



BUDGET MANUAL UTTARAKHAND

(First Edition)

**Finance Department
Government of Uttarakhand**

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FOREWORD

The first Budget Manual of Uttarakhand is an attempt to bring together budget related activities and procedures which were until now being followed from sixth edition Budget Manual of Uttar Pradesh. This is a comprehensive document detailing procedures and activities connected with budget preparation. The Budget Manual will guide officials involved in budget making in Finance Department as well as in other departments. It brings out the constitutional provisions relating to the budget and describes contents of various budget documents. The Uttarakhand Govt. accounting classification system has also been explained in the Manual apart from the working of Consolidated Fund, the Contingency Fund and the Public Account.

2. I am grateful for the support given by Hon'ble Chief Minister Shri Vijay Bahuguna and Hon'ble Finance Minister Dr. Indira Hridyesh to us in bringing out this first Budget Manual of the State. I would like to place on record the excellent guidance provided by the Chief Secretary, Shri Alok Kumar Jain in preparing this Manual. The role of Additional Secretary, Finance Shri Ramesh Chandra Agrawal in conceptualizing and preparing the detailed outline of the Manual has been crucial. It has evolved as a result of wide consultation through the sub-committee appointed for the purpose as well as valuable suggestions and inputs provided by Shri N.N.Thapliyal (Advisor Finance), Dr. M.C.Joshi (Additional Secretary Finance), Shri Sharad Chandra Pandey (Director Treasury), Shri L.N.Pant (Additional Secretary Finance) and Shri R.C.Sharma (Joint Secretary Finance).

3. In this first edition, the number of old budget manual paras and budget manual form numbers have been changed. The amended list of paras and forms are separately shown for convenience.

4. Finally, this being the first Budget Manual of the Government of Uttarakhand, I would be grateful for suggestions to bring about further improvements, if any, and also for bringing to our notice any error, inaccuracy or omission for correction in the next edition.

**Finance Department
UTTARAKHAND SACHIVALAYA,
DEHRADUN**

**Radha Raturi
Secretary, Finance
Government of Uttarakhand**

DATE - 01 November, 2012

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BUDGET UTTARAKHAND MANUAL

CHAPTER I

INTRODUCTORY

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

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

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

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

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

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

(See the Uttarakhand Contingency Fund Act, 2001 and the rules framed there under in Appendix IV).

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

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

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

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

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

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

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

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

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

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

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

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

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

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

- (I) Small Savings, Provident Funds, etc.
- (J) Reserve Funds
- (K) Deposits and Advances
- (L) Suspense and Miscellaneous
- (M) Remittances
- (N) Cash Balance

The first three sectors comprise receipts and payments in respect of which the Government act as a banker receiving amount which they afterwards repay and paying out amounts which they subsequently recover. The fourth and the fifth sectors comprise merely adjusting heads under which appear remittances of cash between Treasuries and transfers between different Accounting Circles. The initial debits or credits to the heads in these sectors are cleared eventually by either transfer to the final heads of account or by corresponding receipts or payments.

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

7(A). Sectors and Heads of Accounts -

Classification of transactions in Government Accounts on a function-cum-programme basis was introduced from April 1, 1974. This functional classification had been evolved with the twin objectives of reflecting Government

transaction in terms of functions, programmes and schemes and securing correspondence between accounting classification and Plan Heads of development. To bring about closer correspondence between Plan Schemes and Account Heads, the accounting classification was modified further with effect from April 1, 1987, under which a six tier classification structure incorporating the following was adopted :

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

I. Receipts Heads (Revenue Account)

A. Tax Revenue	B. Non-Tax Revenue	C. Grant-in-aid and Contribution
a. Taxes on Income & Expenditures	a. Fiscal Services	
b. Taxes on Property & Capital Transaction	b. Interest Receipt	
c. Taxes on Commodities & Services	c. Other Non Tax Revenue	
	i. General Services	
	ii Social Services	
	iii Economic Services	

II. PAYMENT HEADS (Revenue Account)

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

(II) Major Heads (comprising Sub-Major Heads wherever necessary) - The Major Heads of Account, falling within the sectors for expenditure heads, generally correspond to functions of Government, such as Agriculture, Education, Medical and Public Health, Social Security and Welfare, etc.

