



Introduction to the State Budgetary Process

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TOPICS:

1. Budget Manual

i) Definition of Budget

ii) Why Budget

iii) Importance of Budget

iv) Components of the Budget

v) Non-Plan & Plan Expenditure

vi) Charged & Voted Expenditure

vii) Revenue Expenditure & Capital Expenditure

viii) Significance of Head of Accounts – Major Head, Minor Head, Group Head, Sub Head, Detailed Head and Sub Detailed Head. Preparation of Budget i.e. Number Statements, Accounts, BE, RE & BE.

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Budget Manual

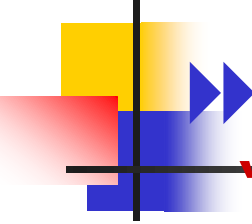
Consists of 3 Parts.

Part I Explains changes made from time to time.

Part II Brings upto date the various instructions to the estimating Officers for the preparation and examination of Budget Estimates.

Part III Contains Appendices I to IX showing the list of Major & Minor Heads of Accounts, Acts and Rules etc.

Definition of 'Budget'

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- ▶ The term '**Budget**' is derived from the French word '**Bougette**', which means a leather bag. Through usage, gradually the word Budget has come to be used to signify the documents in the bag instead of the bag.
 - ▶ The expression used in the Constitution for the '**Budget**' however, is the '**Annual Financial Statement**'.
 - ▶ **Article 202 of the Constitution defines Budget as a** "Statement of Estimated Receipts and Expenditure of the State for that Year".



Why Budget

- It is an integral part of the society
- Provides road map for financial success and independence.
- It increases the Socio Economic and political Activity in the society.
- It prepares for any emergency



Importance of Budget

- A) It sets a frame work for policy formulation
- Budgeting is a means of policy implementation
- A budget is a means of legal control
- It is a tool of accountability
- It is a tool of management
- It is an instrument of economic policy



Key Principles of Budget

The following are the key Principles of an effective budget formulation:

- Budget realism;
- Comprehensiveness and transparency;
and
- Accessibility and timely presentation



Division / Components of the 'Budget

▶▶ **The budget consists of 3 divisions:**

- 1. Consolidated Fund of the State**
- 2. Contingency Fund of the State**
- 3. Public Account of the State**



Consolidated Fund of the State

- ▶▶ **The term Consolidated Fund is an expression introduced by the **Constitution of India vide Article 266(1)**.**
- ▶▶ **It is called '*Consolidated*' Fund as it is formed out of all Revenues received by the State Government, all Loans borrowed from Government of India, from other Autonomous Institutions and the Public and the Loans raised through the issue of Treasury Bills, or Ways and Means Advances and all money received by the Government in recovery of Loans and Advances.**



Contingency Fund of the State

- ▶▶ **The Contingency Fund of the State has been Constituted by the **Telangana Contingency Fund Act, 2014.****
- ▶▶ **It is created by an appropriation from the consolidated fund of the State.**
- ▶▶ **The Fund is placed at the disposal of the Governor of State to enable him to sanction advances out of such funds for meeting unforeseen expenditure arising in the ensuing year, pending authorization by the Legislature.**
- ▶▶ **The Present size of the corpus of the Contingency Fund is Rs. 50 Crores.**



Public Account of the State

- ▶▶ **“Public Account”** of the Government relates to the transaction in respect of which the Government acts as the **“banker”**, incurs a liability to repay the money received or recovers the amounts paid.
- ▶▶ All public money received by or on behalf of the State government which are not credited to the consolidated fund of the state are accounted for under the Public Account.
- ▶▶ All such money do not actually belong to the Government but they have to be accounted for in the same way as Government money and they have to be repaid to parties concerned on the due dates.
- ▶▶ The repayment of these amounts do not require the vote of the Legislature, as they are in the nature of ordinary banking transactions.

Non-Plan and Plan Expenditure

- Any expenditure incurred towards payments of salaries, Pensions, maintenance, interest payments constitutes **Non-Plan** expenditure.

Estimation of Non-Plan Expenditure

- Salary Expenditure – Estimated in change in No. of Employees increase in real wage level (Increment) inflation adjustment (Dearness Allowance).
- Pension Expenditure -- No.of Pensioners
Dear Allowance
- Debt Service Commitment -- Existing debt profile
Estimated borrowing for the year
- Subsidies and Welfare Schemes
- Expenditure on maintenance of assets
- Any Scheme to accomplish a purpose constitutes a Plan.



Non-Plan Expenditure

Estimation of Resources for Non-Plan Budget

- State's Own Tax Revenue
- Non-tax Revenue
- Transfers from GOI
- Non-Plan grants from GOI
- Total Estimated Non-Plan Resources – Estimate of Non-Plan Expenditure = Balance from Current Revenues (BCR)



Budget and Legislative Control

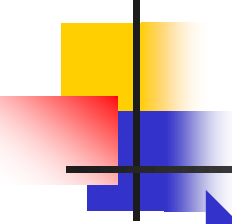
- ▶ **Legislature** has the Authority over Public Funds, so a statement of estimated Receipts and Expenditure of the State has to be laid before the State Legislature for its *authorization* in respect of every financial year.
- ▶ The Government is only the executive agency to give effect to the decisions of the Legislature on all money matters.



