months from January to March based on the Revised Estimates for the year and also the total amount that could be drawn during the year. The Heads of Departments covered by the scheme will furnish to the Finance Department a statement showing the budget allocations, the amount necessary for operation at headquarters for adjustments against central purchases and by way of central reserve for further allocation for special and urgent needs of subordinate officers and the limits upto which the subordinate officers need be allowed to draw funds every quarter. The break up to be given to Government will be for a district Treasury as a unit. Based on these statements the Finance Department will issue necessary instructions to the Treasury Officers indicating the monthly as well as annual allocations for the various drawing officers. These Drawing Officers (i.e. Divisional Engineers) will further allocate the allotments among various subordinate officers working under them (e.g., Assistant Engineer) and inform the District Treasuries of the allotments. The District Treasury Officers will in turn communicate these allocations to the concerned branches of the State Bank of India, the various sub-treasuries and the concerned branches of the State Bank of India.

The intention is that the drawal of cheques by the officers of the Public Works Department and Forest Departments should be regulated with reference to the allotments for those officers communicated to the respective branches of the State Bank of India.

This system of letters of credit will apply only the Drawings on the expenditure side under Public Works Department and Forest Remittances.

Cheques drawn by the various Drawing Officers will be honoured by the branches of the State Bank of

India upto the amount of allocation communicated to the bank in respect of that officer. In case the drawings in a particular month fall below the allocation for that month, the officer will be permitted to carry over such balance to the subsequent months, subject to the over all provision not being exceeded. The balance outstandings as at the close of the financial year namely, 31st March will however, stand lapsed.

137-A. *Annual report to be sent to Finance Department* - The Chief Controlling Officers should submit annually in July each year to the Finance Department a certificate that the reconciliation of Departmental figures with those of the Accountant-General upto March (Preliminary) accounts has been completed. The certificates of completion of such reconciliation in respect of transactions booked by the Accountant-General in March (Final and Supplementary) account should also be submitted to Government by 31st August each year. The Chief Controlling Officers should also indicate in the certificate the heads of accounts so reconciled. Highest importance is thus attached to proper and prompt reconciliation of accounts. Stop payments orders should be resorted promptly by the Director of Treasuries and Accounts to ensure prompt reconciliation of accounts. [G.O.Ms.No.818, Finance, (BGI), dated 29.10.91].

## CHAPTER IX.

### RE-APPROPRIATIONS AND SUPPLEMENTARY APPROPRIATIONS.

138. The preceding chapter described the procedure laid down for watching the progress of expenditure against the appropriations. The present chapter describes the action to be taken when necessary, as a result of this control of expenditure. It has to be remembered that an appropriation is operative only until the close of the financial year and that any unspent balance then lapses and is not available for utilisation in the following year.

#### SECTION I - SAVINGS IN APPROPRIATIONS.

139. The progress of expenditure month by month and careful assessment of the commitments and liabilities for the remaining part of the year may indicate savings in the appropriations shown against the several minor heads, sub-heads or detailed heads in the detailed budget estimates and grants. There are several possible reasons for such savings, such as, overbudgeting or postponement of or economy in expenditure.

140. All savings anticipated by the Chief Controlling Officers should be reported by them with full details and reasons to the administrative departments concerned of the Secretariat immediately after they are foreseen, unless these are required to meet anticipated requirements for additional funds under some other heads within the total allotment under the same minor head under his control. No amount out of savings should be held in reserve for meeting additional expenditure not definitely foreseen or already approved by the competent authority. The administrative departments should intimate such of the savings reported by the Chief Controlling Officers as may not be required by them to the Finance Department which will resume the savings. Savings so resumed will be reallocated by the Finance Department if necessary, when dealing with applications for re-appropriations or supplementary grants or appropriations.

## SECTION II - RE-APPROPRIATIONS.

141. Every Chief Controlling Officer is expected to see not only that the total expenditure is kept within the total grant or appropriation placed at his disposal but also that the expenditure under each unit of appropriation is kept within the amount originally provided under that unit. Transfer of funds from one unit to another, i.e., re-appropriation however, sometimes becomes unavoidable.

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

143. Re-appropriations are not permissible--

(i) from one Grant to another (e.g., between "Grant 18. Medical" and "Grant 19. Public Health") ;

(ii) From the Charged to the Voted section, or vice-versa;

(iii) to provide for "new services and new instruments of service" whether voted or charged until such expenditure has been authorised by an Appropriation Act;

(iv) to increase or provide for the expenditure on an item the provision for which was specifically reduced or disapproved by the Assembly either through a substantive or a token cut;

(v) re-appropriation is not permissible by heads of department and departments of Secretariat between any two categories of the following four

categories viz. centrally-sponsored, non-plan schemes, State plan schemes, schemes financed by autonomous bodies; that is no reappropriation between group sub-heads is permissible by heads of departments and departments of Secretariat.

(vi) re-appropriation is not permissible by diversion of savings from "Salaries" to "Travel Expenses" and "Office Expenses". (G.O.Ms.No.868, Fin (BGI) dated 16.11.91).

(vii) after the close of the financial year.

144. As the Demands for Grants whether original or supplementary, placed before the Legislative Assembly are for gross expenditure without taking into account deductions on account of recoveries, credits on account of recoveries of expenditure must be ignored for the purposes of sanctioning re-appropriation of funds or obtaining supplementary grants.

NOTE:- Rectification of misclassification of expenditure from one work to another need not be treated as 'recoveries' as such adjustments are necessary for correct presentation of works accounts. Such adjustments should normally be treated as reduction of expenditure. Similarly surplus stores or tools and plant returned from works or transferred from one work to another should be treated as reduction of expenditure. But the cost of released materials relating to renewals and replacement works or assets which are abandoned should be treated as recovered.

145. Re-appropriation should invariably be in multiples of Rs.1,000 in the case of expenditure in India and £ 25 or Rs.1,000 in the case of transactions taking place in United Kingdom.

146. Re-appropriation should be from one detailed head of appropriation to another. The sub-detailed heads of account if any included in the detailed head of appropriation should be ignored for this purpose. In respect of individual major works which figure as sub-detailed heads in the P.W.D. Budget reappropriation shall be done by Finance Department up to the detailed head level only whereas the Chief Engineer shall issue reappropriation orders between sub detailed heads subject to the conditions in paragraphs 143, 144, 145 and 147.

147. The Finance Department shall have power to sanction any reappropriation within a grant from one major, minor or subordinate head to another. The Chief Controlling Officer shall have full powers to sanction re-appropriation within a grant subject to the conditions in paragraph 143 and provided that -

(a) the expenditure is under the general control of the administrative department concerned or the general or direct control of the head of a department or authority sanctioning the reappropriation; and

(b) the reappropriation does not involve the undertaking of recurring liability, that is a liability which extends beyond the financial year in question.

NOTE(1).-Proviso (b) does not apply when the undertaking of the liability has already been sanctioned with the concurrence of the Finance Department and the reappropriation is made merely to give effect to the sanction.

NOTE(2).-An example of the type of reappropriation that can be done by heads of department is as follows: Under Demand 21, the Director of Fisheries is permitted to reappropriate from the head 2405-001. Direction and Administration I. Non-Plan - AC. Fisheries Engineering Staff - Head quarters Establishment to 2405.109. Extension and Training - I. Non-Plan - AC. Training of personnel

of the Fisheries Department in departmental activities. He cannot however reappropriate from 2405.001. - I - AC to II. State Plan - JA. Planning and Propaganda.

*Exceptions.*- There are certain exceptions to the above rule of reappropriation. These exceptions are with special reference to the Public Works, Irrigation and Highways Departments.

(i) The final appropriation under the detailed head "minor works" executed by the Chief Engineer (Buildings) under the respective buildings sub-heads of different departments, should not exceed the ceilings fixed for the departments in paragraph 44 of the Budget Manual.

(ii) While issuing reappropriation orders in respect of individual major work (sub-detailed heads) the Chief Engineers should ensure that the cumulative final appropriation over the years for a work does not exceed 10 per cent over the sanctioned estimate for that work.

(iii) The powers of the officers of the Public Works, Irrigation and Highways Departments to sanction reappropriation are subject to the restriction that the reappropriation does not involve transfer of funds to a work which has not received the requisite administrative approval and technical sanction.

(iv) Reappropriation from the detailed head "salaries" to the detailed head "works" is not permissible in general.

148. The Chief Controlling Officers in the Forest, Public Works and Irrigation Departments will be held responsible for ensuring that the officers subordinate to them exercise properly the powers of reappropriation delegated to them and that no irregular reappropriations are allowed.

149. If the appropriation under a unit is reduced by reappropriation sanctioned by a competent

authority or by resumption, the expenditure debitable to the unit should be restricted to the reduced appropriation. No authority subordinate to the one which sanctioned the reduction in the original appropriation may increase the appropriation in the exercise of its own powers of reappropriation, unless the previous consent of the authority which reduced the appropriation has been obtained. If the authority being the Government in the Finance Department the sanction should be applied for when necessary, through the Government in the administrative department concerned.

150. Proposals for reappropriation which the Chief controlling Officers are not competent to sanction should be submitted with two copies of reappropriation statements to the administrative departments of Secretariat which may sanction them if competent to do so or forward them to the Finance Department for sanction.

151.(i) When any reappropriation is sanctioned, the authority which accords the sanction should draw up its proceedings in Form M and forward one copy direct to the Accountant-General and one copy to the Government in the administrative department which will transmit it to the Finance Department. When the sanctioning authority is not the head of a department, these copies should be forwarded to the Government through the latter.

(ii) An application to the Government for a reappropriation of funds should be prepared in Form N and the Head of the Department should submit it direct to the administrative department as a rule. Separate statements should be prepared for reappropriations relating to charged and voted expenditure respectively. When a Chief Controlling Officer controls the expenditure under more than one grant separate surrender and reappropriation statements should be submitted for each grant. The reasons for the additional expenditure and the savings should be explained clearly and fully on the reverse of the relevant form or in a covering letter. Vague expressions such as "based on actuals" "based on



progress of expenditure", etc., should be avoided. Resorting to seek additional appropriation after the sanction of First round of Final Modified Appropriation and Final Supplementary Estimates is also to be avoided and only the savings alone reported to Government in the end of the financial year.

152. Re-distributions.- Redistributions as between different sub-detailed heads under a detailed head which have not been declared as specific appropriations are not treated as reappropriations and need not therefore be communicated to the Accountant-General or to the Government in the administrative and Finance Departments. Such re-distributions may be sanctioned by Heads of Department provided that the additional expenditure necessitating the re-distribution has been sanctioned by the competent authority.

### SECTION III - EXPENDITURE NOT PROVIDED FOR IN THE BUDGET ESTIMATES.

153. (a) The appropriations against the several detailed-heads as shown in the original budget estimates should not ordinarily be exceeded. The estimates provide for all items of expenditure for the financial year as far as they can be foreseen and within the limit of available funds. Proposals for fresh expenditure not provided for in the estimate in the course of the year are therefore not justified in ordinary circumstances and should not be made, unless there are very special reasons.

(b) Unavoidable and unforeseen circumstances may, however, sometimes arise in the course of a financial year making it necessary to incur urgently fresh expenditure under one or more sub-heads or to incur expenditure on a "New Scheme" not contemplated in the original budget estimates. In such cases, the procedure for providing the requisite funds is as follows :-

(1) Savings in other appropriations by postponement or curtailment of less urgent expenditure included in the same grant (charged or voted portion

as the case may be) may be reappropriated for the purpose except when the additional expenditure is on account of a "New Service".

(2) If the above mentioned course is not possible, a supplementary statement of expenditure should be presented to the Legislative Assembly as laid down in Article 205 of the Constitution.

(c) It is in all cases the duty of the Controlling Officer who for special reasons desires to incur in the course of a year fresh expenditure not provided in the budget estimates for the year to examine carefully whether the fresh expenditure cannot be offset by the postponement or curtailment of less urgent expenditure for which provision has been made.

(d)(1) The approval of the Legislative Assembly to any additional expenditure over the amount voted by it for gross expenditure in a grant will be taken by means of a supplementary grant.

(2) In respect of expenditure charged on the revenues the Finance Department will sanction the necessary appropriation of funds to cover excesses in the gross charged expenditure under the grant.

(e) Expenditure on a "New Service" or a "New Instrument of Service" not contemplated in the Budget estimates for the year should not be incurred whether the expenditure is charged or voted and whether it can be met by reappropriation or not until it is included in a supplementary statement of expenditure presented to the Legislative Assembly and eventually in an Appropriation Act. If the expenditure can be met from the savings within the grant wholly, or in part it will be sufficient if a token sum of Rs.1,000 or the balance actually required, as the case may be, is included in the supplementary statement of expenditure.