Sub Major Heads represents sub functions of Government such as Elementary education, Secondary education under the Major Head "General Education".

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

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

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

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

The State Government has identified 51 units of appropriation i.e. Standard object of expenditure- Appendix-VII.

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

First Tier	Sector	B- Social Services
	Sub-Sector	(a) Education, Sports, Art & Culture
Second Tier	Major Head	2202-General Education
	Sub-Major Head	01- Elementary Education
Third Tier	Minor Head	800- Other Expenditure
Fourth Tier	Sub-Head	01- Central Plan / Centrally Sponsored Schemes
Fifth Tier	Detailed Head	04-Sarva Shiksha Abhiyan
Sixth Tier	Primary Unit of Appropriation	20- Grant-in-aid.

(B). Coding Pattern -

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

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

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

- 0401 represents the Receipt Head of Crop Husbandry
- 2401 the Revenue Expenditure Head for Crop Husbandry
- 4401 Capital Outlay on Crop Husbandry
- 6401 Loans for Crop Husbandry

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

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

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

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

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

The code for 'Other Expenditure' is '800' while the codes for other grants / other schemes, etc. where minor head 'Other Expenditure' also exists is kept as '600'. This has been done to ensure that the order in which the Minor Heads are codified is not disturbed when new Minor Heads are introduced.

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

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

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

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

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

8. Preparation of the budget estimates and their transmission to the Finance Department - Under the rules made by the Governor for the convenient transaction of the business of the State Government and the instructions issued thereunder, the Finance Department is responsible for the preparation of the annual budget. The budget is prepared on the basis of the material furnished by the departmental officers and the administrative departments of the Secretariat. The Heads of Departments and other estimating officers prepare the estimates for each head of revenue/capital account and loans and advances by the State Govt. with which they are concerned and forward these to the concerned departments of the Secretariat by the prescribed date with a copy to the Accountant General. The administrative departments scrutinise the estimates and send them along with comments thereon to the Finance Department which then examines the estimates who renders such assistance as may be reasonably asked for by the Finance Department. Estimates under certain heads are furnished direct by the administrative departments of the Secretariat and the Accountant General. The budget estimates must be submitted to the Finance Department by the prescribed date. (See Appendix - VI)

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

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

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

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

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

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

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

I - The expenditure should not be prima facie more than the occasion demands. Every government servant should exercise the same vigilance and care in respect of expenditure from public moneys under his control as a person of ordinary prudence would exercise in respect of expenditure of his own money.

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

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

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

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

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

IV - The amount of allowances, such as travelling allowances, granted to meet expenditure of a particular type, should be so regulated that the allowances are not on the whole sources of profit to the recipients.

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

14. Committee on Public Accounts - The Appropriation Act has the effect of determining the objects on which money may be spent from the Consolidated Fund of the State and the amount which can be spent on each object. The amount of expenditure which can be incurred is thus strictly controlled by the Legislature. The extent to which the wishes of the Legislature, as expressed by the demands voted by the Legislative Assembly, are actually complied with is investigated and brought to the notice of the Legislative Assembly by the Committee on Public Accounts. (For the constitution and functions of this Committee, see Appendix - II).

CHAPTER II

DEFINITIONS AND GENERAL EXPLANATIONS

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

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

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

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

(4) **'Appropriation'** - means the amount authorised for expenditure under a major or minor head or sub - head or other unit of appropriation or part of that amount placed at the disposal of a disbursing officer. (The word is also technically used in connection with the provision made in respect of 'charged' expenditure).

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

(6) **'Assembly'** - means the Legislative Assembly, Uttarakhand.

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

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

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

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

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

(i) The emoluments and allowances of the Governor and other expenditure relating to his office.

(ii) The salaries and allowances of the Speaker and the Deputy Speaker of the Legislative Assembly.

