Government of Haryana

AN INTRODUCTION TO BUDGET

FINANCE DEPARTMENT

GOVERNMENT OF HARYANA
Finance Department

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PREFACE

Under article 202 of the constitution in respect of every financial year, a statement of the estimated receipts and expenditure of the State for that year called “The Annual Financial Statement” (or the “Budget”) is laid before the State Legislature. However, only a small minority of legislature and official could understand it properly due to the technical nature of its presentation. A better understanding of budget is considered essential informed free and healthy debate on various issues of public finances. This year, I am glad to State that Finance Department has prepared a booklet namely “The Introduction to Budget” for the benefit of bureaucrats, politicians, legislators, media and general public. Efforts have been made to ensure that even a person with very little knowledge of government working would also be able to understand it properly. The booklet is also helpful to understand budgets prepared by other governments.

I would like to take this opportunity to appreciate the efforts of the officers of Finance Department for brining out this booklet within a very short span of time. In particular, I acknowledge the dedication of S/Sh. Rajeev Ranjan, Joint Secretary Finance (Budget), Satish Seth, Under Secretary Finance (Budget), V.K. Nayyar, Superintendent (Ways & Means Branch), Jagdish Chander Sharma, Assistant (B&C), ERAMU Branch, Finance Department Computer Center.

Although due care has been taken to make this booklet quite easy to understand and error free, any suggestion from any reader for the improvement of this booklet is most welcomed.

Ajit M.Sharan
Financial Commissioner & Principal Secretary
Finance Department.

AN INTRODUCTION TO BUDGET

	This Booklet attempts to explain, in a simple way, the structure, scope and procedures of budgeting and seeks to familiarize readers with some of the terms and expressions frequently used in Budget documents
The term Budget	2**.** The term **"Budget"** is not used anywhere in the Constitution of India. It originally meant a small leather bag in which the Chancellor of the Exchequer in Britain carried the financial proposals for the year, when he entered the House of commons. By usage, the meaning of the word "Budget" has shifted from the bag to documents contained in the bag. The expression used in the Constitution is the "Annual Financial Statement
Budget of State Government	3. The Budget of the State Government is the **"Annual Financial Statement"**, which includes the estimated Receipts and Expenditure of the State for every financial year, which runs from 1st April to 31st March. The Budget comprises of three divisions, viz., the Revenue Account, the Capital Account and the Public Account.
Budget Estimates	4. The effort while preparing the Budget is to arrive at an accurate estimate of the receipts and expenditure under each of these accounts for the forthcoming year. The estimates are based upon the experience of the past, present policies of the Government and anticipated events of the future.
Budget Speech	5. The "Budget Speech" is largely a policy document. Through it the Finance Minister reviews the salient features of the financial administration of the year ending and the year commencing, the main purpose is to focus attention on the policies and programmes of the Government, how far they have been implemented already and how far they are to be implemented during the Budget Year.
Budget Abstract	6. The "Budget Abstract" is a summary of the transactions of the State Government.

	It consists of following Sections:- **Revenue Account-Receipts-** A. Tax Revenue. B. Non-Tax Revenue. C. Grants-in-Aid and Contributions. **Revenue Account-Disbursements**- A. General Services. B. Social Services. C. Economic Services. D. Grants-in-Aid and contributions. **Capital Account-Disbursements-** A. Capital Account of General Services. B. Capital Account of Social Services. C. Capital Account of Economic Services. **Capital Account-Receipts-** D. Miscellaneous Capital Receipts E. Public Debt. F. Loans and Advances. G. **Inter-State Settlement**. H. **Transfer to Contingency Fund**. **Public Account-(Receipts and Disbursements)** I. Small Savings, Provident Funds, etc. J. Reserve Funds. K. Deposits and Advances. L. Suspense and Miscellaneous. M. Remittances. Other documents provided to the Members of the Legislature are intended for the proper understanding of the Budget and for regulating the voting on Demands.
Revenue Account Receipts	7. Revenue Account- Receipts constitutes what is usually known as the “Revenue Budget” which takes into account all the revenue receipts. The total revenue receipts include State’s Own tax and Non-Tax revenues and Grants-in-Aid and Share in Central Taxes from the Government of India. Statements A, B and C furnish the estimated yields from the tax revenue (which includes share in Central Taxes), non-tax revenue and grant-in-aid respectively.