(f) Pending the authorization of funds by the Legislative Assembly in the manner indicated above an advance may be sanctioned by the Governor, from the Tamil Nadu Contingency Fund to enable urgent

expenditure being incurred on a "New Service" or a "New Instrument of Service" or on an "existing service". The rules relating to sanction of advances from the Contingency Fund and the accounting procedure will be found in Appendix- G. When a proposal involving new expenditure not contemplated in the budget estimates but not on a "New service" is submitted to the Government and the expenditure can be met by reappropriation, funds should not be provided by reappropriation in anticipation of the government's sanction to the proposal, since if the sanction is not given or is delayed, the funds so provided will lapse wholly or in part. In order to avoid such lapses, the applications for sanction to the expenditure and for reappropriation of funds should be submitted together.

(g) When an additional appropriation is required urgently in a case not involving a new service and no savings are foreseen, the authority concerned should apply to the administrative department of the Government for permission to incur the expenditure. That department, may, with the concurrence of the Finance Department, sanction or authorise the incurring of the expenditure and inform the Accountant-General, that provision will be made later either by reappropriation or, if this proves impracticable, by placing before the Legislative Assembly in due course a supplementary statement of expenditure. Where considered necessary an advance may be sanctioned from the Tamil Nadu Contingency Fund to cover the expenditure, pending the authorization of funds by the Legislative Assembly. The Controlling Officer in respect of the expenditure will be responsible for seeing that the required funds are provided atleast before the end of the year. He will be held responsible if a supplementary appropriation obtained on his recommendation is found to have been unnecessary.

NOTE.-The Government will decide whether additional expenditure proposed in the course of a year is expenditure on a new service or not with reference to the rulings of the committee on the subject incorporated in Chapter X.

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

155.(a) Supplementary grants or appropriations are required in the following cases :

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

(ii) when need has arisen for incurring expenditure whether voted or charged, upon some "New Service", "New Instrument of Service" of New Scheme not contemplated in the Appropriation Act for the year eventhough it can, be met wholly or in part by reappropriations within the amount authorised under the Grant or the Appropriations;

(iii) when it is desired to obtain the prior approval of the Legislative Assembly to a scheme involving large financial commitment eventhough little or no expenditure on that account is anticipated, in the current year.

(b) In cases falling under clause (ii), a token sum of Rs.1,000 or the amount actually required, as the case may be, should be included in the supplementary statement of expenditure while in cases falling under clause (iii) only a token sum of Rs.1,000 need be included.

(c) the supplementary estimate should include all "New Services" sanctioned in the course of the current year for which the approval of the Legislative Assembly has not been obtained. The reason why each scheme is dealt with as a "New Service" should be specifically mentioned in the Explanatory Note. The salient features of the scheme sanctioned by the Government, with the details of estimated cost, the

place of execution of the scheme, expenditure during the current year and the nature of expenditure like Revenue, Capital, Loan should also be furnished in the note. These notes should cover also items of Charged expenditure by way of payment by the Governemnt of costs awarded by courts for which advances have been or are proposed to be sanctioned from the Contingency Fund and any other item of Charged expenditure for which additional appropriation is required. After acceptance by the Finance Department, four clean copies of each Explanatory Note typed neatly on single page, should be sent to the Finance Department not later than 25th February of every year. A copy of the Government Order sanctioning the scheme should also be enclosed along with the note for Final Supplementary Estimates. It will not be possible for the Finance Department to take into account copies of note on supplementary estimates, or corrections to the supplementary Estimates, which are received after the 25th February of every year. The Departments which fail to send propoals in time, may be called upon by the Public Acccounts Committee later to account for their default.

156. If a supplementary estimates is for increased provision in respect of a sanctioned object, the authority concerned should show--

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

(b) that in the absence of such provision injustice would be caused to some person not at fault or serious inconvenience or serious loss or damage would be caused to public service. A supplementary estimate for increased provision will not be presented unless condition (b) is fulfilled. Failure to fulfil condition (a) whether condition (b) is fulfilled or not is a financial irregularity and may involve a report to the Committee on Public Accounts.

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

(a) that the expenditure has been newly imposed by Statute, or by order of a Court of Law, or other competent authority; or

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

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

158. The principles enunciated in paragraphs 156 and 157 apply also to an application for a supplementary estimate in respect of any demand to which the Legislative Assembly as previously refused its assent or the amount to which the Assembly has reduced either by a reduction of the whole grant or by the omission or reduction of any of the items of expenditure of which the grant is composed.

159. The primary responsibility in regard to proposals for supplementary grants or appropriations rests on the Chief controlling Officer who should explain clearly in each case not only why a supplementary grant or appropriation is required but also why the need could not be foreseen at the time when the original budget estimates were framed. In explaining the proposals, it should be clearly explained in detail whether specific conditions as prescribed under paragraphs 156 and 157 as may be relevant are strictly fulfilled. If it is under clause (b) of paragraph 157 the authority concerned should explain the necessity and the urgency of the proposed expenditure and also why it is not administratively possible to postpone it. Greatest care should therefore be taken in submitting such proposals. It must be carefully understood that if after the close of the financial year it is revealed that any supplementary grants or appropriations obtained were unnecessary or excessive, the officers

at fault will be held responsible for the financial irregularity to which the Accountant-General is bound to draw attention in the Audit Report on the Appropriation Accounts which will come up before the Legislative Assembly and the Public Accounts Committee in due course.

160. (a) Proposals for supplementary grant appropriations should be submitted to the Government in the Administrative Departments concerned as and when the necessity arises except those relating to the transaction taking place in United Kingdom in respect of which proposals will be forwarded direct to the Finance Department by the High Commissioner for India. The administrative departments will examine the proposals received by them and forward them with their recommendations to the Finance Department. Proposals received direct by the Finance Department will be referred to the administrative departments concerned for their remarks, and the administrative department will ask the Chief Controlling Officer of the grant concerned, if necessary, for his opinion as to whether the application may be complied with. If a supplementary appropriation is required solely on account of the insufficiency of the original appropriation placed at the disposal of the Chief controlling Officer concerned, and if there are savings resumed and held under the grant concerned which the Chief Controlling Officer was not aware of, the Finance Department will, if convinced of the necessity for the supplementary appropriation, sanction it by reappropriation from these savings. If there are no such savings, the procedure prescribed for laying before the Legislative Assembly supplementary statements of expenditure will be followed.

(b) Copies of all sanctions accorded by the Finance Department and of the Appropriation Act pertaining to the supplementary statement of expenditure will be communicated to the Accountant-General, the administrative department and the Chief Controlling Officers concerned in all cases; orders relating to expenditure in England will also be

communicated to the High Commissioner for India or the Accountant-general, Commonwealth Relations Office, as the case may be and to the Director of Audit, Indian accounts in the United Kingdom, London.

161.(a) Resumption of savings, reappropriations and supplementary appropriations may be authorised by the competent authority upto and including of the last day of the financial year concerned, but not after its expiry. The latest dates by which proposals that require the sanction of the Government should reach the Government are as shown below :-

(1) Receipt in the Finance Department of proposals from the High Commissioner for India in London, 25th January. Further modifications should, if necessary, be intimated by cable before the 25th February.

(2) Receipt in the administrative department of proposals from Chief Controlling Officers (other than the High Commissioner for India) and from local bodies in the case of proposals to be submitted by them - 15th February.

(3) Receipt in the Finance Department from the administrative department-25th February.

(4) In the case of savings relating to special items (e.g. expenditure on land acquisition, payment of cost of materials and disbursement of grants-in-aid) which could not be foreseen earlier, surrenders may be made to the Finance Department upto the 20th March, if the amount involved exceeds Rs.10,000 or 10 per cent of the final appropriation whichever is greater under the concerned detailed head of appropriation.

(5) In exceptional cases, Finance Department may be advised of further savings upto the 31st March, if the amount involved under the detailed heads of appropriation concerned exceeds 10 per cent of the final appropriation or rupees one lakh, whichever is greater.



(b) When proposals for surrenders are made later i.e., after the 20th March, but before 31st March, full explanations should be given as to why the savings could not be foreseen earlier.

(c) Proposals for surrender which are received very late run the risk of not being accepted by the Finance Department, even if there are adequate reasons, as resumption orders cannot be issued by the Governemnt after the 31st March. All proposals for surrender of savings should, therefore, be sent to the Finance Department as soon as they are foreseen and officers who make any belated surrender which could have been made earlier will be held personally responsible for the irregularity. Proposals received after the prescribed dates will not be considered by the Finance Department.

NOTE.-The Chief Engineer for Irrigation should send to the Government in the Finance Department not later than the 25th February every year a statement showing the estimated capital outlay on Irrigation in the year.

#### SECTION V - \*EXCESSES OVER THE FINAL GRANTS/APPROPRIATIONS FOR A FINANCIAL YEAR.

162.(a) The 15th February has been fixed as the latest date for submission of application to the Government by the Controlling Officers for surrender of savings in appropriations and for reappropriations and supplementary appropriations. The Heads of Department are requested to ensure that all liabilities on account of supplies made or services rendered by other Governemnt departments, private bodies, etc., are provided for in their proposals for final modification of funds and that every effort is made to utilise the additional provision made, by promptly getting into touch with those who made the supplies, or rendered the service. Similar action should also be taken in respect of sums recoverable from other Governemnts, private bodies, etc., for

service rendered or supplies made to them by Departments of this Governemnt. While it is the duty of a supplied department to arrange to debit itself and pass on the credit to the supplying department, it is equally the duty of the Chief Controlling Officers to remind the supplied department where necessary and see that a debit is raised in time and adjusted so as to avoid lapses of the funds provided for the purpose. This should enable them to formulate their final requirements for the year on the basis of the actual expenditure in the first nine or ten months and the anticipated requirements for the remaining months of the financial year. Savings or excesses remaining unregularised at the end of the year should occur only very rarely, if at all, and cannot as a rule be justified, unless they are due to circumstances beyond the control of the departmental officers concerned, e.g., the incurring of inevitable or emergent expenditure which could not have been foreseen. Such expenditure should not be carried over to the subsequent year, solely on the ground of absence of budget provision.

(b) In order to make sure that all proposals for final modification of funds to reach the administrative department of the Secretariat concerned and the Finance Department, the Heads of department are requested to obtain proper acknowledgment for the papers delivered at the Secretariat and in important cases, send a demi-official reminder after a week enquiring whether action is being taken and watch the receipt of reply. The administrative department of the Secretariat should, on receipt of a copy of the proposals from the Head of a Department, verify whether another copy has been received in the Finance Department and action is being taken thereon. They should also watch the receipt of the final orders from the Finance Department and send reminders, wherever necessary. The copy of a communication received from the Head of a department in this regard should not be "lodged" on the assumption that the Finance Department will issue orders in due course or, 'transferred' finally to the Finance Department for disposal.

(c) The excess over a Grant as a whole is unconstitutional and should be avoided by sending in time proposals to cover the anticipated excesses either by reappropriation or supplementary appropriation. Chief Controlling authorities should take every effort to anticipate the excesses and to cover them well in time.

163.(a) The final grant/appropriation and the actual expenditure in the year under each group head (group of detailed heads of appropriation) under each grant/appropriation is indicated in the grant statements prepared by the Accountant-General and forwarded to the Chief Controlling Officers for the acceptance of figures. Important cases of variations between the grant/appropriation and the actual expenditure under the group heads are included in the Appropriation Accounts for the year together with the explanations furnished by the Controlling Officers and audit comments, if any, thereon.

(b) The Accountant-General also mentions in his "general review of the results of appropriation audit and control over expenditure" included in the Audit Report.-

- (i) cases of excesses or saving in grants/  
appropriations as a whole; and
- (ii) individual cases of variations indicative of -
  - (a) defective budgeting;
  - (b) injudicious or inadequate reappropriation;
  - (c) non-surrender of savings; and
  - (d) omissions to cover excess expenditure.

164. Detailed instructions for dealing with draft paragraphs for inclusion in the appropriation accounts are outlined in paragraph 182.

## SECTION - VI. - DEMANDS FOR EXCESS GRANTS.

165. Under clauses 1 (b) and 2 of Article 205 of the Constitution, if any money has been spent on any service during a financial year in excess of the amount granted for that service and for that year, demand for such excess amount has to be presented to the Legislative Assembly and is to be dealt with in the same way as if it were a demand for grant.

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

167. The same principles and procedure apply to an excess in the total appropriation for charged expenditure under the heads of account included within a grant or under the separate charged appropriations relating to "Interest on debt and other obligation" and "Reduction or avoidance of debt", the only difference being that an excess in respect of charged expenditure does not require the vote of the Assembly.

## CHAPTER X.

### FINANCIAL PROCEDURE RELATING TO NEW SCHEMES TO BE INTRODUCED IN THE COURSE OF THE FINANCIAL YEAR.

168. No Government servant may incur any item of expenditure from the public funds unless sufficient funds have been provided for expenditure in the Appropriation Act for the financial year or by reappropriation of funds. Normally provision for schemes of new expenditure will be made only in the main Budget taking into account the available resources after providing for all existing sanctions and the relative priority of schemes of new expenditure. Sometimes proposals for new schemes are sent to the Finance Department so late in the year that it is not possible for that Department to examine them completely in detail, In the case of proposals forming part of the Five Year Plan requiring approval of the Government of India, the approval is not obtained in time or details are not finalised in time so as to include provision for them in the budget. Such schemes may be considered to be so urgent and essential that they now cannot wait for the next budget day for being sanctioned. Similarly new developments may take place in the course of a financial year necessitating sanction of new schemes rendered unavoidable till the next budget. Such schemes are sanctioned in the course of the financial year depending upon the urgency and importance of the schemes. These sanctions cover a wide range from petty items like a typewriter to an office to large items like an irrigation project. Strictly all such sanction should be ratified by the Legislative Assembly but in the nature of things, it is not possible to move a supplementary demand in the Legislative Assembly on every item. The Public Accounts Committee of the Legislative Assembly has, therefore, laid down rules classifying the items on which the separate vote of the Legislative Assembly should be obtained as "New Services" or "New Instrument of Services".