(iii) Debt charges for which the State is liable including interest, sinking fund charges and redemption charges, and other expenditure relating to the raising of loans and the service and redemption of debt.

(iv) Expenditure in respect of the salaries and allowances of the Judges of the High Court.

(v) The administrative expenses of the High Court, including all salaries, allowances and pensions payable to or in respect of the officers and servants of the Court.

(vi) Any sums required to satisfy any judgment, decree or award of any court or arbitral tribunal.

(vii) Adjustments in respect of certain expenses and pensions under Article 290 of the Constitution.

(viii) The expenses of the State Public Service Commission including any salaries, allowances and pensions payable to or in respect of the members and the staff of the Commission.

(ix) Any other expenditure declared by the Constitution or by the Legislature of the State by law, to be so charged.

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

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

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

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

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

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

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

(15) 'Demand for Grant' – is a proposal made to the Legislative Assembly on the recommendations of the Governor, for appropriation of sums out of the Consolidated Fund of the State for expenditure on particular service other than that charged.

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

(17) 'Disbursing Officer' - Every Government servant who draws money for disbursement on bills from the treasury is a disbursing officer.

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

(19) 'Excess Grant' - See Section IV of Chapter XIII.

(20) 'Finance Department' - means the Finance Department of the Government of Uttarakhand.

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

(22) 'Guarantee Redemption Fund' – The Guarantee Redemption Fund shall be constituted by the Government of Uttarakhand (herein after called the Government) for meeting its obligations arising out of the Guarantees issued on behalf of State level bodies.

The fund shall be constituted in the Public Account and classified under the head “8222 Sinking Fund- 101 Sinking Fund” in the account of the Government.

The fund shall be utilised for meeting the payment/obligations arising out of the guarantees issued by the Government in respect of bonds issued and other borrowings by the State Level Undertakings or other bodies and invoked by the “beneficiaries”.

(23) 'Government' - means the Government of Uttarakhand.

(24) 'Governor' - means the Governor of Uttarakhand.

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

(26) 'Legislature' - means the Legislature of Uttarakhand.

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

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

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

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

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

(32) 'Resource' - The resource should be economically viable, technically feasible and culturally acceptable.

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

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

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

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

(37) 'State' - means the State of Uttarakhand.

(38) 'Structural Deficit' - A budget deficit that results from a fundamental imbalance in Government receipts and expenditures, as opposed to one based on one-off or short-term factors. A Government budget deficit occurs when a Government spends more than it receives in tax revenue, while a structural deficit is when a budget deficit persists for some time. Structural deficit will eventually pose a problem for any Government leading to high debt to GDP ratio and seriously impair capital investment growth and financial credibility of the country/state

Example- A number of European countries in 2011, such as Greece and Spain, are now facing structural deficits leading to a crisis of confidence regarding their ability to pay off this debt. Structural deficit and rising debt-to-GDP ratio can lead to a crisis of confidence and erode the financial credibility of a country/state.

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

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

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

(42) Vote on Account' - means a grant made in advance by the Legislative Assembly, in pursuance of Article 206(1)(a) the Constitution, in respect of the estimated expenditure for a part of any financial year, pending the completion of the procedure relating to the voting of the demand for grants and the passing of the Appropriation Act. The annual financial statement is generally presented to the Legislature in the month of February and normally the general discussion thereon in the House, the voting of the demands for grants by the Legislative Assembly and the passing of the Appropriation Act are expected to be completed before the end of March, so as to make available the grants and appropriations for the ensuing year right from the commencement of the year. But circumstances may sometimes arise in which this may not be possible. On such occasions demands for advance grants in respect of the estimated expenditure for a part of the year may be presented.