Purpose of 'Annual Financial Statement' or 'Budget'

- ▶▶ **As it is not possible for the legislature to scrutinize and approve the day-to-day monetary transactions of the government, a system has been evolved by which the government prepares a **"Financial Statement"** or **"Budget"** for the ensuing year, showing all the anticipated Receipts and Expenditure classified under certain broad Heads of Accounts.**

Structure of Governmental Financial Transactions

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- ▶▶ All items of expenditure are broadly either **“Charged”** or **“Voted”**.
 - ▶▶ **Charged Expenditure** – The items of expenditure incurring, which does not require legislatures sanctions. (*For example:* Expenditure in respect of the Salaries and allowances of judges of any High Court, Governor of the State: Debt charges for which the State is liable including Interest Payments and other Expenditure relating to the raising of loans and service and redemption of debt: any other expenditure declared by the Legislature of the State by Law, to be so charged).

Structure of Governmental Financial Transactions

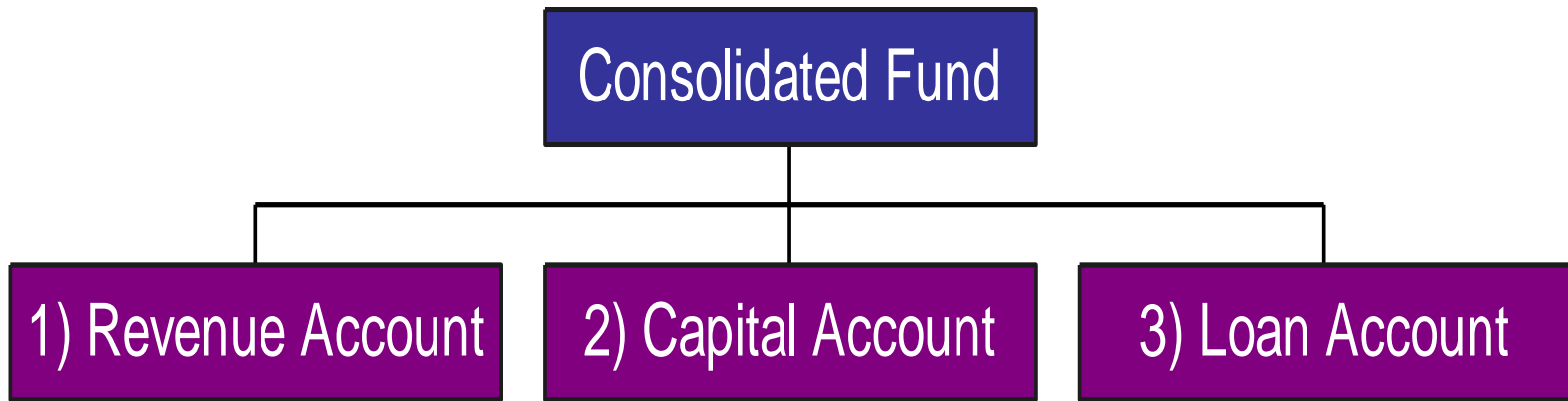


- ▶▶ **Voted Expenditure** - the items of expenditure incurring, which requires legislatures sanctions.

- ▶▶ The Budget **or** Annual Financial Statement **has to show separately the amounts required to meet the “Charged” and “Voted” expenditure.**

1. Consolidated Fund of the State

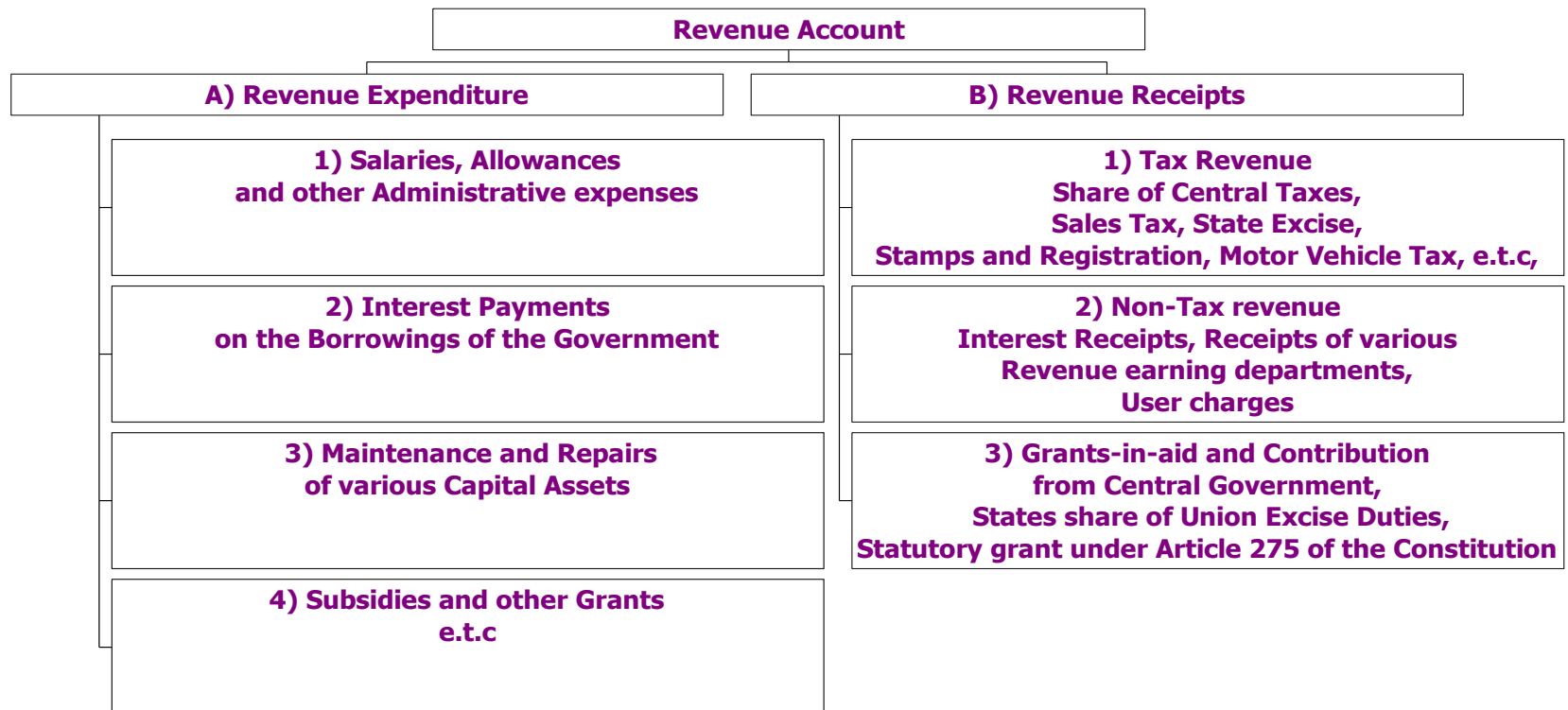
- ▶▶ **The transactions relating to the Receipts and Expenditure out of the Consolidated Fund are accounted for in 3 different sections:**