169. (a) The scheme of new expenditure sanctioned in the course of financial year will be of three categories :-

- (i) New Services;
- (ii) New Instrument of Service; and
- (iii) Other New Schemes.

(b) Expenditure on a new scheme will become a "New Service" if it exceeds the monetary limits laid down by the Public Accounts Committee and if similar category or type of expenditure has not been voted by the Legislative Assembly in the past e.g. expenditure on a Nuclear Research Institute.

(c) Expenditure on a new scheme will become a "New Instrument of Service" if it exceeds the monetary limits laid down by the Public Accounts Committee as in the case of New Services but similar category or class of expenditure has been voted by the Legislative Assembly in the past, e.g., opening of an additional hospital or school. All other schemes the expenditure on which is within the monetary limits laid down by the Public Accounts committee will be new schemes.

(d) In the case of items (i) and (ii) the specific approval of the Legislative Assembly is necessary and this is obtained through a token provision of Rs.1,000 in each case if sufficient savings within the grant are available or through full amounts if no savings are available. In the case of item (iii) the specific approval of the Legislative Assembly for each scheme is not necessary except to the extent savings could not be found from funds already voted in the general budget under the appropriate head.

170. (a) The criteria for classifying the schemes of new expenditure as "New Service" or "New

Instrument of Service" or "Other New Schemes" as laid down by the Public Accounts Committee are shown below :-

Nature of expenditure (1)	Limits revised (2)
1. Expansion of staff in existing departments -	When the cost exceeds Rs.5 lakhs per annum recurring or Rs.10 lakhs non-recurring, taking the scheme as a whole it will be treated as a scheme of "New Service". (The entire cost of establishment, building, equipment, other amenities etc., should be taken into account for the purpose of this limit).
(i) Employment of additional staff when it arises out of the adoption of a new policy by the Government, i.e., the sanction or increase of the cadres of service or number of posts of a particular kind (either permanently or as a purely temporary measure, e.g., sanction of an additional Revenue Inspector or an Accountant in each of the taluk offices consequent on the introduction of a new scheme of Governmental activity like the Community Development Project).	
(ii) Employment of additional staff for the expansion of an existing service, i.e., expenditure	When the cost exceeds Rs.5 lakhs per annum recurring or Rs.10 lakhs non-recurring, taking the scheme as a whole.

on a New Instrument of a service, like the opening of a new school or the starting of a new scheme in the Industries Department, Animal Husbandry Department, etc., though similar schemes are already under operation.

will be treated as a scheme of "New Service". (The entire cost of establishment, building, equipment, other amenities, etc., should be taken into account for the purpose of this limit) - New Instrument of Service.

(iii) Employment of additional staff, for reorganisation of an existing administrative unit such as the bifurcation of a Revenue or a Police District or the creation of a New Administrative unit, etc. e.g., a New Public Works Circle.

When the cost exceeds Rs.5 lakhs per annum recurring or Rs.10 lakhs non-recurring taking the scheme as a whole it will be treated as a scheme of "New Service". (The entire cost of establishment, building, equipment, other amenities, etc., should be taken into account for the purpose of this limit) - New Instrument of Service.

NOTE - The following classes of expenditure need not be treated as "New Service" :-

(i) Employment of additional staff for a purely temporary need for a specific period during a financial year if the cost does not exceed Rs.5 lakhs recurring or Rs.10 lakhs non-recurring.



(ii) Employment of additional staff for normal increase of work involving no change in policy or the sanction of any new schemes.

NOTE (i) - The classification "expansion of staff" in existing departments will also include formation of new departments.

## 2. Works

When the cost of new work exceeds Rs.10 lakhs. In regard to the expenditure on works relating to new schemes which involve expenditure on staff, equipment etc., the cost of scheme as a whole should be taken into account for this monetary limit.

## 3. Expenditure to be met from lumpsum provision in the Budget.

When the cost exceeds Rs.10 lakhs.

## 4. Tools and Plant

(i) Individual purchase need not be treated as a "New Service" irrespective of cost so long as there is specific provision in the Budget.

(ii) Where specific provision is not included in the Budget, when the cost exceeds

- Rs.5 lakhs, the purchase of tools and plant will constitute a "New Service".
5. Expenditure on New Objects and Purposes. When the expenditure is estimated to exceed Rs.3 lakhs recurring or Rs.5 lakhs non-recurring.
  6. Committee constituted by the Government from time to time. When the expenditure is estimated to exceed Rs.1 lakh per annum recurring or Rs.2 lakhs non-recurring.
  7. Grants and Contributions When the amount involved exceeds Rs.2 lakhs recurring or Rs.5 lakhs non-recurring.  
  
Grants-in-aid, Contributions, the like of which has not been voted in the past, if it exceeds Rs.1 lakh recurring and Rs.2 lakhs non-recurring.
  8. Revision of Scale of Pay When the revision of a scale or scales of pay involves an extra cost of over Rs.10 lakhs per annum.
  9. Experiments, Investigations and Demonstrations. When the expenditure is estimated to exceed Rs.2 lakhs recurring or Rs.5 lakhs non-recurring.

NOTE - All expenditure of this character incurred each year

without fruitful result should be reported to the Accountant-General for incorporation in the Appropriation Accounts with suitable explanation for report to the Public Accounts Committee in due course. For this purpose, each department of the Secretariat should send a consolidated statement of such expenditure to the Finance Department every year by 31st May. "Nil" return also should be sent to the Finance Department, wherever applicable.

10. Loans to Government Companies, Local Funds, Private parties, etc.

1. Expenditure on loans the like of which has not been incurred in the past, if the expenditure exceeds Rs.1 lakh.

2. Where specific provision is not included in the Budget, when the loan exceeds Rs.5 lakhs.

3. Where there is specific provision in the Budget when the expenditure exceeds the Budget provision for a scheme by Rs.25 lakhs or 10 per cent of the Budget provision for the scheme, whichever is higher.

NOTE - 1. Loans to Co-operative Institutions will also be governed by the above criteria.

NOTE - 2. Loans to Government Companies, Statutory Bodies and Government Undertakings involving additional expenditure resulting from cost escalation without any increase in the physical component and exceeding the Budget provision by the limit prescribed in item 3 above, need not be treated as "New Service" but details of such cases should be given in the Budget Memorandum of the following year.

11. Investments in Government Companies and Departmental Undertakings.

(i) Setting up of a new Government Company or amalgamation of two or more Government Companies will constitute "New Service"

(ii) Additional investments in an existing departmental undertaking of Rs.50 lakhs and above where there is no Budget provision.

(iii) Additional investments of Rs.10 lakhs and above in an existing

Government Company with a paid up capital of Rs.1 Crore and below and Rs.25 lakhs and above in case of companies with a paid up capital of more than Rs.1 Crore, where there is no budget provision.

(iv) All investments for the first time will constitute "New Service".

NOTE - Investments in Government Companies and Departmental Undertakings exceeding the Budget provision by the limits prescribed in items (ii) and (iii) above need not be treated as "New Service" but details of such cases should be given in the Budget Memorandum of the following year.

12. Investments in Private Sector Companies and Private Institutions by Government.

(i) Investments in share capital of private sector companies/private institutions to be made for the first time whatever the magnitude, will constitute a "New Service".

(ii) Additional investments of Rs.10 lakhs and above in share capital to the existing private sector companies/private institutions with a paid up capital of Rs.1 Crore

and below ; Rs.20 lakhs and above in case of companies with a paid up capital of more than Rs.1 Crore.

13. Ways and Means advances Need not be treated as a "New Service" nor covered by advance from the Contingency Fund ; but they must be brought to the notice of the Legislature in the next session.\*

14. Subsidy involved in concessional sales such as sale of raw materials to private institutions at concessional rates, subsidised sale of pesticides, agricultural implements, etc.

(i) When subsidy is introduced for the first time if the expenditure exceeds Rs.3 lakhs recurring or Rs.5 lakhs non-recurring.

(ii) Additional subsidy caused by increase in the rate of subsidy, extension of scheme to more areas, etc., should be treated as New Instrument of Service requiring the approval of Legislature if it exceeds :-

(a) Rs.10 lakhs in the case of subsidies which are passed on to the public.

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\* This is brought to the notice of the Legislative Assembly by inclusion in the Annexure to the Supplementary Estimates.

(b) Rs.5 lakhs in cases where the beneficiaries are institutions.

NOTE - Subsidy should be shown as a separate sub-head in the Demand concerned. Details regarding the expenditure on subsidy, commodities involved and the reasons therefor should be mentioned in the Budget Memorandum.

15. Changes in classification of expenditure. Expenditure of existing service under one head but involving provision of funds under a different head within the same section due to change in classification of expenditure need not be considered as expenditure on "New Service".

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

16. Expenditure on plan and other schemes with financial assistance from Government of India or other bodies/institutions.
- In cases where full or part assistance is forthcoming from Government of India or other bodies or institutions, the monetary limits for treating such expenditure as "New Service/New Instrument of Service" will be the same as indicated under various categories of expenditure mentioned under serial numbers 1 to 15 above.

## GENERAL

(i) Cases of "New Schemes" treated as "New Service" and acted upon in the previous years need not be treated as "New Service" again in the subsequent years even though no provision has been made in the budget of that year.

(ii) In respect of the schemes receiving assistance from Central Government, autonomous bodies, etc., and in respect of expenditure relating to natural calamities, if a token provision has been made in the budget, the expenditure need not be treated as "New Service" when the sanction actually issues. However, such cases should be brought to the notice of the Legislature by specific inclusion in the Supplementary estimates.

[G.O.Ms.No.1157, Finance (BG-I), dated 30.12.86]

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(b) When the estimated cost of a scheme, whether new or extension of an existing scheme, is within the monetary limits mentioned above they are New Schemes. In addition, the following schemes will be treated as New Schemes and not as New Services.



(i) Employment of additional staff for a purely temporary need for a specific period during a financial year if the cost does not exceed Rs.5 lakhs recurring or Rs.10 lakhs non-recurring.

(ii) Employment of additional staff for normal increase of work involving no change in policy or the sanction of any new scheme.

(iii) Irrespective of the cost on the individual purchase of Tools and Plant when there is specific provision in the Budget.

(iv) Ways and Means Advances, but they must be brought to the notice of the Legislative Assembly in the next session.

(v) Expenditure on existing service under one head but involving provision of funds under a different head within the same section due to change in classification of expenditure.

(vi) Cases already approved by the Legislative Assembly but where the expenditure is subsequently expected to exceed appreciably the amount originally intimated to the Legislative Assembly.

Note.—But information regarding large variation should be given in the Budget Memorandum. Full information should be furnished to the Finance Department by Departments of Secretariat in time for incorporation in the Budget Memorandum.

(c) All New works (Non-new service) costing Rs.50,000 and above sanctioned in the course of the year and not provided for in the original budget should be reported to the Legislative Assembly by mentioning in the Annexure to Supplementary Estimates.

(d) All cases of transfer of gift of Government Property of a value exceeding rupees one lakh to autonomous bodies, other Governments, etc. should be brought to the notice of the Legislative Assembly by inclusion in the Budget Memorandum.

171. The Government will not be prepared to sanction a "New Service" or a "New Instrument of Service" for introduction in the course of a financial year unless it satisfies one of the following criteria:

(i) It is so essential that delay in sanctioning it is likely to cause break-down in the machinery of administration.

(ii) it is highly remunerative.

(iii) it relates to additional staff required very urgently for a project (i.e., large construction work), already sanctioned.

(iv) delay in sanctioning it, is likely to cause permanent loss of revenue to Government.

(v) It is Centrally-sponsored or Centrally assisted scheme which is, therefore, financed by Government of India and other autonomous institutions.

172. The following classes of schemes to be introduced in the course of a financial year should be referred to the Standing Finance Committee of the Cabinet and then to the Cabinet before orders sanctioning the schemes are issued :-

(a) All schemes of new expenditure treated as "New Service" or, "New Instrument of Service".

(b) Schemes involving expansion of staff in the existing departments when the cost of staff exceeds Rs.4,00,000 and upto Rs.5,00,000 per annum recurring or if it exceeds Rs.5,00,000 and upto Rs.10,00,000 non-recurring.

(c) Schemes involving works when the cost of works exceed Rs.7,50,000 and upto Rs.10,00,000 non-recurring.