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

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

CHAPTER III

PREPARATION AND SUBMISSION OF DEPARTMENTAL ESTIMATES :

GENERAL RULES AND DIRECTIONS

16. Accuracy of estimates and responsibility therefore - Under the rules made by the Governor for the convenient transaction of the business of the State Government and the instructions issued there under, the Finance Department is responsible for the preparation of the annual budget for which it obtains material from the various departmental officers, etc., and the departments of the secretariat. But the Finance Department is not and cannot be, responsible for the correctness of the material supplied to it. If the material supplied by the departmental officers is defective, the estimates will also be defective and the responsibility then reverts to the officers who supplied the material. It is, therefore, essential that preparation of the departmental estimates should receive the closest personal attention of the estimating officers. The estimates should be framed after a careful and thorough consideration of all items of expenditure and of all sources of income and of every factor likely to affect the actual results. Every care should be taken to ensure that the estimates are as accurate as possible. As Government accounts are maintained in general on a cash basis, the estimates should take into account only such receipts and payments (including those in respect of the arrears of past years) as the estimating officer expects to be actually realised or made during the budget year.

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

Note - All credits and recoveries are, however, excluded from the demands for grants. For the purpose of obtaining the vote of the Legislature on the supply and of authorising the withdrawals of money from the Consolidated Fund, the gross expenditure is invariably taken into account.

18. Rounding - The estimates under each lowest unit should be rounded off to the nearest Rs. 1000. Ordinarily, provisions amounting to Rs. 500 and above will be rounded to Rs. 1000 and those below Rs. 500 omitted except where this has the effect of leaving no provision at all in which case a sum of Rs. 1000 should be provided. This is, however, intended only to simplify budgeting by avoiding meticulous calculations. The sanctions to be accorded after the passing of the budget will be for the actual amounts and not in accordance with rounded figures.

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

20. Proposals involving 'new expenditure' and their timely submission - The departmental estimates referred to above should take cognisance only of what are called 'standing sanctions,' i.e. all revenue based on existing laws, rules or orders and all expenditure incurred by virtue of existing laws, rules or orders. Proposals which involve a reduction or an increase in revenue otherwise than in pursuance of authorised codes, Manuals, Rules or orders and proposals involving 'new expenditure' (See Chapter VII) should be submitted to the Government separately by prescribed date. If a departmental officer feels any doubt whether a particular proposal should be treated as constituting 'new expenditure', he should make a reference to the Government in the administrative department concerned well in advance of the prescribed date. (see Appendix VI)

Proposals relating to 'new expenditure' should be submitted to the Government as and when ready and must not be held up for being submitted towards the last date prescribed, so that the administrative departments of the Secretariat and the Finance Department may have sufficient time to examine each proposal as closely as possible and to call for such further information as may be deemed necessary. It must be clearly understood that any proposal reaching the Finance Department after the prescribed date will not ordinarily be entertained and the responsibility for the inconvenience which may be caused to the public service on that account will attach to the officer or the administrative department concerned who or which failed to take action in time.

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

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

Note 2 - The opening of a sub-head or a detailed head will be approved by the Finance Department with the consent of the Accountant General.

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

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

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

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

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

(d) Actuals for the first six months of the current year.

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

In reviewing or checking the estimates he is expected to take into account all circumstances which are likely to affect the receipts and expenditure of the department concerned, such as transfer adjustments with other Governments and Departments as well as transfer entries between different heads of account which it is usual to make in the accounts of the year to which the estimates relate, e.g. (1) Commuted value of pensions, leave salaries, etc., payable to or recoverable from other Governments or departments, (2) Contributions recoverable for Railway Police, (3) Overpayments and advances of the previous years recoverable during the budget year, (4) Transactions relating to expenditure and receipts from other Government, (5) Distribution of the cost of the Public Works Establishment and Tools and Plant and (6) Annual transfer entries.