Revenue Account Disbursements	8. Revenue Account – Disbursements give particulars of the estimated current expenditure of the different departments of the Government of salaries and allowances, contingencies, grants-in-aid, maintenance, pension, interest payments, interest charges, etc. In other words it is primarily restricted to expenditure which do not lead to capital formation. The significance of these statements is appreciated best, by running through them.
Revenue Deficit	9. When the expenditure as summarized in Revenue Account-Disbursements is deducted from the Revenue Account-Receipts, we get the "Revenue Surplus" which is available for financing capital expenditure of the year. However, in recent years this has usually been a negative (minus) figure and is called the "Revenue Deficit". Revenue Deficit otherwise means the excess of revenue expenditure over revenue receipts.
Capital Account	10. Capital Accounts also deal with the transactions of the Government outside the Revenue Budget, i.e., transactions other than those dealt with in the previous paragraph.
	11. Capital Account relates to the expenditure on items which lead to direct capital formation like buildings, roads, irrigation projects, machinery and equipment, share capital investments, etc. Capital Account also includes loans and advances given or obtained by the State Government. This would, therefore, include the loans and advances received from the Center and repayment thereof and the loans and advances made by the State Government to boards, corporations and other institutions and the repayment of such advances. The interest on these loan forms part of the revenue account.
Fiscal Deficit	12. "Fiscal Deficit" means the excess of total disbursements form the Consolidated Fund of the State (excluding repayment of debt) over total receipts into the Consolidated Fund excluding the debt receipts during a financial year.

Important Financial Functions under Capital Account	13. Besides running the ordinary administration of the Government, as contemplated in the Revenue Budget, the State has to discharge certain other financial functions. Loans are given to Government undertakings, local bodies and co-operative societies. Large sums have to be invested on infrastructure projects and in promoting state enterprises. Money already borrowed for various purposes has to be repaid on due dates. If the Revenue Surplus is adequate for these needs or if there are reserves to fall back upon, there may not be any difficulty but this is hardly the case. The Government, therefore, has to borrow to perform above mentioned functions and also to meet any deficit in Revenue Account. Government borrows money from the public through open market loans, the National Small Savings Fund (NSSF), Financial Institutions and Government of India. Money already lent by the Government to the local bodies, Government Undertakings, Co-operative societies and government servants is received back in installments on due dates. Even though the Budget of a year, meaning thereby, the Revenue Budget is balanced, it would not be in conformity with normal financial proprieties, unless the Capital Account also is well-balanced. An ideal situation would be to have revenue account surplus capital account deficit, which implies that we are saving funds from current expenditure to invest in capital works. However, the recent trends have been showing revenue account deficits and capital account surpluses, which means that we are borrowing to meet even our current consumption requirements. However, State Government has to ensure that there is no overall deficit for all its accounts put together.
Ways and Means and Overdrafts with RBI	14. Cash accounts of Government of Haryana are maintained in Reserve bank of India. During the day-to-day transaction, if the receipts are not sufficient to meet the expenditure commitments of the State Government on a given day, the Reserve Bank of India releases " Normal Ways & Means Advances and Special Ways & Means Advances " upto a prescribed limit, which varies periodically. Firstly we use Special Ways & Means Advances and as and