1. Consolidated Fund Of The State

1) Revenue Account

▶▶ **The Expenditure or Receipts which does not result in creation of assets is shown in **Revenue Account**.**



1. Consolidated Fund Of The State

- 1) Revenue Account

- ▶▶ When Revenue Expenditure is less than Revenue Receipts, the difference is called '**Revenue Surplus**' for the year and when it is more the difference is called '**Revenue Deficit**'.
- ▶▶ **Fiscal Deficit-** Fiscal Deficit defined as excess of Revenue and capital expenditure (including net loans given) over the Revenue receipts (including grant in aid received) and capital Receipts (excluding borrowings). Net of Consolidated Fund excluding receipts and disbursements under Public Debt.

1. Consolidated Fund Of The State

- 2) Capital Account

- ▶▶ The Expenditure or Receipts which result in creation of assets is shown in **Capital Account**. It includes:
 - ✓ All **Irrigation** and **Electricity projects** which are lasting assets and which yield Revenues to the Government and Expenditure on Construction of such projects
 - ✓ The Expenditure on **Roads** including cost of machinery and tools
 - ✓ The Investments of the State Government in various **Public undertakings, Co-operative Institutions, e.t.c.**
 - ✓ Receipts by way of Recoveries or Sale of Capital Assets

1. Consolidated Fund Of The State

- 3) **Loan Account**

- ▶ The **Loan Account** is the Account of Public debt incurred and discharged and of Loans and Advances by the state Government to Local bodies, PSUs, and Others and Recoveries from them in Installments on due dates
- ▶ Government borrows money from the Public in Open-market, from the GOI or other Autonomous bodies like LIC, GIC, NCDC, NABARD, RBI, e.t.c, which have to be repaid on due dates.



'Demands for Grants'

- ▶▶ **The estimates of Expenditure from the Consolidated Fund, which are required to be voted by the Legislature are presented to the Legislative Assembly in the form of **Demands for Grants**.**
- ▶▶ **For each major service a demand is presented by the respective department.**
- ▶▶ **At present there are 40 Demands For Grants in the State Budget.**


Approval of the Budget



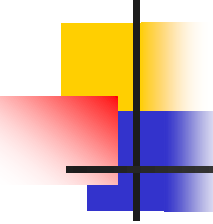
▶ After the demands are voted by the Assembly a Bill called **'The Appropriation Bill'** shall be introduced in the Legislative assembly for authorization and then it has to be approved by the Governor.

▶ The Appropriation bill then become the **Appropriation Act** which empowers the Government to draw money and spend from the Consolidated Fund of the State in accordance with the vote of the **Legislature.**

Auditor and Accountant General

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- ▶▶ The **Accountant General** is the agent of Auditor General in the State. He keeps watch over the sanctions issued by the Government and also expenditure incurred thereon.
 - ▶▶ The **Treasury Officers** under the guidance of the Accountant General maintain the monetary transactions of the Government and communicate them to the Accountant General every month after compilation
 - ▶▶ He ensures that the expenditure under each Demand as voted by the Legislature is not exceeded and no expenditure is incurred on New Service Schemes without the approval of the legislature
 - ▶▶ At the close of the financial year the Accountant General submits the audit report “**Finance Accounts**” and “**Appropriation Accounts**”, which analyze the financial transactions for that year to the **Public Accounts Committee**.

Public Accounts Committee

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- ▶ The Reports submitted by the Accountant General are examined by the **Public Accounts Committee**.
 - ▶ This committee is formed from out of the members of the Legislative Assembly.
 - ▶ The committee examines the Government accounts for the year which also show the serious financial irregularities, if any, committed by the Government. (*For example: Spending in excess of sanctioned grants, financial losses sustained by Government through Fraud, Negligence, Inefficiency etc of Government servants, Failure to collect estimated taxes, wasteful expenditure etc*).
 - ▶ The committee's main objective is to assist the Legislature in ensuring that the Governments funds are spent in accordance with the voting of Demands.