(d) Schemes involving purchase of Tools and Plant and cost of such purchase exceeds Rs.4,00,000 and upto Rs.5,00,000 non-recurring.

(e) Schemes involving the constitution of a committee and cost thereof exceed Rs.75,000 and upto Rs.1,00,000 per annum recurring or if it exceeds Rs.1,50,000 and upto Rs.2,00,000 non-recurring.

(f) Schemes involving sanction of Grants-in-aid and Contributions and the cost of such Grants-in-aid and Contribution exceeds Rs.1,50,000 and upto 2,00,000 per annum recurring or if it exceeds Rs.3,00,000 and upto Rs.5,00,000 non-recurring.

(g) Schemes involving sanction of Grants-in-aid and contribution the like of which has not been voted in the past and if the cost exceeds Rs.75,000 to Rs.1,00,000 recurring or if it exceeds Rs.1,50,000 and upto Rs.2,00,000 non-recurring.

(h) Schemes involving revision of scales of pay and allowances when the cost exceeds Rs.8,00,000 and upto Rs.10,00,000 per annum recurring.

(i) Schemes relating to Experiments, Investigations and Demonstrations when the cost exceeds Rs.1,50,000 and upto Rs.2,00,000 per annum recurring or if it exceeds Rs.4,00,000 and upto Rs.5,00,000 non recurring.

(j) Schemes involving additional investments exceeding Rs.7,50,000 and upto Rs.10,00,000 in an existing Government Company with the paid up capital of Rupees one Crore and below.

(k) Schemes involving additional investments exceeding Rs.20,00,000 and upto Rs.25,00,000 in cases where the paid up capital of the existing Government Company is more than one Crore.

(l) Schemes involving additional investments exceeding Rs.40,00,000 and upto Rs.50,00,000 in an existing Departmental Undertakings.

(m) Schemes involving additional investments exceeding Rs.8,00,000 and upto Rs.10,00,000 in the existing Private Sector Companies and Private

Institutions with the paid up capital of Rupees one crore and below.

(n) Schemes involving additional investment exceeding Rs.15,00,000 and upto Rs.20,00,000 in the existing Private Sector Companies and Private Institutions with paid up capital of more than Rupees one crore.

(o) Schemes relating to subsidy involved in concessional sales such as sale of raw materials to Private Institutions at concessional rates and sale of Pesticides, Agriculture implements, etc., exceeding Rs.2,00,000 and upto Rs.3,00,000 recurring and Rs.4,00,000 and upto Rs.5,00,000 non-recurring when introduced for the first time, exceeding Rs.7,00,000 and upto Rs.10,00,000 in case of additional subsidy passed on to Public and Rs.4,00,000 and upto Rs.5,00,000 in case of additional subsidy passed on to Institutions.

(p) Schemes involving the abandonment of existing revenue when the amount of revenue to be foregone exceeds Rs.50,000 per annum recurring or Rs.3,00,000 non-recurring when the scheme involves a change of policy.

(q) Schemes involving expenditure on New Objects and Purposes when it exceeds Rs.2,00,000 and upto Rs.3,00,000 recurring and Rs.4,00,000 and upto Rs.5,00,000 non-recurring.

(r) Schemes involving loans to Government Companies Local Funds and Private Parties etc., exceeding the Budget provision for a scheme by Rs.25 lacs or 10% of the Budget provision for the scheme whichever is higher, exceeding Rs.5 lakhs when specific provision is not included in the budget and exceeding Rs.1 lakh in the case of the expenditure on loans the like of which has not been incurred in the past.

[G.O.Ms.No.777, Finance(BG-I)Deptt., dated 14.10.1991]

## Exceptions -

(i) Recoverable expenditure.-Schemes of new expenditure which are not treated as "New Service" or "New Instrument of Service" and the cost of which is fully recoverable from another Government, Local Body or Private Body or Individual whatever be the amount of expenditure to be incurred initially by the Government.

(ii) Rural Welfare Schemes-Schemes to be financed from the Fund for Village Reconstruction and Harijan Uplift.

(iii) Grow More Food Schemes.

(iv) Remission of Revenue.-Proposals for remission of revenue to be sanctioned in accordance with an established policy.

173. Procedure for sanction.-The Administrative Departments of the Secretariat concerned with each scheme should, after the examination of the scheme by the Finance Department, take orders in circulation to the Minister or Ministers concerned, the Minister for Finance and the Chief Minister. If it is decided that the scheme should go before the Standing Finance Committee, the department concerned should prepare a summarising note which should contain all details regarding the scheme including the full financial implication in the following form:-

## SUMMARY OF COST

Major/Sub-Major head of account	Minor, Sub-head, Detailed and Sub - detailed heads of account	Ultimate cost		Cost in the year of introduction.
		Recur-	Non-Recur-	
(1)	(2)	ring.	ring.	(5)
		Rs.	Rs.	Rs.

NOTES.-(i) The estimate of cost in the year of introduction should be based on the best estimate possible of the probable date of introduction and other relevant factors. The ultimate cost should be worked out on the basis of the average pay in regard to new staff.

(ii) A statement should be annexed at the end of the note showing.-

- (a) Budget provision under the major head of account;
- (b) Actual Expenditure to the end of last month for which figures are available under the major head of account;
- (c) Estimate of extra expenditure on the scheme under consideration in the current year;
- (d) Savings in the budget provision for other items included in the major head;
- (e) Total commitment in the year under the major head of account of new schemes (not provided for in the budget) sanctioned since the beginning of the financial year upto the end of the preceding month; and
- (f) Total commitment in the year under all major heads (in the Revenue Section or the Capital Section as the case may be) on account of the new schemes (not provided for in the budget) sanctioned since the beginning of the financial year upto the end of the preceding month.

(b) The summarising note should also incorporate the views of the administrative departments and the Finance Department and the views of the Minister or Ministers concerned and the

Minister in-charge of the Finance. The draft note should be sent to the Finance Department for acceptance. Copies of the note as finally approved should be circulated to all the Ministers and the connected file with four spare copies of the note sent to the Secretary to the Standing Finance Committee, i.e., the Deputy Secretary, Finance Department. The Secretary to the Committee will intimate to all departments the date, time and place of each meeting of the Committee as soon it is settled. He will arrange to refer to the Committee from time to time such of the cases received by him upto the week previous to the date fixed for the next meeting as are selected by the Chairman for inclusion in the agenda. After a scheme has been considered by the Committee the file will be returned to the administrative department concerned with the recommendation of the Committee recorded on it by the Secretary to the Committee. The department of the Secretariat concerned should then take necessary action to refer the scheme to the Cabinet for approval at its next meeting, before final orders are issued except in every urgent cases.

(c) In every urgent cases, when there is no time to refer a scheme to the Cabinet, orders may be issued without such a reference provided that the Standing Finance Committee is unanimous about the urgency of the scheme and the necessity for it. In such cases the departments, summarising note should contain full reasons as regards the urgency. If there is any difference of opinion among the members of the Committee about the necessity and urgency of a scheme the case should be referred to the Cabinet before the issue of orders. As soon as the recommendation of the Standing Finance Committee approving the scheme has been obtained a note marked "Special" intimating the decision of the Committee should be circulated to each of the Minister who had not seen the case or who are not members of the Committee. A copy of this note together with a copy of the note placed before the Standing Finance Committee should at the same time be furnished to the Chief Secretary. The circulation of this note should not be delayed even when the draft

order has to be seen by other departments of the Secretariat before issue.

174. Short Circuit Procedure:-In respect of schemes relating to Centrally Sponsored /assisted (i.e., Schemes which are fully/partly financed by Government of India) and schemes relating to natural calamities, the Department of Secretariat concerned should, after examination of the scheme by the Finance Department, take orders in circulation to the Minister or Ministers concerned, Minister in-charge of Finance and the Chief Minister. Sanction for all other new schemes i.e., schemes other than those relating to Centrally sponsored/Centrally assisted and natural calamities will be accorded only in the Standing Finance Committee meetings to be held periodically. Orders may then be issued without referring the case to the Standing Finance Committee if that course has been approved by all the Ministers to whom the case was circulated. As soon as orders have been issued sanctioning a scheme adopting this "Short Circuit Procedure" the summarising note marked "Special" explaining the nature of the scheme and its extreme urgency and the amount of expenditure involved should be circulated to each member of the Standing Finance Committee who did not see the case when orders were obtained on it and all other Ministers who had not seen the case and the Chief Secretary and the Finance Department.

175. Procedure in cases not requiring a reference to the Standing Finance Committee.-In cases of new schemes which do not require a reference to the Standing Finance Committee, the Administrative Departments of Secretariat concerned should take orders in circulation to the Minister or Ministers concerned, Minister in-charge of Finance and the Chief Minister as the case may be as shown below :-



Serial number and items of expenditure. (1)	Monetary limits. (2)	Circulation up to. (3)
1. Expansion of staff in the existing Departments - (i) Recurring	1. Over Rs.15,000 to Rs.25,000 2. Over Rs.25,000 to Rs.2,00,000 3. Over Rs.2,00,000 to Rs.4,00,000	1. Minister Concerned. 2. Minister in-charge of Finance. 3. Chief Minister.
(ii) Non-recurring	1. Over Rs.50,000 to Rs.1,00,000 2. Over Rs.1,00,000 to Rs.3,00,000 3. Over Rs.3,00,000 to Rs.5,00,000	1. Minister concerned. 2. Minister in-charge of Finance. 3. Chief Minister.
2. Works - Non-recurring	1. Over Rs.15,000 to Rs.25,000 2. Over Rs.25,000 to Rs.5,00,000 3. Over Rs.5,00,000 to Rs.7,50,000	1. Minister concerned. 2. Minister in-charge of Finance. 3. Chief Minister.
3. Expenditure to be met from lump-sum provision in the Budget.	1. Over Rs.15,000 to Rs.25,000 2. Over Rs.25,000 to Rs.5,00,000 3. Over Rs.5,00,000 to Rs.7,50,000	1. Minister concerned. 2. Minister in-charge of Finance. 3. Chief Minister.
4. Tools and Plant - Non-recurring	1. Over Rs.15,000 to Rs.25,000 2. Over Rs.25,000 to Rs.2,00,000 3. Over Rs.2,00,000 to Rs.4,00,000	1. Minister concerned. 2. Minister in-charge of Finance. 3. Chief Minister.
5. Expenditure on new objects and purposes - (i) Recurring	1. Over Rs.5,000 to Rs.10,000 2. Over Rs.10,000 to Rs.50,000 3. Over Rs.50,000 to Rs.2,00,000	1. Minister concerned. 2. Minister in-charge of Finance. 3. Chief Minister.

- |  |  |   |
|--|--|---|
| (ii) Non-recurring   | 1. Over Rs.15,000 to Rs.25,000<br>2. Over Rs.25,000 to Rs.1,00,000<br>3. Over Rs.1,00,000 to Rs.4,00,000   | 1. Minister concerned.<br>2. Minister in-charge of Finance.<br>3. Chief Minister. |
| 6. Committee constituted by the Government from time to time -                         |  |   |
| (i) Recurring  | 1. Over Rs.3,000 to Rs.50,000<br>2. Over Rs.3,000 to Rs.50,000<br>3. Over Rs.50,000 to Rs.75,000           | 1. Minister concerned.<br>2. Minister in-charge of Finance.<br>3. Chief Minister. |
| (ii) Non-recurring   | 1. Over Rs.10,000 to Rs.1,00,000<br>2. Over Rs.10,000 to Rs.1,00,000<br>3. Over Rs.1,00,000 to Rs.1,50,000 | 1. Minister concerned.<br>2. Minister in-charge of Finance.<br>3. Chief Minister. |
| 7. Grants-in-aid and contributions -   |  |   |
| (i) Recurring  | 1. Over Rs.5,000 to Rs.10,000<br>2. Over Rs.10,000 to Rs.50,000<br>3. Over Rs.50,000 to Rs.1,50,000        | 1. Minister concerned.<br>2. Minister in-charge of Finance.<br>3. Chief Minister. |
| (ii) Non-recurring   | 1. Over Rs.15,000 to Rs.25,000<br>2. Over Rs.25,000 to Rs.1,50,000<br>3. Over Rs.1,50,000 to Rs.3,00,000   | 1. Minister concerned.<br>2. Minister in-charge of Finance.<br>3. Chief Minister. |
| 8. Grants-in-aid and contributions, the like of which has not been voted in the past - |  |   |
| (i) Recurring  | 1. Over Rs.5,000 to Rs.10,000<br>2. Over Rs.10,000 to Rs.50,000<br>3. Over Rs.50,000 to Rs.75,000          | 1. Minister concerned.<br>2. Minister in-charge of Finance.<br>3. Chief Minister. |
| (ii) Non-recurring   | 1. Over Rs.5,000 to Rs.10,000<br>2. Over Rs.10,000 to Rs.50,000<br>3. Over Rs.50,000 to Rs.1,50,000        | 1. Minister concerned.<br>2. Minister in-charge of Finance.<br>3. Chief Minister. |