	when the Special Ways & Means Advances exhausted we take the normal Ways & Means Advances because the rate of interest on Special Ways & Means Advances is one percent below of the repo rate. When the Special and Normal Ways and Means advance limit is exhausted, then the "Overdraft" facility is given by Reserve Bank of India subject to certain terms and condition. Normally overdraft facility is also restricted to certain number of days in succession as well as in a quarter.
Public Account	15. Receipts and disbursements, such as deposits, reserve funds, remittances, etc. which do not form part of the "Consolidated Fund", are included in the Public Account and are not subject to a vote by the Legislature, as they are not moneys issued out of the Consolidated Fund. All revenues received by the Government of a State, all loans raised by that Government by the issue of treasury bills, loans or ways and means advances and all money received by the Government in repayment of loans granted by that Government are credited into the Consolidated Fund of the State and provision is made in the Appropriation Bill passed under Article 204 of the Constitution for the appropriation out of the Consolidated Fund of all moneys required to meet the grants made by the Assembly and the expenditure charged on the above Fund. All other public moneys received by or on behalf of the Government of a State are credited to the Public Account of the State, and disbursements from that account, outside the Consolidated Fund of the State, do not require any appropriation of funds by the Legislature**.**
Transactions Under Public Account	16. The moneys deposited by a merchant in a treasury or by a litigant in Court do not belong to the Government. Yet, they have to be accounted for in the same way as Government money, because the Government can be sued in a Court of Law for their loss. All such miscellaneous transactions are entered in the "Public Account" as distinct from the Consolidated Fund. Repayments of these moneys do not call for the vote of the Legislature, for they are in the nature of ordinary banking transactions and do not relate to the Consolidated Fund of the State. When the annual

	withdrawals by parties of these miscellaneous deposits do not keep pace with the annual receipts under this head, it results in an accumulation of funds with the Government.
Various Methods of Budget	17. There are many methods of preparing budgets. Some of the methods include the incremental system of budgeting, Zero Base Budgeting, Programme and Performance Budgeting, etc. In our State, we have been basically following the incremental system which means that the first charge on available resources is that of the expenditure relating to the ongoing schemes and only if resources are available after meeting the expenditure on all the ongoing schemes, the Government will address themselves to the task of introducing new schemes. In this method of working, the first step is to collect the details of the past expenditure and expenditure estimates on existing schemes from all Departments. The Finance Department then scrutinizes the forecasts and based on the past experience and foreseeable trends, fixes a reasonable estimate for all the ongoing schemes and the available resources of taxation. At the same time in a developing society like ours, the requirements of the people and the role of Government are always evolving and there is a persistent need to have new schemes. In view of the difficult financial situation, it is necessary to make a serious effort to control expenditure. The Zero Base Budgeting (ZBB) seeks to continuously review all departments to identify wasteful schemes and surplus staff, so that the available resources can be used more effectively.
The Haryana Fiscal Responsibility and Budget Management Act, 2005	18. The State Legislature has enacted an Act to provide for the responsibility of the State Government to ensure prudence in fiscal management and fiscal stability by progressive elimination of revenue deficit, reduction in fiscal deficit, prudent debt management consistent with fiscal sustainability, greater transparency in fiscal operations of the Government and conduct of fiscal policy in a medium term framework and for matters connected therewith or incidental thereto.

Medium Term Fiscal Policy statement	19. According to Section 7(1) of this Act, The medium fiscal policy statement shall set forth a three-year rolling target for the prescribed fiscal indicators with clear enunciations of the underlying assumptions. According to Section 7(2) of this Act, In particular and without prejudice to the provisions contained in sub-section (1), the medium term fiscal policy statement shall include the various assumptions behind the fiscal indicators and an assessment of sustainability relating to- (i) The balance between revenue receipts and revenue expenditure; (ii) The use of capital receipts including borrowing for generating productive assets; and (iii) The estimated yearly pension liabilities worked out on actuarial basis for the next ten years:- Provided that in case it is not possible to calculate the pension liabilities on actuarial basis during the period of first three years after the coming into force of this Act, the State Government may, during that period, estimate the pension liabilities by making forecasts on the basis of trend growth rates.
Review of Trends in Receipts and Expenditure	20. According to Section 11(1) of this Act, The Minister-in-Charge of the Department of Finance (hereinafter referred to as “Minister of Finance”) shall review, half yearly, the trends in receipts and expenditure in relation to the budget estimates and place before the House of the State Legislature, the outcome of such reviews.
Fiscal policy statements to be laid before the State Legislature	As per Section-5 of this Act, The State Government shall in each financial year lay before the House of the State Legislature, the following statements of fiscal policy along with the budget, namely:- (a) The Macroeconomic Framework Statement; (b) The Medium Term Fiscal Policy Statement; and (c) The Fiscal Policy Strategy Statement