Public Accounts Committee

- ▶▶ **The committee considers the explanations offered by the concerned departments of the Government.**
- ▶▶ **It then makes its own recommendations and places them before the **Legislature**.**
- ▶▶ **It will thus be seen that the control exercised by the **Legislature** over the financial transaction of the Government is real and effective.**



Accounting and Budget Classification

- ▶▶ **The estimates of Receipts and Expenditure in the Budget publications are shown according to the *Revised Accounting Classification.***
- ▶▶ **This **revised classification** has been designed to present more clearly the proposals and objectives of Government expenditure in order to facilitate the process of decision making at all levels, enhance the accountability of management and provide an additional tool for control of financial operations.**



Accounting and Budget Classification

For the purpose of expenditure, the transactions of the Government have been brought under different functions representing major divisions:

- ✓ **General Services:** Covering Police, General Administration etc. which are indispensable to the existence of an organized state
- ✓ **Social Services:** Covers activities associated with Provision of Services needed for community living such as Education, Medical and Health, etc
- ✓ **Economic Services:** Covers activities such as Assistance provided to agencies in the fields of production and trade EX: Agriculture, Power, Irrigation, Industry, etc



Significance Head of Account

- **Major head** means a main head of account for the purpose of recording and classifying the receipts and disbursements relating to the functions of the Government.
- **Sub-Major head** - The Major heads are sub divided in some cases into sub major heads. Sub major heads are opened under a major head to record those transactions which are of a distinct nature and are of sufficient importance to be recorded exclusively, but at the same time allied to the function of the major head. The head of account relating to each such sub division is termed as "sub major head" and the budget code is two digit code e.g. under the major head "2202.Education" the sub major head are:-

01. Elementary Education
02. Secondary Education
03. University and Higher Education etc.



Significance Head of Account

- **Minor head** means a head subordinate to a Major head or Sub-Major head representing a specific programme.
- **Group Sub head** suggested in between the Programme Minor head and Sub head representing a similar group of schemes which are implemented under a separate funding pattern.
- **Sub-head** means a head subordinate to a minor head. It indicates schemes for Plan Programmes or administrative set-up in the case of non-plan expenditure.



Significance Head of Account

- **Detailed head** is the primary unit of appropriation. It exhibits expenditure under basic items like salaries, Travel Expenses, Office Expenses etc.
- **Sub-detailed heads** denote break-up of detailed heads or object classification, wherever necessary, and possible. e.g. 010 Salaries / 011 Pay / 012 Allowances / 013 DA etc.

Revised Classification (5/7 Tier)
Grant No. XVI. Health, Medical and Family Welfare
Departments
Volume NO. III/8
HOD : Director of Medical Education

Sl. No.		Non-Plan		Plan	
1	Major Head	2210	Medical and Public Health	2210	Medical and Public Health
2	Sub-Major Head	01	Urban Health Services - Allopathy	01	Urban Health Services - Allopathy
3	Minor Head	001	Direction and Administration	110	Hospitals and Dispensaries
4	Group Sub Head			11	Normal State Plan
5	Sub Head	(01)	Headquarter's Office	(40)	RIMS General Hospital
6	Detailed Head	010	Salaries	010	Salaries
7	Sub detailed head	011	Pay	011	Pay
		012	Allowance	012	Allowance
		013	DA	013	DA



HEAD OF ACCOUNTS

1	Revenue Receipts	0210	Medical and Public Health
2	Revenue Expenditure	2210	Medical and Public Health
3	Capital Expenditure	4210	Capital Outlay on Medical and Public Health
4	Loan Account	6210	Loans for Medical and Public Health
5	Public Account	8009	State Provident Fund
6		8011	Insurance and Pension Funds

Preparation of Budget

Number Statements : A Statement showing the Cadre Strength of a Department both temporary and permanent Gazetted and Non-gazetted.

The total cadre strength of all the Departments in the State are published in Budget Document Vol.VIII/I (Appendix –A) .

For furnishing Online Number Statements for Budget 2015-16, detailed instructions have been issued vide Circular Memo.No.5113/A/154/A1/BG/2014, Dt:17.12.2014

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

Revised Estimates is an estimate of the probable receipts or expenditure for a financial year, framed in the course of that year with reference to the transactions already recorded and anticipations for the remainder of the year in the light of the orders already issued or contemplated to be issued or any other relevant facts. Revised Estimate is not an Appropriation.

Budget Estimates are the detailed estimates of the receipts and disbursements of a financial year.



Annual Plan

Planning Department prepare the Annual Plan Document Vol.VII/I. This publication deals with the annual plan allocations comprising Sectoral, Head of Development and Scheme wise details for Budget and Revised Estimates of the current financial year and Budget Estimate of next financial year, it covers all the components of the total State Plan for the F.Y. i.e. State Schemes, Externally Aided Projects (EAP), State share in the Centrally Sponsored Schemes (MSS), Central Share in CSS, Additional Central Assistance (ACA), Other components like FC grants, RIDF etc.



Budget Documents

1. **Budget Speech**
2. **Volume I/1** – Annual Financial Statement and Explanatory Memorandum on Budget.
3. **Volume I/2**- Statement of Demand for Grants.
4. **Volume II** – Detailed Estimates of Revenue and Receipts.
5. **Volume III**- Details of Demands for Grants for Non-Pan and Plan. There are 17 parts in Volume III, each part contains Demands for Grants or Departments coming under each Department of Secretariat.



Budget Documents

5. **Volume IV** – Public Account
7. **Volume V** – Annexure to the Budget.
8. **Volume VI** – Budget in Brief (Telangana Budget at a Glance)
9. **Volume VII** – Annual Plan
10. **Volume VIII** – Appendices to the Budget Estimates.
11. **Volume IX** – Analysis of the Demands for Grants by Ministers.
12. Notice of Demands for Grants.
13. **Volume X** – Government Commercial Undertakings Supplement to the Detailed Budget Estimates.



Finance Minister Budget Speech

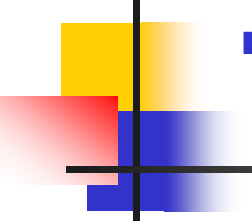
- The Budget Speech contains a review of the Financial position of the State for the previous year, Current year and the coming year.
- The main purpose of the Budget Speech is to explain the policies and programmes of the Government and how far they have been implemented during previous year and how they are going to be introduced and implemented in future.