CHAPTER IV

INSTRUCTIONS FOR PREPARING DEPARTMENTAL ESTIMATES OF REVENUE AND RECEIPTS

25. In the preparation of the budget the aim is to achieve as close an approximation to the actuals as possible. It is, therefore, essential that not merely should all items of revenue and receipts that can be foreseen be provided but also only so much, and no more, should be provided as is expected to be realised, including past arrears, in the budget year. The following instructions should be carefully observed in preparing the estimates :

- (1) The estimates should be based on the existing rules and rates of taxes, duties, fees, etc. and no increases or reductions in such rates which have not been sanctioned by the Government should be proposed.
- (2) An estimate should show the amounts actually expected to be received during the budget year and those only. The arrears, if any, standing over from past years for collection should be included if there is a reasonable certainty that they would be realised within that year. On the other hand, the estimates should exclude any receipts which, although falling due during the budget year, are not expected to be actually realised within that year.
- (3) In preparing the estimates of the receipts of a fluctuating nature careful attention should be given to all abnormal factors as well as to normal conditions and tendencies as explained below :
 - (a) Circumstances may have arisen in the current year which make it evident that the estimate for that year will be substantially departed from. If this should be the case, any such expected departure from the original estimate for the current year should be taken into account in estimating the probable realisations of the budget year on the basis of the figures of the past three years and the revised estimate for the current year.
 - (b) Events may have occurred in the current year which make it obvious that unusually large arrears will be outstanding for collection in the budget year. Any such addition to the total amount of receipts due for realisation during the coming year should be taken into account in framing the estimates of receipts for that year, but the amount to be included should be that which is expected to be actually realised and the balance should be shown in the 'Remarks' column with reasons in brief.
 - (c) Conditions may have arisen that enable the estimating authorities to forecast some particular effect on the revenue receipts in the coming year, e.g. an irrigation work may have been opened or improved or extended, resulting in an additional income from extra water supply to cultivators. Estimates for increased or additional revenue on these accounts should, however, be proposed only if the estimating authorities are certain about this and full reasons must be given in the budget note.

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

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

(4) The gross transactions should be exhibited in full, unless in any particular case there are definite instructions to the contrary when net receipts may be entered and a brief explanation given in the remarks column.

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

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

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

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

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

CHAPTER V

INSTRUCTIONS FOR PREPARING ESTIMATES OF ORDINARY EXPENDITURE

28. Estimates to be complete and accurate - The estimates of ordinary expenditure are those for the expenditure expected to be incurred in the coming year for the normal working of the departments with reference to existing sanctions. No item constituting 'new expenditure' (See Chapter VII) should, therefore, be included in these estimates. The estimating should be as close and accurate as possible and the provision to be included in respect of each item should be based on what is expected to be actually paid or spent (under proper sanction) during the year, including arrears of past years, and not merely confined to the liabilities pertaining to the year. The need for every item must be fully scrutinised before provision for it is included and the amount should be restricted to the absolute minimum necessary. Even in framing estimates in respect of what are called 'fixed charges' it must be borne in mind that nothing is irrevocably fixed for all times and the position should be brought under review periodically. The various general or specific orders issued by the Government or by the Heads of Departments for economy in expenditure must be carefully borne in mind and complied with. All estimating officers must know that an avoidable extra provision in an estimate is as much a financial irregularity as an excess in the sanctioned expenditure and it can sometimes lead to serious consequences for which the officers found to be at fault may be held personally responsible.

29. Obsolete items to be omitted - The estimates of the current year must never be adopted blindly as a basis for framing those of the following year. There is always a temptation to save trouble by taking the current year's estimates for granted and adding something to certain items on which increased expenditure is foreseen. This tendency is to be strongly deprecated. The estimating officer must give his closest personal attention to each and every item and see that the items of expenditure, which have become obsolete, are omitted. At the same time it is his duty to see that provision for all expenditure that can be reasonably foreseen and does not constitute 'new expenditure' is made in the estimates. Care must, however, be taken that no provision for increased expenditure requiring specific sanction of the competent authority is included unless that sanction has already been obtained and that even in the case of a sanctioned scheme provision is made for only so much of it as can actually be brought into effect in the budget year.

30. Past actuals to be consulted - In preparing the estimates, the average of the actuals of the past three years, as also the revised estimates for the current year, should invariably be kept in sight; not as something that could conveniently be repeated but as a basis for an intelligent anticipation which takes into account any noticeable tendency for the expenditure to rise or decline, any abnormal features during the past years, any recognisable regularity in the pitch of the expenditure and any special features known to be certain or likely to arise during the budget year. When any item of expenditure, although covered by standing sanction, is to be held in abeyance under the orders of the competent authority, provision for it should be omitted. If it is proposed that it should be revived, specific reference to the competent authority should be made well in time and in that case the estimating officer can include the provision in the estimates but he must draw pointed attention to this in his budget note at the appropriate place.