Approval of Standing Finance Committee and Cabinet	21. Planning Commission, Govt. of India, issues guidelines for the preparation of Annual Plan. After assessing State's financial resources, State Finance Department works out the plan size of the State and inform it to Planning Department indicating outlays under Earmarked Sectors. All the departments are requested to intimate their respective scheme-wise requirement of funds to the Planning Departments as per their priority. While allocating funds to various departments, many factors like actual expenditure of the department in previous year, actual expenditure upto second quarter of the current financial year, new schemes/projects duly approved by the Standing Finance Committee (SFC) proposed to be implemented in current year, likely allocation of State Share in case of CSS schemes, EAP requirements etc. are kept in view by the Planning Department. The department-wise allocations are sent to Hon'ble Chief Minister for his approval. On the basis of scheme-wise proposals received from departments, State's Draft Annual Plan document is prepared. The copies of Draft Annual Plan document are sent to Planning Commission, Govt. of India. After that Working Group discussions with the Administrative Secretaries of the State and with Advisers of Planning Commission, Govt. of India are held to finalise inter-se scheme-wise allocations of the departments. Sectoral Outlays for State's Annual Plan are approved in the Wrap Up meeting between Member, Planning Commission and Chief Secretary of State Government. Thereafter, the State's Annual Plan is finalized in the meeting between Deputy Chairman, Planning Commission, Govt. of India and Hon'ble Chief Minister.
Appropriation	22. Once this exercise is over, one has to see whether all the three accounts put together leave the State Government with a positive balance or not. If not, the State Government has the option to meet the gap by mobilizing additional resources through taxation measures or to try and cover the gap by reducing the expenditure or both. Once the decision is taken, the Budget is ready in its final shape for presentation before the Legislature. This represents the entire expenditure from the Consolidated Fund. If the Legislature approves the

	budget and the bill for enactment, the Government then accords sanction to incur expenditure as detailed therein. This is called the appropriation.
Structure of Government Accounts.	23. Before proceeding to examine the Budget Documents, it is desirable to understand the structure of Government Accounts, Whatever money is received during the year is entered under the appropriate head in the accounts of that year in treasury. Irrespective of the fact whether that money became due to the Government in that year or as an arrear of the previous year or as an advance collection for the next year. Similarly, on the Revenue expenditure side the Government accounts show the amount actually paid by the Government under each head during the year whether these amounts were due for payment in that year or in any of the previous years or were advance payments for services yet to be rendered.
Budget Forecast	24. There is a purpose in maintaining Government accounts in this somewhat rudimentary form as it facilitates cash based budgeting. What the Budget attempts is i) To forecast the money that will accrue to the Government during the ensuing year from all sources; ii) To assess whether that money, supplemented by any balance left over from the previous year, will be sufficient to cover all the anticipated commitments; and iii) To determine how far the taxation should be increased or decreased to balance revenue and expenditure. What really matters for the purpose of the Budget is the amount of tax or non tax revenue that can reasonably be expected to be collected during the year, talking the seasonal conditions as they are. The process of preparing forecast for Non-Plan Revenue Receipts and Non-Plan Revenue Expenditure for next financial year is generally initiated in the month of October each year by Finance Department. For this purpose information is sought from the department in prescribed format keeping in view the Planning Commission requirements for assessing the

	financial resources of Annual Plan for next year. The estimates of Non Plan Revenue Receipts and Non Plan Revenue Expenditure furnished by departments are examined by Finance Department level. The next year forecast for Non Plan Revenue Receipts and Non Plan Revenue Expenditure is made by FD by taking into accounts the position of previous year as well as position upto September of current fiscal year. On the basis of forecast resources for next year plan is assessed and got approved from Planning Commission and State Plan size is fixed accordingly. Under the present conditions, budgeting has become a far more complicated affair, because the Government has taken on several new lines of activity and the scope of activity in the older departments has also increased. Some major projects can not be executed in one year. Once the project is sanctioned, the outlay will spread over a period of several years. The outlay is likely to get revised in succeeding years due to escalation of cost. When the work is in progress, it cannot be arrested during the course of the year, merely because the Budget provision has run out. If as a matter of abundant caution, an unnecessarily large provision is pressed for at the beginning of the year, there may not be enough funds for many other works, which are simultaneously under execution and pressing for allotments. Under these circumstances, Budget forecasts have gone a little farther Nevertheless, the Budget continues to serve the important purpose of determining in a rough way, how much money the State should collect from the tax payer during the year, to maintain the services necessary for the public good
Capital Expenditure	25. The cost of constructing or acquiring an asset of a lasting nature, which yields revenue or which avoids a recurring commitment may be classified generally as Capital Expenditure. Irrigation projects easily fall within this definition, because they are lasting assets and they bring in revenues to the Government. Capital Expenditure may be met from the annual revenues of the Government, but it may also be met with money borrowed from the public or the