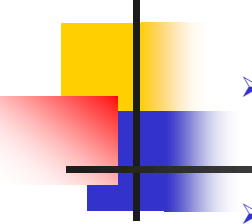
Budget at a Brief

- For arriving at the final budget numbers, the Statement of 'Budget Glance' works as a key reference guide to check the Revenue Deficit / Surplus and Fiscal deficit scenario for the budget year. Both can be fixed appropriately depending on the fiscal strategy of the Finance Department.
- The sources for preparation of budget at a glance are as follows:
 - a) Opening balance from Vol-I (Summary of the Financial position of the State.
 - b) Revenue Receipts- Vol.II
 - c) Capital Receipts – Consisting Public Debt, Deposits & Transactions, Recoveries of Loans & Advances and Net of Contingency Fund. These details are culled out from Vol-I, Vol.II & Vol.IV.
 - d) Capital Disbursements – Capital expenditure, repayment of Public Debt, release of Loans and Advances, Source: Vol-I & Vol-III/5
 - e) Non-Plan & Plan Expenditure – From Vol.I (Plan and Non-Plan separately.

Performance Budget

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

Outcome Budget

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- From the Financial Year 2007-08 the Government of India had replaced Performance Budget with Outcome Budget.
 - An Outcome Budget measures the development outcomes of all Government Programmes. For instance, it will tell a citizen if money has been for building a primary health centre, has indeed come up. In other words it is a means to develop a linkage between the money spent by a Government and the result which follow
 - The concept has developed in many democracies to make budgets more cost effective. According to experts it signals the emergence of an important tool for effective Government management and accountability.
 - The Outcome Budget documents will be prepared separately by each Department in respect of all Demands / Appropriation controlled by them.
 - As far as feasible, sub-targets for coverage of women and SC/ST beneficiaries under various developmental schemes should be separately indicated.

Outcome Budget (Contd...)

- The Outcome Budget 2013-14 will be prepared on the basis of Budget 2013-14 in the form of a document, separate for each Department, broadly consisting of the chapters detailed below:

Executive summary:- Apart from summarizing relevant Chapters, this portion should prominently highlight the details of the monitoring mechanism and the public information system put in place by the Department to regularly monitor physical and financial progress during the course of the year and inform the general public about it.

- ❖ **Chapter-I**:- A brief introductory note on the functions of the Department, organizational set up, list of major programmers/schemes implemented by the Department, its mandate, goals and policy framework. This introduction should highlight in particular if the Department has goals or major programmes or schemes or gender equality.
- ❖ **Chapter-II**:- This will contain a tabular format of the Statement of Budget Estimate included in the expenditure Budget (Vol.III). There may be separate tables for separate Demands / Appropriations controlled by the Department. The main objective is to establish one to one correspondence between (Finance) Budget 2013-14 and Outcome Budget 2013-14. The details will comprise of the financial outlays projected physical outputs and projected / budgeted outcomes (intermediate/partial and final, as the case may be). Projected physical output should disaggregated by sex wherever possible and appropriate i.e. where delivery is to individuals. An indicative format for these Demand/Appropriation –wise tables is enclosed at Annexure-I. Explanatory notes may be liberally added, wherever necessary.



Outcome Budget (Contd...)

Chapter III:- This will detail reform measures and policy initiatives, if any taken by the Department and how they relate to the intermediate outputs and final outcomes in areas such as public private partnerships, alternate delivery mechanism social and gender empowerment process, greater decentralization transparency, etc.

Chapter IV:- Review of past performance. This should indicate the performance during 2011-12 and 2012-13 (i.e. up to December, 2012) in terms of targets already set and targets proposed for the year 2013-14 in Annexure-II. The analysis of physical performance should be Scheme-wise with the reasons for variations; explaining the scope and objectives of individual programmes / schemes, giving their physical targets and achievement. Indicators of performance relating to individuals should be sex-disaggregated.



Outcome Budget (Contd...)

- ❖ **Chapter V**:- Financial Review Covering overall trends in expenditure via-a-vis Budget Estimates / Revised Estimates in recent years, including the current year. Data should be segregated scheme wise, object head wise, and institution wise in the case of autonomous institutions. Position of outstanding utilization certificates and unspent balances with Departments and implementation agencies should also be brought out.
- ❖ **Chapter-VI**:- Review of performance of Statutory and Autonomous Bodies under the administrative control of the Departments. The same principles as in reporting on the Departments own performance should be followed. These principles include sex disaggregation of performance indicators relating to individuals.



Summary:

1. **Budget is presented in the Legislative Assembly; The Budget Estimates of the Consolidated Fund have to be voted;**

2. **Each Ministry/Department presents its 'Statement for Demands for Grants';**

(However, larger departments may present more than one Demand for Grant)

Example: **Education Department** has 3 Demands, **Irrigation Department** has 2 demands, **Revenue Department** has 4 demands and so on.



Summary:

3. After the Demands are ‘voted’ by the legislature a bill called ‘Appropriation Bill’ is to be passed;

Note: The bill is passed as a **formal act** of acquiring money out of the Consolidated Fund to meet the expenditure voted for in the legislative Assembly.



4. The Governor accords his assent to the Appropriation Bill after it is passed by the legislature, Then it becomes an ‘Appropriation Act’;

Summary:

5. 'Supplementary Estimate' & 'New Service Schemes';

Supplementary statement of expenditure means the statement to be laid before the Legislative Assembly under Article 205 (1) (a) of the Constitution showing the estimated amount of further expenditure necessary in respect of a financial year over and above the expenditure authorized in the annual financial statement for that year. The demand for supplementary grant may be token or substantive.