9. Revision of scales of pay and allowances -  
 (i) Recurring
- |                                    |                                   |
|------------------------------------|-----------------------------------|
| 1. Upto Rs.5,000                   | 1. Minister concerned.            |
| 2. Over Rs.5,000 to Rs.5,00,000    | 2. Minister in-charge of Finance. |
| 3. Over Rs.5,00,000 to Rs.8,00,000 | 3. Chief Minister.                |
10. Experiments, Investigations and Demonstrations -  
 (i) Recurring
- |                                    |                                   |
|------------------------------------|-----------------------------------|
| 1. Over Rs.10,000 to Rs.25,000     | 1. Minister concerned.            |
| 2. Over Rs.25,000 to Rs.1,00,000   | 2. Minister in-charge of Finance. |
| 3. Over Rs.1,00,000 to rs.1,50,000 | 3. Chief Minister.                |
- (ii) Non-recurring
- |                                    |                                   |
|------------------------------------|-----------------------------------|
| 1. Over Rs.20,000 to Rs.50,000     | 1. Minister concerned.            |
| 2. Over Rs.50,000 to Rs.2,00,000   | 2. Minister in-charge of Finance. |
| 3. Over Rs.2,00,000 to Rs.4,00,000 | 3. Chief Minister.                |
11. Loans to Government Companies, Local Funds and Private parties, etc.
- |  |   |
|--|---|
| 1. When there is specific provision in the Budget when the expenditure exceeds the Budget provision for a scheme by Rs.25 lakhs or 10 per cent of the budget provision for the scheme whichever is less. | 1. Minister concerned.<br>Minister in-charge of Finance.<br>Chief Minister. |
| 2. When specific provision is not included in the Budget when the loan is upto Rs.5,00,000.  | 2. Minister concerned.<br>Minister in-charge of Finance.<br>Chief Minister. |
| 3. Expenditure on loans, the like of which has not been incurred in the past, if the expenditure is upto Rs.1 lakh.  | 3. Minister concerned.<br>Minister in-charge of Finance.<br>Chief Minister. |

4. Ways and Means Advances to Local Bodies, Government Companies and Co-operative Institutions, etc., need not be treated as a "New Service" nor covered by an advance from the Contingency Fund ; but they must be brought to the notice of the Legislature in the next session.
4. Minister concerned.  
Minister in-charge of Finance.
12. Investments in Government Companies and Departmental Undertakings -
- (i) Existing Government Company with paid-up capital of Rupees one Crore and below.
1. Upto Rs.5,00,000
2. Over Rs.5,00,000 to Rs.7,50,000
1. Minister concerned.  
Minister in-charge of Finance.
2. Chief Minister.
- (ii) Existing Government Company with the paid-up capital of more than Rs.1 Crore.
1. Upto Rs.10,00,000
2. Over Rs.10,00,000 to Rs.20,00,000
1. Minister concerned.  
Minister in-charge of Finance.
2. Chief Minister.
- (iii) Additional investment in an existing departmental undertaking.
1. Upto Rs.25,00,000
2. Over Rs.25,00,000 to Rs.40,00,000
1. Minister concerned.  
Minister in-charge of Finance.
2. Chief Minister.
13. Investments in the Private Sector Companies and Private Institutions by Government -
- (i) Paid-up capital of Rupees one Crore and below.
1. Upto Rs.5,00,000
2. Over Rs.5,00,000 to Rs.8,00,000
1. Minister concerned.  
Minister in-charge of Finance.
2. Chief Minister.

- (ii) Paid-up capital of more than Rs.1 Crore.
1. Upto Rs.10,00,000
  2. Over Rs.10,00,000 to Rs.15,00,000
1. Minister concerned.  
Minister in-charge of Finance.
2. Chief Minister.
14. Subsidy involved in concessional sales such as sale of raw materials to Private Institutions at concessional rates, subsidised sale of pesticides, agricultural implements, etc. -
- (i) When subsidy is introduced for the first time -
- Recurring
1. Upto Rs.1,00,000
  2. Over Rs.1,00,000 to Rs.2,00,000
1. Minister concerned.  
Minister in-charge of Finance.
2. Chief Minister.
- Non-recurring
1. Upto Rs.2,00,000
  2. Over Rs.2,00,000 to Rs.4,00,000
1. Minister concerned.  
Minister in-charge of Finance.
2. Chief Minister.
- (ii) Additional subsidy passed on to Public.
1. Upto Rs.5,00,000
  2. Over Rs.5,00,000 to Rs.7,00,000
1. Minister concerned.  
Minister in-charge of Finance.
2. Chief Minister.
- (iii) Additional subsidy passed on to Institutions.
1. Upto Rs.2,00,000
  2. Over Rs.2,00,000 to Rs.4,00,000
1. Minister concerned.  
Minister in-charge of Finance.
2. Chief Minister.
15. Abandonment of Existing Revenue -
- (i) Recurring
1. Upto Rs.25,000
  2. Over Rs.25,000 to Rs.50,000
1. Minister concerned.  
Minister in-charge of Finance.
2. Chief Minister.

(ii) Non-recurring	1. Upto Rs.1,00,000	1. Minister concerned.
	2. Over Rs.1,00,000 to Rs.3,00,000	Minister in-charge of Finance. 2. Chief Minister.

NOTES.- (i) If a question of policy is involved in any case, the administrative department concerned should decide in accordance with the instructions in the Business Rules whether the order of the Cabinet should be obtained.

(ii) the Finance Department will ask for circulation to the Minister in-charge of Finance in any case if the expenditure is important or of an unusual nature or involves any new principle or policy.

176. Under the Constitution of India, expenditure on a "New Service" or "New Instrument of service" sanctioned in the course of a financial year cannot be incurred until the approval of the Legislative Assembly is specifically obtained by including provision, whether substantive or token in a supplementary statement of expenditure presented to the Legislative Assembly and eventually in an Appropriation Act. However, if the scheme is so extremely urgent that its introduction cannot be delayed, the expenditure on the scheme will be met initially by an advance taken from the Tamil Nadu Contingency Fund pending approval of the Legislative Assembly. In such cases, the order sanctioning the scheme will specifically state that the expenditure which will be debited to the appropriate heads of Account will be initially met by an advance from the Contingency Fund and that orders in this regard will be issued separately from the Finance Department on receipt of necessary application from the Heads of Department in the prescribed form indicating the probable amount required to be sanctioned from the Contingency Fund. A copy of the order as soon as it is issued together with information as to the cost likely to be incurred in the current year should be sent to the Finance Department for sanctioning the advance from the Contingency Fund. Care should be taken to see that the expenditure on each scheme does not exceed the amount of Contingency Fund advance sanctioned to it.

177. All schemes of new expenditure sanctioned as "New Service" or "New Instrument of Service" for introduction in the course of a year should be placed before the Legislative Assembly, at the earliest opportunity by presenting a supplementary estimate for the amount required for expenditure on them during the year. Where it is not immediately possible to estimate the additional appropriation required with reference to the progress of expenditure and the probable savings in respect of the relevant grant as a whole, a supplementary estimate for a token grant may be presented to the Legislative Assembly. In all cases, the full financial implications on the scheme should be explained in the explanatory note accompanying supplementary estimates.

## CHAPTER XI

### BUDGETARY IRREGULARITIES

178. A list of Budgetary irregularities likely to arise is given below. The list is only illustrative and not exhaustive :-

(i) Excess expenditure over a grant voted by the Legislative Assembly or over a charged appropriation;

(ii) Defective or inaccurate budgeting, necessitating large surrender or resulting in excess;

(iii) Defective control of expenditure resulting in -

(a) unnecessary or excessive supplementary grants;

(b) unnecessary or excessive re-appropriations;

(c) injudicious re-appropriations and surrenders causing excess over allotments;

(d) unspent and unsurrendered appropriations;

(e) unremedied or uncovered excess; and

(f) late allotments;

(iv) Misclassification of expenditure;

(v) Re-appropriations which are not made in accordance with the rules in this Manual or which have the effect of increasing expenditure on an item the provision for which has been specifically reduced by a vote of the Legislative Assembly;

(vi) Expenditure on a "New Service" or "New Instrument of Service" not covered by a vote of the Legislative Assembly, unless the requisite funds have been arranged by obtaining an advance from the Contingency Fund before incurring expenditure;

(vii) Expenditure incurred without allotment of funds;

(viii) Expenditure incurred without proper sanction or in anticipation of sanction of the competent authority;

(ix) Drawal from treasury of moneys not required for immediate use;

(x) Abandonment of revenue without proper sanction and;

(xi) Any large claim against Government, local body or other outside party allowed to remain outstanding for an unduly long time.

179. (a) the several budgetary irregularities arise mainly due to lack of proper control of expenditure, lack of an information system on which proper budget can be formulated, and lack of co-ordination between the different departments responsible for the execution of a scheme and the misclassification of expenditure which arise out of lack of continuous and careful watch of expenditure throughout the year. For a proper control of expenditure, several registers have been prescribed for maintenance by the disbursing Officers, Subordinate Controlling Officers and Chief Controlling Officers. These registers should be maintained properly and correctly. The Chief Controlling Officers should see that monthly reconciliation of figures with those of the Accountant-General and the Data Processing Centre is completed in time.

(b) To avoid misclassification of expenditure the Disbursing Officers shall write in every bill the correct and full classification before presenting it at the Treasury.



## CHAPTER XII.

### APPROPRIATION ACCOUNTS, FINANCE ACCOUNTS AND AUDIT REPORT.

180. In accordance with the provision of the Constitution, the Comptroller and Auditor-General prepares the Finance Accounts of the Government each year as also the Appropriation Accounts indicating the total amounts of grant/appropriation as contained in the Schedules to the Appropriation Acts, the actual expenditure and the variations under the several grants/appropriations. The accounts are prepared by the Accountant-General on behalf of the Comptroller and Auditor-general of India and are signed by the Comptroller and Auditor-General of India. Besides, the Report of the Comptroller and Auditor-General of India dealing with the points arising out of these Accounts and other irregularities noticed in the course of audit of financial transactions of the Government is also prepared by the Accountant-General each year and is countersigned by the Comptroller and Auditor-General of India.

181. The Appropriation Accounts of each grant/appropriation indicate the original grant/appropriation, additional funds provided during the year by supplementary grant/appropriation, the expenditure incurred, saving or excess and the amount surrendered during the year. As the grants/appropriations are for the gross amount required for expenditure, the expenditure figures shown against them do not include recoveries which are adjusted in the accounts as reduction of expenditure..

(i) This is followed by "Notes and Comments" which will bring to the notice of the Legislative Assembly (giving relevant particulars of the group heads) excesses over grants/appropriations requiring regularisation expenditure booked against the grant/appropriation but not really debitible to it, expenditure incurred on a "New Service" without specific authority of the Legislative Assembly, unjustified or excessive provision of funds leading to

large savings and lapses and also cases of defective control over expenditure, e.g., excessive, irregular or unjustified reappropriations or surrenders within the grant/appropriation. If a part of the expenditure under a grant is met from special funds, deposit accounts, grants made by outside bodies, etc., brief notes indicating the nature of the funds and the summary of the transactions pertaining to the year are also included.

(ii) The Finance Accounts present the receipts and outgoings of the Government for the year. The figures of actuals shown in these accounts are net after taking into account the recoveries. They present the accounts of the transactions under Consolidated Fund, Contingency Fund and the Public Accounts and the accounts of the assets and liabilities of Government such as Debt and Loans and Advances by Government. Information regarding guarantees given by Government, investments of Government, etc., is also given in this compilation.

(iii) The Report of the Comptroller and Auditor-General of India mainly relates to matters arising from the Appropriation Accounts and Finance Accounts of the year together with other points arising from the audit of the financial transactions of Government. It includes points of interest noticed in the Audit of "Receipt", accounts of Government Trading Activities, Stores and Stock Accounts, etc. Ordinarily the financial irregularities, losses, etc., included in the report relate to cases which came to the notice of audit during the year as well as those which had come to notice in earlier years but could not be dealt with in earlier reports; matters relating to the period subsequent to the period under report are also included, wherever considered necessary.

182.(a) All Heads of Department and Chief Controlling Officers should keep ready the explanation for all variations between the original and final grant and between the final grant and actual expenditure, so that the draft appropriation accounts

sent to them by the Accountant-General may be returned to him within a fortnight of its receipt after due scrutiny of the figures and with the explanations required. It should be noted that explanations have to be furnished to the Accountant-General for variation in all cases, *irrespective of the amount involved* though most of them may not be finally incorporated in the appropriation accounts.

(b) The following further instructions should also be carefully observed by all Heads of Department and Chief Controlling Officers--

(i) Explanations for variations should be concise, accurate and fully informative and should contain information as to whether the variation was inevitable and whether it could not be foreseen.

(ii) Vaguely worded phrases such as "original provision proved insufficient or excessive", "based on progress of actuals, etc." should be avoided.

(iii) It should be specifically stated why the original provision proved insufficient or excessive and how and why the actuals varied from the estimates.