31. Lump provision to be avoided - Lump provisions should not, as a rule, be made in the estimates. In some cases, however, lump provisions become unavoidable. Except when the expenditure out of lump allotments is regulated by standing sanctions, instructions or rules, full explanation in justification of the provisions proposed, with indication of the principal items, should be given in the budget note and the working out of details should be started immediately after the amounts have been finally included in the budget so that there may be no delay in their examination and the issue of sanctions.

32. Estimates for pay and leave salaries - The estimates should be framed on the basis of expenditure required to be incurred in the coming year on account of the pay (including special pay and personal pay but excluding compensatory allowances) of the officers and the staff likely to be on duty and the actual pay to be drawn by each, irrespective of the sanctioned strength. In the case of holders of posts carrying time scales of pay provision should also be made for increments falling due during the year. In the case of a cadre which includes leave or training reserves, the estimate should provide not only for such of its members as are likely to be on duty but also those who are likely to take leave or be under training, but no separate provision should be made on account of leave salaries. In small cadres of gazetted officers provisions for leave salaries need not be made unless it is definite that certain officers will go on leave. Provision for leave salaries in respect of large cadres of gazetted officers and of non-gazetted establishments should not be made on any percentage basis but on the average of the past actual plus such increase for new posts as may be considered necessary. It will be advantageous if information is obtained beforehand as to the number of persons intending to take leave in the budget year, the period for which each intends to take leave and the likely leave salary payable in each case.

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

Keeping in view the objectives of economy and efficiency, the latest technological advances in the office management, communication and mobility of staff as well as changes in the vision and the objectives of the departments, the need of periodic review of the departmental cadre structure and fixing of the productivity and output norms of departmental units cannot be overemphasized. Ideally departmental structures should undergo a cadre review at least once in five year with a view to reduce unnecessary flab and after taking into account improvements in technology and productivity.

Certain Cadres within the departments may have outlived their utility or are performing functions which are no longer relevant in view of changing of technology or departmental objectives or can be more efficiently procured by way of outsourcing from the open market. It is expected that departments will seriously undertake an exercise to comprehensively review the staff structure once every five year and reduce excess manpower in keeping the overall objective of ensuring economy in expenditure and minimizing financial burden under the head of salary and allowances.

33. Numerical strength and pay scales to be indicated - The number of posts budgeted for in the current year and those for which provision has been proposed for next year in the estimates should be clearly indicated. The scales of pay should also be indicated, but it will be sufficient if only the minimum and the maximum pay is shown instead of the full scale. In the case of temporary posts, provisions should be made only for the continuance of such posts as are definitely required to be retained and for the period for which they will actually be required. The number and date of the orders by which each post was created or last retained should invariably be quoted for reference.

If any post has remained vacant continuously for last three years, it would be a valid presumption that the department has no requirement of that post and such post may not be continued.

34. Provision for pay and fixed allowances for March to be made in the budget of the following year - The pay, leave salary and fixed allowances of a government servant for a month become due only at the end of the month. Provision for them for the month of March should, therefore, be made in the budget estimates of the following financial year.

35. Compensatory Allowances and Honoraria - In the case of fixed allowances the estimates should be based on the sanctioned rates and after making actual calculations of amounts to be drawn by the incumbents of the various posts in the budget year and after taking into account changes, if any, in the rates due to increase in pay on accrual of annual increments. The estimates for fluctuating items should generally be based on the current year's allotment viewed in the light of the average of the past three years' actuals, allowance being made for any causes likely to modify that figure. Particular care should be taken to see that the estimate for traveling allowance (other than fixed traveling allowance) is restricted to the absolute minimum amount necessary. Unless full and convincing reasons have been given in the budget note, all increases proposed by the estimating officers are liable to be cut down by the Finance Department.