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

6. Audit: The **Accountant General** prepares reports on the sanctions issued by the government and also expenditure incurred thereon for the financial year. He submits the reports to the **'Public Accounts Committee'**.



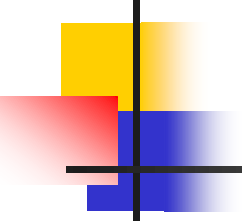
Summary:

7. The committee examines the reports, considers the explanations offered by the concerned departments and makes its own recommendations and places them before the **Legislature**.



8. It will thus be seen that the control exercised by the **Legislature** over the financial transaction of the Government is real and effective

Budget Release Order (BRO) System

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- **Budget Release Order (BRO) System:** From 1st April, 2001 the Government of Andhra Pradesh has introduced a system of Budget releases called BRO System by issuing orders vide G.O.Ms.No. 59 Finance & Planning (FW: BG) Department dt.30-3-2001.
 - **BRO system will facilitate:**
 - **Smooth flow of funds to line departments.**
 - **Delays in movement of files from HOD to Administrative Department in Secretariat to Finance Department can be avoided.**

Budget Release Order (BRO) System – (Contd.)

- After passing of Appropriation Act in the State Legislature, during April the Finance Expenditures Sections will release funds through BROs /LOCs under Plan and Non-Plan from the provisions already made in the Budget Estimates.
- Based on the BROs issued by the Finance Department, Administrative Department of Secretariat will issue Administrative Sanction Orders duly following the Business Rules and Codal provisions.
- The BROs for 2nd, 3rd and 4th quarters will be issued by Finance Department by reviewing the progress of expenditure of the previous quarter.
- The system of suo-moto release of BROs by the Finance Department in the 1st quarter itself has not only reduced the file work but also funds were made available to the departments in time



Budget Release Order – Contd.

Government introduced BRO system for release of funds under Plan and under Non-Plan wherever sanction from Government is necessary.

- **Finance Dept. will issue BRO's in the month of April every year for the 1st quarter from the provisions made available in the Budget.**
- **The Department of Secretariat have to issue administrative sanctions for the expenditure based on the BRO's issued by the Finance Department with in 90 days of from the date of issue of such BRO by Finance Department.**
- **Incase, the administrative department fails to issue administrative sanction with in the above prescribed time limit, such department has to again approach Finance Department giving valid reasons for not issuing the administrative sanction and also for issuing of fresh BRO if necessary.**
- **(G.O.MS.No.94 ,Finance Department Dt.02-04.2012)**



Reappropriations

- **As per para 17.4 of A.P.Budget Manual, the HODs are authorized to reappropriate funds from one unit of appropriation to another unit of appropriation under their control subject to following restrictions :**
- **From one Grant to another Grant.**
- **Between Revenue, Capital and Loans Sections even in the same Grant.**



Reappropriations – (Contd.)

- **Restrictions continued :-**
- **Expenditure constituting New Service / Project / Scheme for which there was no budget provision previously.**
- **From Charged provision to Voted provision or vice-versa.**
- **From Plan to Non-Plan.**
- **Reappropriations for accommodating recoveries.**
- **Reappropriations shall be within the R.E fixed by the Finance Department.**

Reappropriations – (Contd.)

- **Conditions:-**
- **The expenditure shall be under general control of HOD or authority sanctioning Reappropriation.**
- **Reappropriation should invariably be rounded to the multiple of thousands only**
- **Reappropriation should not involve the undertaking of recurring liability i.e. liability which extends beyond the financial year in question.**
- **Reappropriations should not be rushed through at the fag end of the financial year, to prevent the lapse of an appropriation.**



HOD-wise Budget

- **At present there are 40 demands for Grants in the State Budget.**
- **These demands for grants have been formulated Secretariat Department wise and HOD wise.**
- **In the present structure all the provisions relating to a HOD will be shown at one place in a particular Demand for grant.**
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- **No HOD will cross more than one demand for grant.**



HOD-wise Budget

- The statement of demands is followed by the details of demands for grants presented in Volume-III. (Books 1 to 17).
- These detailed demands for grants show Head of the Department wise details of the provisions included in the demands for grants for expenditure for the previous year and the budget year and revised estimates of the current year.



Administrative Sanction

- **The Administrative Departments in Secretariat shall issue administrative orders duly following the Business Rules and Codal provisions.**
- **The administrative sanction order shall contain the following ingredients invariably:**
 - **Proposal of the Head of the Dept.**
 - **Administrative department's views.**

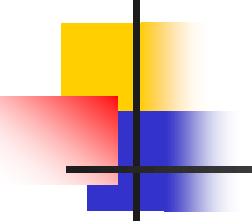
Administrative Sanction – (Contd.)