(iv) In cases where the variations are due to transactions adjusted or adjustable by other Accounts Officers in respect of supplies received from other Governments, etc., the circumstances in which the liaison between the indenting and supplying departments could not secure adequate control of expenditure should be stated.

(v) the explanations should clearly specify the schemes, project, etc., which remained unexecuted and accounted for the savings, together with the reasons therefor, e.g., non-receipt of sanctions, stores, etc., or the schemes or other objects which were taken up with no allotment or inadequate provision of funds as the case may be and also indicate why the savings/excesses could not be anticipated in time and the savings surrendered/the excess regularised before the close of the year.

(vi) If the variation is due to more than one cause, the amount due to each cause should be stated. Variations mentioned by the Accountant-General in the audit report will ordinarily be considered by the Committee on Public Accounts, which will make such recommendations as it may deem necessary, after considering the administrative departments' notes based on the explanations of the Chief Controlling Officers for the variations. The explanations obtained by the administrative departments for the variations not considered by the Public Accounts Committee should be forwarded with the Administrative departments' remarks to the Finance Department, which will request the administrative department, when necessary, to draw the attention of the Controlling Officer concerned to any instance of defective budgeting or control of expenditure in order that it may not be repeated.

183.(i) The draft of a paragraph proposed for inclusion in the Report of the Comptroller and Auditor-General of India is forwarded by the Accountant-General to the Secretary to Government with a copy to the Head of the Department concerned with a demi-official letter so as to ensure that the irregularity commented upon is brought to the personal notice of the officers who will have to appear as witnesses before the Public Accounts Committee when the Report of the Comptroller and Auditor-General of India is taken up for consideration. The officer concerned should verify the correctness of the facts contained therein and communicate the result of the variation to the Accountant-General within six weeks from the date of receipt of the draft.

(ii) The reply to the audit paragraph should be sent after examining all the aspects of the cases and after getting the specific approval of the Secretary to Government or the Head of the Department concerned. The officers should collect all the facts which have a direct or indirect bearing on the irregularity commented upon in the draft paragraph and see that the facts and figures mentioned in the audit paragraph are correct. If the draft paragraph

proposed by the Accountant-General requires modification so as to bring forth the full facts of the case, they should indicate this in their replies. The reply to the draft paragraph should be sent in a demi-official letter from the officer to whom it was referred by the Accountant-General for verification. This will ensure that the reply is sent by the proper authority after careful examination of all the aspects of the case. In case a final reply to the draft paragraph cannot be given within the limit of six weeks referred to above, an interim reply should be given indicating the time by which the final reply can be sent. In any case, the final reply should be sent within three months from the date of receipt of the draft paragraph. Every effort should, however, be made to send the replies within the time-limit of six weeks, since the Accountant-General includes in the Final Report of the Comptroller and Auditor-General of India paragraphs for which this period of six weeks has elapsed.

(iii) To ensure prompt replies to draft paragraphs received from audit, Secretaries to Government and Heads of Departments may open a separate register to note the date of receipt of the audit paragraphs and also the date of reply to Audit. The register should be personally verified by the officers on the first working day of each month.

(iv) A draft paragraph forwarded to the Secretary to Government for verification will normally find a place in the Report of the Comptroller and Auditor-General of India which will be placed on the Table of the Legislative Assembly. The report of the Comptroller and Auditor-General of India so placed will be examined by the Public Accounts committee and the concerned Secretaries to Government should appear as witnesses before the Committee when it examines the particular paragraph in the Report of the Comptroller and Auditor-General of India. There will be a time lag ranging from six months to one year between the date on which the draft paragraph is forwarded by the Accountant-General for verification and the date on which the particular paragraph is taken up for

consideration by the Public Accounts Committee. Usually, the Public Accounts Committee examines whether at least after the receipt of the draft paragraph, the irregularity commented upon in the audit paragraph has been rectified wherever possible, whether adequate steps have been taken to see that such irregularities do not recur and also in cases of loss to Government whether necessary action has been taken to recoup the loss and prevent such losses in future. If the Secretary to Government and the Head of the Department concerned take prompt action immediately on receipt of the draft paragraph to rectify the defects and to proceed against the officers responsible to make good the losses incurred by the Government due to their negligence and also issue detailed instructions for the avoidance of repetition of such irregularities, it should be possible to satisfy the Committee that the irregularity has since been rectified and that action has also been taken to avoid a recurrence of such things in future. Hence Departments of Secretariat and the Heads of the Departments, should on receipt of draft paragraph, examine, among other things, the following aspects and take suitable remedial measure immediately -

(1) Whether the irregularity committed was due to negligence or capability on the part of any Government servant (if so, suitable action should be initiated against him).

(2) Whether there was lack of proper instructions or defect in the organisational set up and if so, steps taken to rectify the defects.

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

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

All possible ways should be thought of to prevent a recurrence of such an irregularity and also to make amendments for the irregularity committed.

184. On receipt of the authenticated copies of the Appropriation and Finance Accounts and the Reports of the Comptroller and Auditor-General of India thereon in terms of Article 151(2) of the Constitution, the Finance Department will obtain the orders of the Governor for laying the copies before the Legislative Assembly and then move the Legislative Assembly Secretariat to arrange for the item relating to the laying of these documents before the House of the Legislative Assembly being included in the agenda of business of the House.

185. (i) After the Appropriation Accounts, Finance Accounts and the Report of the Comptroller and Auditor-General of India thereon are laid on the table of the House, they shall stand referred to the Committee on Public Accounts for examination and report.

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

186. The Committee on Public Accounts is a Committee of the Legislative Assembly and is constituted under the Tamil Nadu Legislative Assembly Rules. The constitution and functions of this Committee are described in Chapter XIV.

187. If any money has been spent on any service during the financial year in excess of the amount granted by the Legislative Assembly for that purpose or in excess of charged appropriation authorised earlier, the Committee shall examine with reference to the facts of each case the circumstance leading to such an excess and make such recommendations as it may deem fit.

188. Excesses over total final appropriation under the several grants, whether in the charged or in the voted section as recommended by the Public Accounts Committee should be included in statement of excess expenditure which will be presented to the Legislative Assembly as described in Section VI of Chapter IX.

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CHAPTER XIII.

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COMMITTEE ON ESTIMATES.

189. The Committee on Estimates is a Committee constituted by the Legislative Assembly for the examination of such of the estimates and may deem fit by the Committee or are specifically referred to it by the House. The constitution and the functions of the Committee are regulated by the Tamil Nadu Legislative Assembly Rules as may be in force from time to time.

190. The functions of the Committee, as stated in the rules in force at present, are -

(a) to report what economics, improvements in organisation, efficiency or administrative reform, consistent with the policy underlying the estimates may be effected;

(b) to suggest alternative policies in order to bring about efficiency and economy in administration;

(c) to examine whether the money is well laid out within the limits of the policy implied in the estimate; and

(d) to suggest the form in which the estimate shall be presented to the Legislative Assembly.

191.(a) The Committee shall consist of sixteen members in addition to the Finance Minister and the Chairman of the Committee on Public Accounts, and the Chairman of the Committee on Public Undertakings who shall be members ex-officio, of whom not more than sixteen members shall be elected by the Assembly from among its members according to the principle of proportional representation by means of single transferable vote.

(b) The term of office of the Members of the Committee shall not exceed one year, and there shall

be fresh election before the end of the year for constituting a Committee for the ensuing year; and if under any circumstances such an election is not held, the existing members of the Committee will continue to hold office until new members are elected.

(c) Casual vacancies shall be filled as soon as possible after they occur in the manner prescribed in paragraph 191 (a) and any person elected to fill such a vacancy shall hold office for so long as the person in whose place he is elected would have held office.

192. The Chairman of the Committee shall be nominated by the Speaker from amongst the members of the Committee. The person so nominated shall preside at the meetings of the Committee and in his absence, one of the members of the Committee elected by the Committee shall preside.

193. The sitting of the Committee shall be held on such days and at such hour as the Chairman of the Committee may fix, provided that if the Chairman of the Committee is not readily available, the Secretary may fix the date and time of a sitting.

194.(a) The Committee may, if it thinks fit, make available to the Government any completed part of its report before presentation to the Assembly. Such reports shall be treated as confidential until presented to the Assembly.

(b) The committee may hear officials or take evidence connected with the estimates under examination. It shall be in the discretion of the Committee to treat any evidence tendered before it as secret or confidential.

(c) For purposes of paragraph 194(b) the Committee shall have power to require the attendance of the persons or the production of records and documents: provided that Government may decline to produce a document on the ground that its disclosure would not be in the public interest.

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

196. The department or departments whose estimates are to be examined by the Committee will be requested by the Secretary of the Legislative Assembly Secretariat who is also the Secretary to the Committee to furnish necessary material in support of the estimates for the information of the Committee. The form in which the material is to be furnished to the Committee shall be as follows:-

(i) The organisation of the department and its attached and subordinate offices. (the information should be shown in the form of a diagram supported by short explanatory notes.)

(ii) The functions of the department and its attached and subordinate offices.

(iii) Broad details on which the estimates are based.

(iv) Volume of work in the department and its attached and subordinate offices covering the period of estimates and giving, for the purpose of comparison, corresponding figures of the past three years.

(v) Schemes or projects which the department has undertaken. (the name and details of the scheme, the estimates of expenditure, period within which likely to be completed, yield, if any, progress made to date, should be stated).

(vi) Actual expenditure incurred under each sub-head of estimates during the preceding three years.

(vii) Reasons for variations, if any, between the actuals of the past years and current estimates.

(viii) Reports, if any, issued by the department on its working.

(ix) Any other information that the Committee may call for, or the department may think it necessary or proper to give.

197. The department concerned will furnish thirty-five sets of papers, referred to in paragraph 196 to the Legislative Assembly Secretariat for circulation to the Members of the Committee.

198. An advance copy of the Report of the Committee marked as "Secret" will be sent to the department concerned for verification of factual details and for such action as may be necessary. The departments concerned shall treat the contents of the report as "secret" until it is presented to the Assembly.

199. The Chairman may make such factual changes in the draft reports as he may think fit on the basis of the changes intimated by the department concerned before the reports are presented to the Assembly.

200. The Chairman shall sign the reports on behalf of the Committee.

201. (a) the report of the Committee shall be presented to the House either by the Chairman or on his behalf by any other member of the Committee.

(b) Recommendations in the report of the Committee shall be taken into account in the Budget formulation within the overall provision.

## CHAPTER XIV.

### COMMITTEE ON PUBLIC ACCOUNTS.

202. The Committee on Public Accounts is a Committee of the Legislative Assembly for the examination of accounts showing the appropriation of sums granted by the House for the expenditure of the State Government, the annual Finance accounts of the State Government and such other accounts laid before the House as the Committee may think fit.

203. (i) the Committee shall consist of sixteen members in addition to the Finance Minister and the Chairman of the Committee on Estimates and the Chairman of the Committee on Public Undertakings, who shall be members ex-officio, of whom, not more than sixteen members shall be elected by the Assembly from among its members, according to the principle of proportional representation by means of the single transferable vote.

(ii) The term of office of members shall not exceed one year. There shall be fresh election before the end of the year for constituting the Committee and if, under any circumstances, such an election is not held, the existing members of the Committee will continue to hold office until the new members are elected.

(iii) Casual vacancies shall be filled as soon as possible after they occur in the manner prescribed in paragraph 203(i) and any person elected to fill such vacancy shall hold office for so long as the person in whose place he is elected would have held office.

(iv) The Chairman of the Committee shall be nominated by the Speaker from amongst the members of the Committee. The person so nominated shall preside at the meetings of the Committee and in his absence, one of the members of the Committee elected by the Committee shall preside.

204. *Functions of the Committee.*—The Public Accounts Committee shall scrutinize the appropriation accounts of the State and the report of the Comptroller and Auditor-general of India, therein and satisfy itself--

(a) that the moneys shown in the accounts as having been disbursed were legally available for and applicable to service or purpose to which they have been applied or charged.

(b) that the expenditure conforms to the authority which governs it; and

(c) that every reappropriation has been made in accordance with such rules as may be prescribed by the Governor or by the Finance Department as the case may be.

The Committee shall bring to the notice of the Assembly--

(i) every case in which it is not so satisfied; and

(ii) all expenditure which the Finance Department has requested should be brought to the notice of the Assembly.

It shall also be the duty of the Public Accounts Committee -

(a) to examine such trading, manufacturing and profit and loss accounts and balance sheets, as the Governor may have required to be prepared and the Comptroller and Auditor-General's report thereon;

(b) to consider the report of the Comptroller and Auditor-General in cases where the Governor may have required him to conduct an audit of any receipt or to examine the accounts of stores and stock;

(c) if any money has been spent on any service during a financial year in excess of the amount

granted by the House for that purpose, the Committee shall examine with reference to the facts of each case the circumstances leading to such an excess and make such recommendations as it may deem fit; and

(d) The Committee may, if it thinks fit, make available to Government any completed part of its report before presentation to the Assembly. Such reports shall be treated as confidential until presented to the Assembly.

205. The Committee shall have power to require the attendance of persons or the production of records and documents, if such a course is considered necessary for the discharge of its duties, provided that; Government may decline to produce a document on the ground that its disclosure would not be in the public interest.