	Central Government or from any other available resources. The asset is permanent and fetches enough net revenue to pay off the interest on the capital, then the work may be financed on the basis of a perpetual loan. But, if the asset has only a limited life of a few years, then provision must be made for paying off the borrowed money and the interest thereon, in annual installments, within the estimated life of the asset. The broad theory underlying this method of financing is that the present generation should not be made to shoulder the full burden of building up an asset, the benefits of which will be accruing to subsequent generations. In respect of certain capital works, the Government may obtain grants equivalent to the entire cost of the work from the Government of India or any other body. Such grants are treated as receipts in the Revenue section.
	26. The Outlay on Capital Works proposed in the Budget is shown in Capital Account of the Budget Abstract under the head “Capital Expenditure outside the Revenue Account”.
Consolidated Fund	27. “Consolidated Fund” is the expression, which came into use, based on Article 266(1) of the Constitution. The normal revenues of the Government for the year, as shown in Revenue Account- Receipts of the Budget, form part of the Consolidated Fund. Loans raised by the Government from the pubic, including financial institutions and from the Government of India, enter the Consolidated Fund. Moneys received by the government in repayments of loans are also included in the Consolidated Fund. The disbursements made out of these sources are consequently shown under the head of the Consolidated Fund. All expenditure proposed to be met from the Consolidated Fund should be placed before the Legislature and should be voted by the Legislature, except certain items classified as “charged” expenditure.
Charged Expenditure	28. “Charged” expenditure means the expenditure which is a first charge on the Consolidated Fund and which does not require the vote of the Legislature as laid down in Article

	202(3) of the Constitution. It covers items such as the emoluments of the Governor, the Speaker, the Deputy Speaker, judges of the High Court and Members of the Public Service Commission. It also includes the sums earmarked for payments of interest on debts and for their redemption. Amounts decreed against the Government by the Court of Law are “charged” items of expenditure
Contingency Fund	29. “Contingency Fund” is another expression, which came into use based on article 267 of the Constitution. Its purpose is to enable the Executive to incur, in emergencies, expenditure not covered by the vote for the Legislature
Haryana Contingency Fund	30. The Haryana Contingency Fund Act 1966 created a Contingency Fund of Rs.75 lakh. There has since then been an enormous increase in the scope and range of activities of the Government. The Annual outlay on the Plan Schemes has also increased appreciably, as also the number of new Schemes sanctioned in the course of a financial year. There was, thus, a need for increasing the corpus of the contingency Fund. Now there is a provision of 10 crore in Haryana contingency Fund.
	31. The Contingency Fund is held on behalf of the Governor by the Secretary to Government in the Finance Department. Advances are given from this Fund to meet unforeseen expenditure pending approval of the Legislature and they are recouped to the Fund after the Legislature approves the Supplementary Demands. The fund operates in the form of permanent advances and the transactions relating to this Fund are shown in Contingency Fund Register.
Head of Account	32. In order to have uniformity in the accounts all over the country, we have to adopt the heads of account laid down by the Comptroller and Auditor General of India. Accounts all over India follow the same major and functional minor heads.
	33. A Committee constituted by the Government of India to review the existing accounting classification recommended certain changes in the structure of the accounting