- **Administrative sanction.**
- **Financial sanction.**
- **Budget and head of account.**
- **Procedure for incurring expenditure.**
- **Finance concurrence i.e.BRO No.& date.**

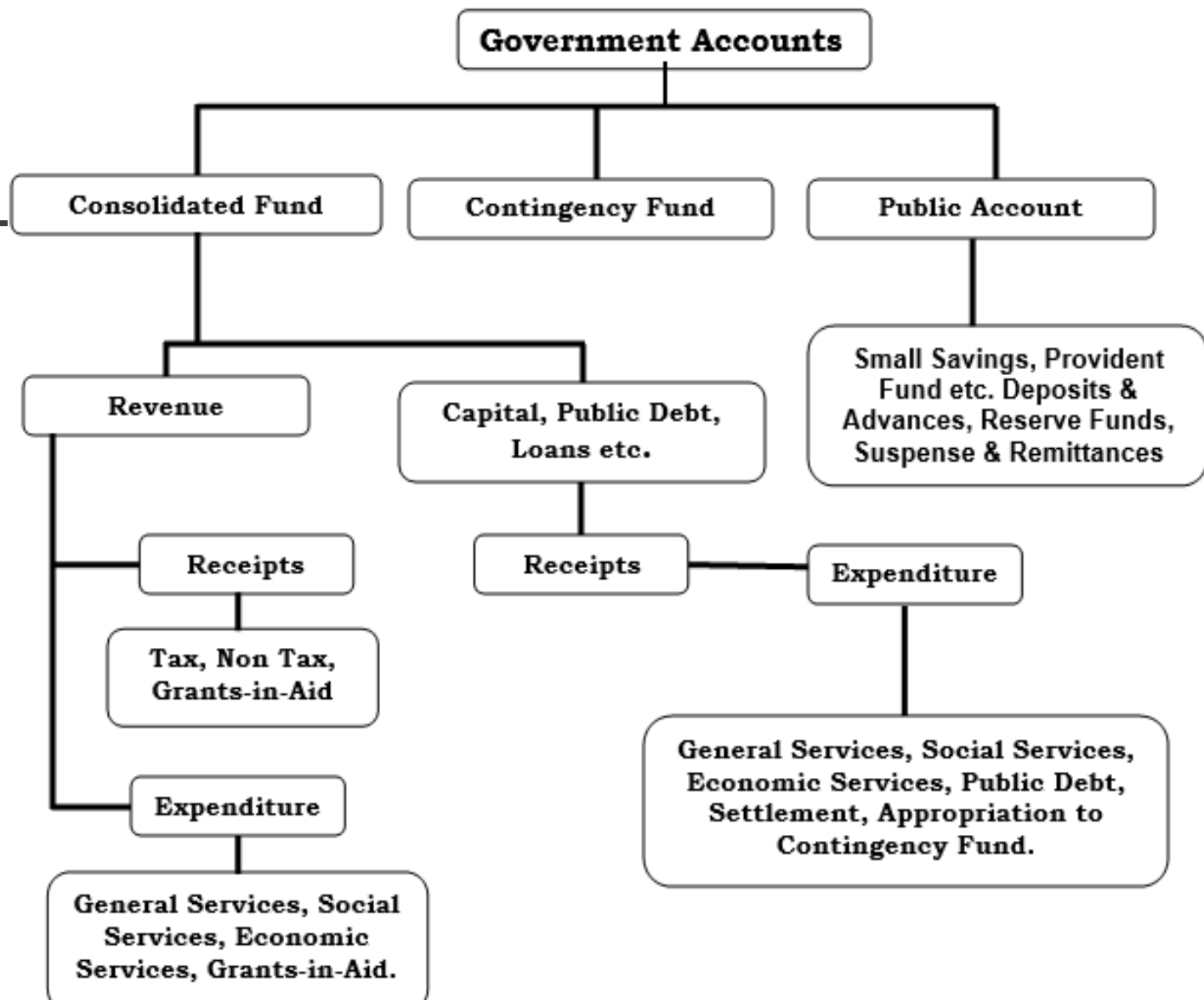
- **Finance Concurrence is necessary for all sanctions to be issued by the Department Secretariat as per Art. 45 of APFC volume I.**