206. The Committee will meet at such days and at such hour as the Chairman of the Committee may fix; provided that if the Chairman of the committee is not readily available, the Secretary may fix the date and time of a sitting. The Secretary to the Legislative Assembly serves as Secretary to the Committee and he will intimate the time and place of each meeting and send the agenda and connected papers to the members. Five members, including the Chairman, or the member presiding will constitute quorum for a meeting.

207. (a) On the basis of the Report of the Comptroller and Auditor-General of India laid on the Table of the House the Legislative Assembly Secretariat prepares a Memorandum of Important Points that will be taken up for consideration by the Public Accounts Committee and communicates it to the departments of Secretariat. As the Public Accounts Committee can meet and examine the points only when complete replies are furnished by the Departments, the Secretaries to Government concerned should bestow their personal attention in the matter of furnishing replies to the Legislative Assembly Secretariat to the points included in the 'Memorandum' within one month at the latest.

(b) The Departments of Secretariat should prepare self-contained notes on all items to be discussed by the Committee and submit them to the Secretaries concerned sufficiently in advance of the meeting. The Secretary to Government who is called upon to appear as a witness will no doubt study thoroughly all the papers and files connected with the subject including the original records relating to the case of the subordinate officers as well as the file in which the draft paragraph forwarded by the Accountant-General was examined and replied to. These records should be made available to the Secretary to Government at the time of examination by the Public Accounts Committee. A comprehensive note covering all aspects of the case should also be prepared indicating clearly the chronological order in which the Government took remedial action in the case. Whether a similar irregularity had found place in any of the earlier reports of the Comptroller and Auditor-General of India should also be verified and if there was such a case, the relevant papers relating to that case, the recommendations of the Public Accounts Committee on the subject and the action taken by the Government on the recommendations should be looked into and full information on this should be made available at the time of examination by the Committee. Replies by witness should be accurate and precise and the statement made before the Committee should be capable of being proved with reference to records. If information on any point raised by the Committee is not readily available, the fact should be intimated to the Committee and time for furnishing it asked for. Vague and generalised replies by witness and expressions of opinion and presumptions in replying to questions by the Committee should be avoided.

208. The Secretary to Committee, the Secretary of the administrative department of the Secretariat concerned, and the Accountant-General or an officer deputed by him, will ordinarily attend every meeting of the Committee. It is open to the Committee to require also the presence of any head of a department or any other Government servant at particular meetings when subject with which he is



concerned are considered. The Accountant-General may be assisted by the gazetted officer of his office who investigated a particular case. The Accountant-General may offer suggestions on the points to be considered by the Committee.

209.(a) The recommendations of the Committee will be embodied in a report approved by the Committee and signed by the Chairman on behalf of the Committee. This report will be presented to the Legislative Assembly either by Chairman or on his behalf by any other member of the Committee. But the report will not be taken up for consideration by the House as a matter of course. If, however, on a later date there is any need for the House to consider the report, will be taken up on a motion given notice of by any member. it will then be open to the Assembly to discuss the report and to make additional recommendations to the Government in connection with matters dealt within the report, if it so desires.

(b) The Legislative Assembly Secretariat will forward copies of the report of the Committee and the recommendations of the Legislative Assembly thereon to the Accountant-General.

(c) Recommendations in the report of the Committee shall be taken into account in the budget formulation within the over-all provision.

210. Action to give effect to the recommendations of the Committee and of the Legislative Assembly will be taken by the department concerned but the Legislative Assembly Secretariat is responsible to see that such action is taken. Action taken by the departments concerned on the recommendations of the Committee shall be communicated by them to the Assembly Secretariat, the Finance Department and the Accountant-General, Tamil Nadu.

211. A statement showing the action taken or proposed to be taken on the recommendations of the Committee by the various departments of the Government shall be prepared by the Assembly Secretariat in

consultation with the Finance Department and shall be placed before the Committee. The Committee will examine the replies regarding the action taken and will report to the House in its next report whether it consider the action taken by the department to be adequate or otherwise.

212. The Legislative Assembly Secretariat will bring up-to-date the "Epitome of the reports of the Committees on Public Accounts" at intervals ordinarily of five years.

213. The Accountant-General in his next and subsequent Appropriation Accounts and his reports thereon and the Comptroller and Auditor-General of India in his comments on those accounts may refer to the action which has been taken by the Government in respect of cases previously reported by him and may comment on the adequacy or other-wise of the action taken by the Government.

214. The procedure for dealing with the demands for excess grants has been described in Section VI of Chapter IX.

CHAPTER XV.

ESTIMATES FOR CENTRAL (AGENCY) SUBJECTS.

215. The following words and phrases, when used in this chapter will have the meaning hereby assigned to them unless the context otherwise requires:-

*Administrative Department* means an administrative department of the Government of Tamil Nadu

*Finance Department* means the Finance Department of the Government of Tamil Nadu.

*Government* means the State Government of Tamil Nadu, acting as Agent of the Central Government, in the administration of functions entrusted to them in relation to Central subject.

*Primary Unit of Appropriation* means a lumpsum of money placed by the Central Government at the disposal of the Government acting as Agent of the Central Government under some or all of the following heads, viz.,

Code No	Description
(1)	(2)

STANDARD DETAILED HEADS

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

Code No (1)	Description (2)
----------------	--------------------

**STANDARD DETAILED HEADS --cont.**

14	Sumptuary Allowances
15	Secret Service Expenditure
16	Major Works
17	Minor Works
18	Maintenance
19	Machinery and Equipment
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	Writes off and Losses
32	Suspense
33	Payments for Professional and Special Services
34	Other Charges
35	Royalty
36	International Programmes
37	Payments out of Discretionary 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

Code No (1)	Description (2)
<b><u>STANDARD DETAILED HEADS</u> --cont.</b>	
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

**NON-STANDARD DETAILED HEADS.**

Code No (1)	Description (2)
66	Medicines
67	Feeding/Dietary Charges
68	Cost of Books/Note Books/Slates, etc.,
69	Procurement of Agricultural In-puts.
70	Unemployment Relief
71	Printing Charges
72	Training
73	Transport Charges
74	Purchase and Up-keep of Animals
75	Working Expenses
99	Miscellaneous

[G.O.Ms.No.800, Finance. (BG.II) Deptt., dated 26.7.90]

216. The Government administer at present, as the agent of the Central government, the Central subjects specified in Appendix H in respect of functions relating to them in this State. The following is a summary of general instructions issued

for the guidance of estimating officers and others in respect of estimates of revenue and expenditure relating to these subjects.

217. The estimates of revenue and expenditure in India should be prepared by the estimating officers in round thousands of rupees, and these of revenue and expenditure in England in multiples of Rs.1,000 or 50. The estimates of expenditure should be prepared in two parts; Part-II should include all items of new expenditure which, under the procedure in this behalf prescribed by the Central Government have to be placed before the Standing Finance Committee of the Parliament and Part-I, the rest of the estimates.

#### ESTIMATES OF REVENUE AND PART-I EXPENDITURE

218. Except in the case of estimates relating to Public Works, the estimating officers mentioned in Appendix H will forward their estimates of revenue and of Part - I - Expenditure to the Accountant-General. The Accountant-General will transmit these estimates with his remarks and also the estimates for which he is the estimating officer to the concerned administrative department and the Finance Department. The administrative department will forward the copy received by it with its remarks to the Finance Department. The estimates relating to Public Works will be sent by the Chief Engineer direct to the Public Works Department, which will refer them to the Accountant-General and send them to the Finance Department with the remarks of the Accountant-General.

The dates by which the estimates should reach the several authorities mentioned are given in Appendix H.

219. The Finance Department will return to the administrative department with its remarks, if any, the copy of the estimates received from the latter. The Administrative department including the Finance department, when it is the administrative department, will communicate the Government's final orders on the estimates to the Accountant-General. The revenue estimates as approved by the Government

will be included by the Accountant-General in the consolidated estimates which he sends to the Finance Ministry of the Central Government. The estimates relating to Part-I - Expenditure as finally approved, will be forwarded by the Administrative department to the concerned administrative Ministry of the Central Government by such date as may be prescribed by the latter for this purpose, except for the estimates under the head "2071. Pensions and other Retirement Benefits" which will be sent by the Accountant-General to the Ministry of Finance, Government of India.

#### ESTIMATES OF REVENUE AND PART-II EXPENDITURE

220. Proposals for new expenditure (Part-II) should be submitted by estimating officers direct to the Administrative department during the course of the year, as soon as the necessity for the expenditure comes to notice, without reserving them for a consolidated report at the time of the submission of the budget estimates for the ensuing year. They should be submitted not later than the date when the Part-I - Estimates are forwarded to the Accountant-General unless a different date has been specifically prescribed, in this behalf. The administrative department will, after examining the Part-II - Estimates in consultation with the Finance Department, forward them with such modifications as may be decided upon to the concerned administrative Ministry of the Central Government.

#### COMMUNICATION OF THE FINAL ESTIMATES OF THE CENTRAL GOVERNMENT.

221. After the Budget is voted by the Parliament, the estimate sheets of expenditure, including new expenditure, if any are forwarded by the Minister of Finance of the Central Government to the Finance Department. The latter transmits the sheets to the Administrative department concerned for communication to the estimating officers. The sheets relating to revenue heads are forwarded by the Central Government to the Accountant-General who communicates them to the estimating officers concerned.

## PART-II - EXPENDITURE.

## CONTROL OF EXPENDITURE

222. The allotment under each detailed head of appropriation such as salaries, wages, travel expenses, office expenses, etc., is ordinarily fixed by the Central Government as the primary unit of appropriation for purposes of financial control. But it is open to the Government to sub-divide the primary unit into secondary units, if this is considered necessary for the proper discharge of the agency functions. In the case of Public Works, for example the primary unit "original works" has been sub-divided into the secondary units "major works" (the appropriation for each major work being a secondary unit) and "minor works" (the appropriation for the latter being a lump sum for all such works).

The sanctioned appropriation for a particular unit, primary or secondary as the case may be, should not ordinarily be exceeded. Except in respect of items for which the Accountant-General is the controlling authority, viz. '0070. Other Administrative Services', '2012. President/Vice-President/Governor/Administrator of Union territories', '2070. Other Administrative Services.' and '2071. Pensions and Other Retirement Benefits', the Government is responsible for seeing that the expenditure is kept within the sanctioned appropriation.

The estimating or other officers mentioned in Appendix J at whose disposal funds are placed should accordingly keep a constant watch over the progress of expenditure and have a correct idea of the liabilities still to be met. They may distribute the allotments to officers subordinate to them, but should require them similarly to watch the progress of expenditure and to keep the expenditure within the amounts distributed to them.

223. For the purpose of controlling the expenditure, i.e., to keep it within the sanctioned appropriation, the officer concerned will follow such



procedure as is most convenient. The procedure indicated below should, however, be followed in respect of the heads mentioned -

"2061. External affairs".-Refugees and State Prisoners and Profession tax to the Corporation of Madras for the American Consulate Officers in Madras-The expenditure will be watched by the Public Department with the aid of monthly statement of the actuals received from the Accountant-General.

"3075. Other General Economic Services - Regulation of Joint Stock Companies",-In regard to expenditure under Joint Stock Companies, the Register of Joint Stock Companies will follow the instructions laid down for the control of State expenditure.

"2059. Public Works".-In the case of the secondary unit "Original Works-Major Works", the Divisional Officer will be responsible that -

(i) no expenditure is incurred on any major work without a specific appropriation for it except in the case of unfinished work of the previous year which is likely to be completed in the budget year for Rs.500 or less;

(ii) the expenditure on each original major work is limited to the amount of the specific appropriations sanctioned for it, and the excess expenditure over appropriation, unless the excess is Rs.500 or under is covered at once by an additional allotment of funds;

(iii) the total expenditure on all original major works of the division under each unit of appropriation does not exceed the total of the appropriation made therefor.

In respect of expenditure relating to the secondary unit "Minor Works" and other Primary and secondary units the Divisional Officer will be responsible to see the expenditure is kept within the appropriation for each unit placed at his disposal.

224. As soon as the accounts of a month are closed, the Accountant-General will furnish each controlling authority mentioned in Appendix J with a complete statement of his charges. In those cases in which departmental accounts are maintained, the controlling authority concerned will compare the figures in the departmental accounts with the figures of the Accountant-General and reconcile discrepancies, if any by correspondance. If the controlling authority does not report any discrepancy, the Accountant-General will assume that his figures are accepted.

225. *Surrender of savings.*-Where the expenditure under a unit is expected to be less than the authorized appropriation, the savings should be surrendered to the administrative department concerned *through the Accountant-General* immediately unless it is foreseen, it is required to meet excess expenditure under some other unit or units which is definitely foreseen at the time. All savings will be surrendered by the concerned administrative department to the corresponding administrative Ministry of the Central Government by the dates prescribed for the purpose.