	classification. It was decided in terms of Article 150 of the Constitution of India, to give effect to the new classification of accounts form 1st April 1987.
	34.The receipts and disbursements of Government are organised into different groups of major heads of account such as General Services. Social Services and Economic Services. For the purpose of easy reference and verification, the details under each major head of account like "Police" "Land Revenue", etc. are shown in a (six-tier) classification system. What follows depicts the classification of accounts as it stands at present.
Major Head, Sub-Major Head, Minor Head, Sub-Head and Detailed Heads.	35. Each major head gives the broad individual function, e.g., "Land Revenue", "Medical and Public Health", etc. Below a major head we may have sub major heads giving a sub group of programmes. Minor heads beneath each major head or sub-major head indicate the individual programmes. The group head below the minor head gives the grouping of the various schemes under Non Plan or State Plan, etc. the sub heads under each group head reflect the individual scheme. The details of expenditure in respect of each scheme are depicted in the form of standard objects of expenditure like "Salaries", "Travels Expenses", etc. the major head, minor head, group head, sub head and detailed heads have been compared to address entries in letters. The major head is analogous to the name of the town, the group head is similar to the postal zone, the sub head is something like the name of the street or road, and the detailed head is like the house number. In organising a mass of information, this kind of order is necessary. As an example, let us take the major head "2210 Medical and Public Health" one of the sub major heads under this is "01. Urban Health Services Allopathy". Under this Sub Major Head there are a number of Minor heads like,"Employess State Insurance Scheme", "School Health Scheme" and " Hosptials and Dispensaries", etc. Under each of these Minor heads. We have individual schemes organised in sub heads.

Data Processing Codes	36. A four digit number code has enabled easy identification as to whether a major head is a receipt major head or an expenditure major head and whether it figures in the revenue account or capital account. Thus, ”0210. Medical and Public Health” is a receipt head, “2210. Medical and Public Health” records expenditure in the Revenue Account and “6210. Loans for Medical and Public Health” records the loans given. With this number code, it is easy to pick out the relevant head.
Budget and Executive Control Part-I or Continuing Schemes	37. The Budget is an equally useful instrument for the Executive, for ensuring economy and orderliness in Public Administration. Every department of the Government has several schemes, which are necessary and desirable in themselves, and if money could somehow be found, they can all be taken up in any year. But the funds available are limited and, therefore, many good schemes have to be postponed, in order to balance the Budget. Relative urgencies of the various schemes have to be examined in an objective manner. Schemes, which are included in the State’s Five-Year Plan, have necessarily greater claims for implementation than these which are not. The heads of various departments report to the Government their demands for expenditure for the ensuing year for the continuance of the existing activities and for the introduction of new schemes. The Finance Department estimates the resources available for the year on the trend of receipts in the past.
New Schemes	38. The more trying part in framing the Budget is the consideration of new schemes of expenditure. The balance of resources left over for this purpose in present times is little or nil and the new schemes are many. The emphasis being laid on the Welfare State and the inclusion of many of the schemes in the National Plan have added strength to the demands of the Heads of Department. But the Government must restrict expenditure within the resources in sight. A preliminary shroffing is done at departmental level and the

	schemes so selected are further scrutinized by Standing Finance Committee. The Schemes, which are considered necessary by the Standing Finance Committee, are provisionally included under Budget proposals and send to FD for making funds available. In connection of new plan schemes a document known as, New Plan Scheme Memorandum, is prepared by FD.
Non-Plan and Plan	39. It pertains to the meaning of the non-plan and plan expenditure. It may be retained by giving detail meaning of the Non-plan and plan expenditure, the plan and non-plan expenditure can be explained as under:- a) Non Plan Expenditure: Non Plan Expenditure, interalia includes committed expenditure on the establishment and other expenditure like grant-in-aid by the State Government maintenance of capital assets, subsidies, compensation, repayment of borrowings, interest payments etc. In nutshell, all expenditure which is recurring and is needed every year for the same purpose, is kept on the non plan side. b) Plan Expenditure: Expenditure incurred on new development schemes/projects, expenditure on left over development works of previous year which are phased into two-three years or so, grant-in-aid given by GOI for a particular purpose like TFC grants etc, is termed as plan expenditure. Mostly it involves the expenditure on assests creation as well as on the development of infrastructure. The Non Plan and Plan expenditure both are further divided into revenue and capital account. The expenditure on establishment, State Grant in aids, subsidies, compensation interest payments etc. are kept under revenue account. Repayments of borrowings including cash credit for the purchase of food grains, provisions for creation of assets and other infrastructure, grant of loans to State Public Sector Undertakings and State Government Employees are kept under the Capital Account.