Supplementary Estimates

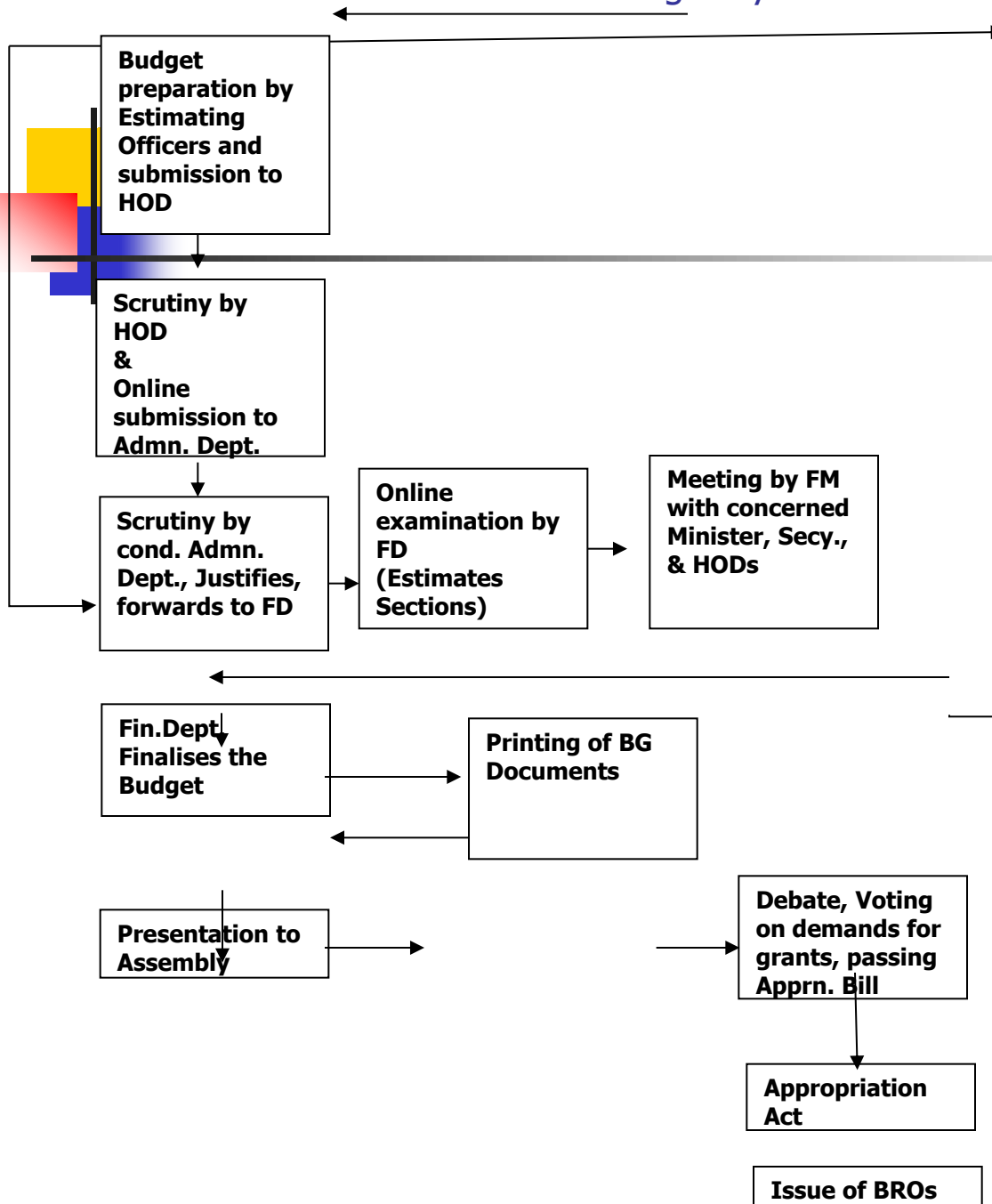
- 
- Article 205 of the Constitution of India provides that if the amount authorised by the Appropriation Act to be expended on a particular service for a financial year is found to be insufficient for the purposes of that year or when a need has arisen in the course of financial year for supplementary or additional expenditure upon some new service not contemplated in the Annual Financial Statement for that year, another statement showing the estimated amount of that expenditure shall be laid before the Legislature of the State. The provisions of the Constitution relating to the Annual Financial Statement will also apply to the Supplementary Statement.
 - The Supplementary Statement now presented to the Legislature relates to:
 - (a) Services already provided for in the Budget for the **Current Year** for which additional appropriation is now required with reference to the expenditure incurred or expected to be incurred before the end of the year; and
 - (b) New Services and new items of expenditure sanctioned by the Government in the course of the year.

In the case of New Service, the actual amount required during the current year or the amount advanced from the Contingency Fund, as the case may be, has to be included in the Supplementary Statement.

Structure of Government Accounts



State Budgetary Process

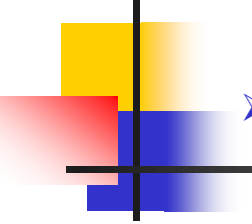


FRBM (Fiscal Responsibility and Budget Management Act)

The following fiscal norms will be looked into while preparing budget as prescribed under FRBM Act, 2005.

- Zero Revenue Deficit
 - Balanced Current Account – Golden Rule
- Fiscal Deficit : Not more than 3% of GSDP
- Total Liabilities : 27.60% of the estimated GSDP for that year 2014-15
- Total Guarantees : Limit the amount of annual incremental risk weighted guarantees to 90% of the Total Revenue Receipts in the year preceding the current year.
- To be remembered that all capital expenditure is with borrowed funds at a high cost
- Returns on Capital Projects to be higher than cost of funds.

Shortcomings in the routine budgetary process

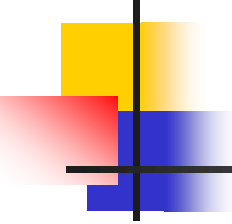
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- Annual Budget Estimates are generally worked out on incremental basis.
 - Often discontinued schemes find place in Budget estimates.
 - This results in excess / deficit provisions.
 - Post – budget task is more on re-appropriation / release of additional funds / Surrenders.
 - Delays in releases.
 - Cost and time over run in execution of projects
 - The Accountant General often points out the unrealistic nature of budget.

Role of Finance Department

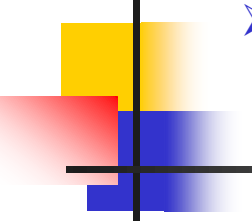
To set rules relating to

- Pay and Allowances
- Creation of Posts
- Procurement Procedures
- Travel and Other Entitlements
- Accounting
- Financial Control and internal and external audit
 - Specify delegation to Departments
- Monitor receipts and expenditure
- Ways and means management
- Coordination with A.G., RBI and Legislature

Role of Planning Department

- 
-
- Set broad rules / guidelines for formulation of Schemes / Plans
 - Assist the Departments in formulation of Schemes/Plans
 - Appraise and approve the Schemes / Plans
 - Monitor implementation of Plans/Schemes
 - Evaluation of Output/Outcome
 - Appraisal/Evaluation of Capital Projects
 - Appraisal/Evaluation of PPP Projects
 - Capacity building in Project Management in Engineering and other implementing Departments.

Role of Line Departments

- 
- Prepare and forward Non-Plan Budget Estimates as per Government instructions Online in time to administrative Department.
 - Prepare Plans / Schemes supported by the Planning Department
 - Project resources requirements for different programmes consistent with resources indicated.
 - Primarily responsible for implementation
 - Will be given flexibility to make internal changes on a three year rolling basis to incentivise changes to arrive at optimal mix of inputs to obtain better outputs and outcomes.

Thank You