226. *Supplementary grants.*-Before an application is made for a supplementary grant to meet excess expenditure under a unit or units, it should first be examined whether the excess expenditure can be met from savings or by effecting special economics under other units. Normally the Central Government will not entertain an application for a supplementary grant unless the anticipated excess is due to causes beyond the control of the authority concerned and funds cannot be found by any legitimate postponement of expenditure for which provision already exists. An application for supplementary grant should be submitted as soon as its necessity becomes apparent, accompanied by a full explanation of the reasons for the excess and of the impossibility of providing funds to meet it.

A supplementary grant should ordinarily be in respect of extra expenditure required for the normal activities of the department. Expenditure on a "New Service" in the technical sense, and on new items such

as new buildings, new roads, etc., for which no provision exists in the budget should be incurred in the middle of a year only in exceptional cases. The Central Government are averse, as a general principle, to admitting such expenditure during the course of a year for the reason as to why it was not provided for in the original budget. When however it is urgently necessary to incur such expenditure, and this cannot be postponed for consideration in the next year's budget, should be fully and clearly explained. Ordinarily the Central Government will not agree to expenditure on a "New Service" or item in the course of a year which cannot be covered by savings or special economies within the grant unless it relates to a matter of real imperative necessity or is expected to result in an increase of revenue or is necessary for the safeguarding of existing revenue.

227. *Re-appropriation of funds.*- An officer

of the Government has no power to sanction any re-appropriation out of funds placed at his disposal for a Central (agency) subject. The administrative department may re-appropriate funds from one primary unit to any other such unit, provided that -

(i) no re-appropriation is made from one grant to another;

(ii) funds allotted for charged expenditure are not re-appropriated to meet votable items or *vice versa* ;

(iii) no re-appropriation is made to meet any expenditure which is likely to involve further outlay in a future financial year; and

(iv) no appropriation is made from a primary unit allotted under the head "Salaries" to a primary unit allotted under any other head.

## CHAPTER XVI.

### PERFORMANCE BUDGET.

228. The normal functions of the budget are to ensure accountability of the amount spent; to serve as a financial plan for realising the objectives of the departments and to serve as an instrument of Government policy. In the context of the large increase in the size and magnitude of Governmental activities over the past two decades, their increasing complexity and the consequent new role of Government in their management, modern methods and techniques of project and financial management have become necessary to ensure efficient utilisation of resources. In other words it has become far more important and essential that the budget serves as an instrument for taking decisions about the manner in which the resources could be used to attain the objectives of Government. The existing budgetary systems do not adequately enable the fulfilment of this purpose since they have a predominant bias towards a legal accountability interpreted in a somewhat narrower way. The developmental plans need a budgetary framework which lays emphasis on physical and financial targets, on the measurement of financial costs and benefits.

229. In the field of budgeting, the need has accordingly been felt for the system which will focus attention on what the Government is doing in terms of their programmes, activities and projects, their costs and quantitative data, reflecting planned tasks and their performance in both financial and physical terms. Recognising the deficiency of our present budgetary structure which fail to adequately link financial outlay to physical achievements, the Administrative Reforms Commission of the Government of India in its report on "Finance Accounts and Audit" has recommended that departments and organisations in direct charge of development programmes should introduce performance budgeting, a technique which has been hailed as the management's approach to budgeting and financial control.

230. *Performance Budgeting-Definition.*-The emphasis in performance budgeting is on accomplishments rather than on the means of accomplishment on the precise definition of work to be done or service to be rendered rather than on detail regarding money spent on the several items. A performance budget seeks to present the purposes and objectives for which funds are requested, the costs of various programmes and activities proposed for achieving the objectives and quantitative data measuring the work performed or services rendered or results accomplished under each programme and activity. In brief, 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 inter-woven.

231. In the ordinary budget, hitherto, the classification of account was adopted to record the receipts and expenditure under different groups of heads and it aimed only to ensure accountability. In order to have a meaningful classification and presentation of Government operation, in terms of functions, programmes and activities, etc. a revised object-wise classification of accounts has been adopted with effect from the budget for 1974-75. The object-wise classification provides a link between budget outlays on the one hand and functions programme and schemes on the other hand and at the same time ensuring itemwise control of expenditure.

232. The main purposes sought to be achieved by performance budgeting are :-

(a) to correlate the physical and financial aspects of every programme, project or activity;

(b) to improve budget formulation, review and decision making at all levels of operation in the Government machinery;

(c) to facilitate better appreciation and review by Legislative Assembly;

(d) to make possible more effective performance audit;

(e) to measure progress towards long term and short term objectives as envisaged in the plan; and.

(f) to bring annual budgets and annual plans together through a common language.

233. While the ordinary budget shows funds provided for different activities under different heads, the Performance Budget shows how much is provided for each activity, organised meaningfully. It enables us to understand the budget better.

234. The Performance Budget for each department is prepared essentially in three sections:-

(A) In the first instance the organisational structure and the broad set up of objectives that govern the work of the department are indicated.

(B) This is then followed by a "Financial Requirements Table" which is the most important part of the Performance Budget. Its three basic elements are :-

(i) A programme and activity classification indicating the range of work classified into meaningful categories;

(ii) Object-wise classification showing the same amount distributed among the different objects of expenditure such as establishment charges, travel expenses, etc.; and

(iii) Sources of financing indicating the budgetary heads under which the funds are being provided.

(C) The third section of the Performance Budget relates to the "Explanation of Financial Requirements". In this section, the programme of action under each activity is indicated with as much

supporting physical data as is possible and relevant. The work transacted during the period and the targets of work for next year are brought out clearly in this section. Wherever possible, tabular statements showing the physical targets and past achievements are also given. In case of significant variations between Revised Estimates and Budget Estimates the reasons for such variations are also laid down.

235. Performance Budget is prepared in respect of the following departments presently by the concerned administrative department in the Secretariat :-

- (i) Agriculture.
- (ii) Animal Husbandry.
- (iii) Backward Classes.
- (iv) Collegiate Education.
- (v) Community Development.
- (vi) Fisheries.
- (vii) Forest.
- (viii) Handlooms and Textiles.
- (ix) Adi-Dravidar and Tribal Welfare.
- (x) Highways and Rural Works
- (xi) Industries
- (xii) Irrigation and Ground Water
- (xiii) Medical Education
- (xiv) Medical Services and Family Welfare

- (xv) Public Health and Preventive Medicine.
- (xvi) Public Works
- (xvii) School Education
- (xviii) Social Welfare
- (xix) Technical Education



## CHAPTER XVII

ZERO BASELINE BUDGETING FOR ACCELERATED GROWTH  
(Ze-BAG)

236. A budget is a comprehensive and coordinated Plan of activities expressed in financial terms for the operations and resources of an entity for a specified period in the future. This is prepared in order to achieve the objectives of the entity. Under the conventional or incremental budgeting system, the budget for a period is based largely on the levels of expenditure of the previous period, with minor changes (generally increases). This budgeting process makes the implicit assumption that the existing allocation of resources is by and large correct and can continue in the future. Also, the base to which the increment is added is usually treated as though it were already authorised and required very little additional review or evaluation.

237. The method of preparing the Budget in Government is based on the incremental system. This means that the first charge on the available resources is that of expenditure relating to on-going schemes. Only the resources available after meeting the expenditure on all the on-going schemes are allocated to new schemes. The procedure in regard to 'Part II schemes', as these new schemes are known, has been described in Chapter-IV of this Manual. Every department of Government proposes several schemes which are necessary and desirable in themselves, and if money could somehow be found they would all be taken up in the year. However, the funds available are limited and, therefore, many good schemes have to be postponed in order to balance the budget.

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

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

240. The ZBB process, which has been implemented from the year 1988, has been modified, based on the experience gained to suit Government's operations. The modified process to incorporate Government's role and functions, structures and operations which took effect from 1992-93 is called Zero Baseline Budgeting for Accelerated Growth (Ze-BAG).

241. The four steps involved in the process are:-

- |                                  |   |
|----------------------------------|---|
| (A) <u>THE DECISION UNIT:</u>    | i.e., identification of the department's organisational structure, objectives, management and DECISION UNITS. |
| (B) <u>THE DECISION PACKAGE:</u> | i.e., analysis of decision units and developing the DECISION PACKAGES.  |
| (C) <u>THE RANKING PROCESS:</u>  | i.e., Review and rank Decision packages.  |

(D) BUDGET

i.e., allocation of departmental resources and preparation of detailed Budget.

In following the ZBB approach in Government, some adaptations are considered necessary. In the Government budget, a department usually operates under one or two major heads, a few minor heads and a large number of subheads. A few standard objects of expenditure like salaries, subsidies, etc., give the details under the subhead. A subhead usually incorporates all activities relating to a scheme. The analytical process should therefore focus on every subhead, the subhead usually corresponding to a decision unit. In cases where there are a few decision units within a subhead, the analysis can go below the subhead level. The ZBB approach should be to look into the continuance of the whole scheme as reflected by the subhead, consider elimination if obsolete or unwarranted, reduce the level or increase the level.

242. In the modified process of Zero Baseline Budgeting applied for accelerated growth (Ze-BAG) the focus shall be in reviewing and reordering priorities in a holistic manner. The Ze-BAG exercise shall set out all the goals and specific objectives of the department. The organisation structure in a complete manner should be spelt out clearly spelling out the number of posts at different levels. Unit costs of State level direction, regional level costs, district costs and immediate supervision costs should be arrived at and checked for efficiency. All unit costs are to be rechecked and cross checked and tested for efficiency. The effort should be to carefully evaluate costs versus service level rendered, after undertaking the main analysis of what kind of services should be provided in the changing context. The minimum level of activity should be finalised based on introspective review. Determination of the minimum level of activity, though finally a value judgement, has to be grounded in detailed information on public perceptions of service levels and the costs. The effort would be to maximise public good at the lowest cost.

243. After a detailed analysis of a department is undertaken as outlined in paras 6 and 7 above, a report will be prepared by the Head of Department in association with Finance Department which is the nodal department to implement Ze-BAG. The Ze-BAG report so prepared will be reviewed by a Committee consisting of -

1. Secretary of the Administrative Department
2. Secretary, Finance
3. Secretary, Planning and Development
4. Secretary, Personnel and Administrative Reforms Department
5. Head of Department

Based on this review, a report of the Committee will be prepared as in the Annexure to this chapter in a standard format. These reports will be a permanent record and form the basis for future decisions. These reports will be utilised in the preparation of the budget both Part I and Part II. As a clear signal to encourage this process and eliminate waste, the funds needed for new activities/increased level of activities as may be considered desirable in the report to the extent savings are found will be added to Part II of the Budget over and above the predetermined departmental ceilings.

244. The Ze-BAG exercise is intended to be a powerful process to continuously evaluate Government's role and reassess needs. The Head of Department is required to completely involve himself in the process. While Finance Department will take up a nodal role the basic exercise has to be done by the Head of Department.

245. There should be no misconception that the Ze-BAG exercise is to merely identify surplus staff. In a fast modernising world many jobs can be done more efficiently with fewer people. The surplus staff can be utilized for new projects/programmes or uses. If absolute reduction is called for in the absence of new activities, this can be achieved by freezing the filling up of vacancies of entry level,

declaring the surplus and utilizing the surplus in any other department, where there is need. It may be clear that the Ze-BAG process will enable location of surplus staff and redeployment but will not generally involve any disbandment/retrenchment.

246. The Ze-BAG process will be a continuous one and will be implemented in an integrated manner with the regular budget process.

247. Heads of Department shall extend full co-operation in this process. Outstanding work in this regard will come in for due recognition. Secretaries to Government shall review the performance of Heads of Department in implementing this process of fiscal correction.

(G.O. Ms. No.267, Finance (B.G.I) Department,  
dated 18th April 1988).

(G.O. Ms. No.448, Finance (B.G.I) Department,  
dated 28th June 1988).

(G.O. Ms. No.321, Finance (Z.B.B) Department,  
dated 11th may 1992).

ANNEXURE

Format of Report on Zero Baseline Budgeting for Accelerated Growth (Ze-BAG) in respect of Department of .....

1. A two page executive summary of the main findings of the Ze-BAG exercise should be the main report.

2. A list of goals and objectives of the department together with a detailed list of schemes currently implemented as on 1st April may be given as Annexure-I.

3. An organogram together with a picture of staffing at different levels from the field service level to Directorate may be given. A complete analysis of costs of staffing at various levels may be given. This may be set out in Annexure-II.

4. Unit costs may be checked, efficiency tested against norms. The details of these tests may be given in Annexure-III.

5. A list of schemes/group of activities which can be discontinued together with costs/staff details may be given in Annexure-IV.

6. A list of schemes/group of activities which can be implemented at a reduced level together with costs/staff details may be given in Annexure-V.

7. A list of schemes/activities to be implemented at increased level. Details of costs/staff for increased funding may be given. This will be Annexure-VI.

8. A list of new worthwhile schemes/activities recommended for funding with details of costs/staff may be given in Annexure-VII.

This index has been compiled solely for the purpose of reference and no expression used in it should be taken in any way interpreting the rules.

NOTE - The references given are to paragraphs, unless otherwise indicated.

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