	40. The plan expenditure under the schemes of development nature is classified as under: 1. State Plan Schemes Sponsored by the State 2. Centrally Sponsored Schemes (i) Schemes shared between State and Centre Government (ii) Schemes 100% sponsored by the Centre Government in the State.
Vote on Account	41. Usually, the Budget is presented to the Legislature sometimes towards the end of February or early in March. The Appropriation Bill is usually passed before the beginning of the new financial year, i.e., before 1st April. Whenever it is not possible to pass the appropriation bill for the new year before 1st April the requirements of administration for the first few months of the next year are met by obtaining an advance grant from the Legislature known as “Vote on Account”. The amounts provided in the Vote on Account are subsequently merged with the amounts provided in the Appropriation Bill.
Supplementary Demands	42. It often happens that during the course of the year new items of expenditure crop up and cannot be put off till the Legislature is summoned again for going through all the prescribed formalities. On such occasions the Executive anticipates ratification by the Legislature and draws the necessary funds from the “Contingency Fund”, kept in reserve for such purposes. In the first or second session of the Legislature thereafter, the Executive has to place a supplementary estimates giving particulates of the expenditure incurred without adequate authority. When Supplementary demands are accepted by the Legislature, the moneys drawn from the “Contingency Fund” are recouped to that Fund.
Taxation Proposal	43. In the meanwhile, the Finance Department examines proposals for additional taxation to cover the gap, which usually exists, between the expenditure proposal in the Budget and the resources available on existing measures of taxation. These proposals are considered by the Cabinet and final decisions are recorded as to whether any item of expenditure could be reduced or deleted and what new taxes

	should be levied. The necessary Taxation Bills are drafted and published along with the presentation of the Budget or as soon as thereafter as practicable. The main object of treating the Budget proposals as secret till the date of presentation is to keep back from the public the new taxation proposals. Many new taxes affect the prices of sales, securities and consumer goods and leakage of information may enable anti social elements to corner stocks in advance.
Committed Expenditure	44. During the currency of a particular plan period, which provides for an increase in the level of development over that attained in the previous plan period, is classified under plan. To give a concrete example the new teachers appointed during the tenth plan period, aimed at a new level of activity in this sector. During the plan period, the expenditure was shown as plan expenditure. With the commencement of the Eleventh Five Year Plan the expenditure on these teachers had to be debited to the regular Non-Plan group sub head. The effect of this would be a large transfer of expenditure from the plan side to the Non-Plan side. Normally a substantial portion of the revenue expenditure component of the plan would become committed expenditure in the succeeding plan period. On the capital side, however, the scheme will usually continue to figure on the plan side as a spill-over work.
	45. The Budget Publications are presented to State Legislature:- i) Receipt Budget (Vol.I) ii) Non Plan Budget (Vol.II) iii) Plan Budget (Vol. III) iv) FS Memo v) Plan Memo vi) FRBM Report & Review thereof. vii) Budget at a glance viii) Budget speech The Finance Department has increased the demands for grants from 25 to 45 from the next financial year 2010-11 and an effort has been made to create department-wise demand.

	46. The Budget memorandum is prepared by State Government and put up in the name of as F.S. Memo. This publication is published in two parts write-up portion & Annexures. Financial Position of State, Budget Abstract, causes of variations pertaining to Accounts/ Revised Estimates/ Budget Estimates/ Assets Liabilities and Annual plan are included in the write-up portion. There are 1 to 12 Annexures. Annexure I & II pertain to revised plan expenditure & summaries thereof. Annexure III & IV pertain to list of schemes of plan expenditure and non plan schemes (SNEs) respectively. Annexure-5 shows the list of securities & annexure-6 pertains to Statement showing state government investment in commercial concern in shape of working Capital/Shares/Debentures & Bonds etc. Annexure VII, XI and XII show Rates of Taxes of various departments and Annexure 9 & 10 pertain to guarantees given by the State Government & grants in aid/loans to PRI/ULB respectively.
Auditor General's Role	47. The control intended to be exercised by the legislature over the Executive in spending public funds can be effective only if there is somebody to watch on behalf of the Legislature, the actual progress of expenditure. This function is exercised by the Comptroller and Auditor General, who is an authority under the Constitution independent of the Executive and the Legislature and answerable only to the president. His agent, the Accountant-General, keeps the Annual Financial Statements and Supplementary Financial Statements as approved by the legislature. He watches all the payments ordered by or on the authority of the Government and ensures that the expenditure as voted by the Legislature under each demand is not exceeded. Treasury Officers working under his guidance sit in all Government treasuries and compile the accounts of the Government.
Public Accounts Committee	48. As soon as possible, after the close of the financial years, the Accountant-General sends a report analyzing the financial transactions for the year. In this report, he draws attention to any serious financial irregularities committed by the Executive as for example, spending in excess of the

	sanctioned grants, allowing grants to lapse, failure to collect taxes in time, wasteful expenditure, etc. This report is examined by a committee of the Legislature, called the Public Accounts Committee. The committee is assisted in its deliberations by the Accountant-General. It considers the explanations offered by the Executive for the objections pointed out in the report. The recommendations of this committee are placed before the Legislature. It will thus be seen that the legislature does exercise a reasonable measure of control over the financial transactions of the executive and the Annual Financial Statement or Budget is the main instrument of this purpose.
Budget and Legislature Control	49. one of the cardinal principles of the parliamentary form of Government is that all expenditure incurred by the State should be specifically authorized by the legislature. The Minister may see issuing of direction and the Secretary may sign the order sanctioning the expenditure; but neither of them has any inherent authority over the public funds. They are merly giving effect to the decisions already recorded by the Legislature, or as on some occasion, anticipating such decisions. In short, they are only agents executing the wishes of the Legislature on all money matter. It is not, however, possible for the Legislature to be in session all the time. Nor is it practicable for every member of the Legislature to scrutinize day-to-day transactions of the Government, running into several crores of rupees, under the various departments. The system has, therefore, been evolved under which the Executive prepare a Financial Statement or Budget for the ensuring year, showing all the anticipated items of revenue and expenditure, classified under a few broad heads and presents this statement to the Legislature for approval, well in advance of the financial year. The general debate, the voting on demand and the passing of the Appropriation Bill are all legal requirements by which the Legislature scrutinizes, alters, amends and finally sets its seal of approval on this document. When these formalities are gone through and the Governor has accorded his assent the Executive is empowered to carry on the administration, within the financial limits laid down in this statement.

	50. The Legislature does not play an active role in fixing the estimates of annual revenues of the State. The revenues are derived under the various financial enactments made by the Legislature which are continuously in force, enabling the Executive to collect the revenues, which a specific annual authorization. If any new measure of taxation is proposed under Article 203(2) of the Constitution, the estimates of votable (as distinguished form “Charged”) expenditure shall submitted to the Legislature in the form of “Demands for Grants” and the Legislature shall have power to assent or to refuse to assent to any demand, or to assent to any demand subject to a reduction of the amount specified therein. A Demand voted by the Legislature cannot be exceeded by the Executive. The amount covered by the Demand is intended to meet several items of expenditure grouped under various detailed heads as mentioned in the earlier paragraph. It is within the competence of the Executive to vary the appropriations under the different detailed heads according to the requirements of the year, without exceeding the total of the Demand. This redistribution within the Demand is known as “Reappropriation”. Such reappropriation is, however, not permitted between a “Voted” item and a “Charged” item and between Revenue and Capital Expenditure and vice versa, even though these may appear under the same Demand.
	51. It may be seen from the above paragraphs, that the Budget is not merely an Annual Financial Statement of the State, but is a mirror that reflects all the activities of the Government and an effective instrument for Legislative scrutiny over Government Expenditure.

Ajit. M. Sharan
Financial Commissioner & Principal Secretary
to Government Haryana Finance Department.