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

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

statements, such as 'normal growth of expenditure' or 'normal expansion of the scheme' will not be accepted. The reasons must be precise and the estimates supported by details and past actuals.

38. Provision for payment of decretal amounts or awards by arbitral tribunals, etc. - As stated in para 15 (10) (vi) of Chapter II, expenditure on payments made in satisfaction of any judgement, decree or award of any court or arbitral tribunal is to be treated as charged on the Consolidated Fund of the State. Provision for such expenditure should, therefore, be made under a separate sub head, "Payments in satisfaction of decrees of courts, awards of arbitral tribunals, etc. (Charged)" under specific head of accounts. However, the expenditure should be charged to the project / scheme / service concerned. As re-appropriation between charged and voted provisions is not permissible, it is necessary that the charged provision should be restricted to the absolute minimum, additional funds being arranged later, if required, through the supplementary estimates. In emergent cases advances can be obtained from the Uttarakhand Contingency Fund to be recouped by presentation of supplementary demands at the earliest opportunity.

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

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

38-B. FRBM Targets – Since the compliance of FRBM Act is mandatory and any breach of the FRBM Targets may lead to higher borrowings and thereby causing a situation of debt unsustainability apart from withholding the Finance Commission Grants etc., it is imperative that the Budget estimates should always be in conformity of the FRBM objectives/targets.

CHAPTER VI

REVISED ESTIMATES

39. General observations - The revised estimate is an estimate of the probable receipts or expenditure for a financial year, framed in the course of that year, with reference to the transactions already recorded and anticipation for the remainder of the year in the light of the orders already issued or contemplated to be issued or any other relevant facts. It does not authorise any expenditure, nor does it supersede the budget estimate as the basis for regulation of the expenditure. If an excess is anticipated in the revised estimate under any particular head of account, it is necessary for controlling authority to apply separately in proper time for additional funds required, unless the excess can be met by re-appropriation of savings from other heads or has already been sanctioned by the competent authority. On the other hand, if the figure taken for the revised estimate is less, it is the duty of the controlling officer to see that as far as possible the expenditure during the remaining part of the year is so restricted that the total expenditure for the year does not exceed that figure. The savings may be due to one or more of the following causes :

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

It is essential that the revised estimates should be prepared with great care, so that they may approximate as closely as possible to the actuals which will not be available for some months after the close of the financial year. These estimates, besides enabling the Government to arrive at the approximate closing balance of the current year (which will be the opening balance of the next year) are prima facie the best guide to the next year's estimates.

40. A revised estimate is based on :

- (i) ascertained actuals of the past months of a financial year, and
- (ii) an estimate of the probable figure for the remaining months of that year.

The figure for (i) above being definitely known, it is only that for (ii) which has to be estimated and in doing so the actuals for the same period during previous years, chiefly those of the preceding year, should be the main guide, due allowance being made for any exceptional factors or unusual characteristics which may have affected the actuals of the last preceding year or which may affect those of the current year. If the revised figure differs appreciably from the previous year's figure, the reason or reasons for the variation should be clearly explained. Also, if any special factors have affected the figure for (i) above, this should be mentioned and it should be explained whether or not they are likely to continue throughout the year. The usual adjustments with other Governments and departments, etc. which take place during and after the close of the year should be duly taken into account when framing the revised estimates.

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

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

The Heads of Departments and other estimating officers should use their discretion and adopt one or other of the above methods or any other suitable method for each particular case in the light of the actual trend of revenue or expenditure during the previous years, due allowance being made for any abnormal features in those years and for factors which may modify the realisation of original expectations. It would always be of advantage to base the forecast on a careful study of the figures of three years immediately preceding rather than those of a single year.

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

be submitted. It is essential that the statement is prepared with the utmost care, as inaccurate statements may at times have serious repercussions.

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

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

- (a) registers of actuals of revenue and expenditure maintained by it for the purpose :
- (b) rough preliminary estimates furnished by the Accountant General in appropriate column of the budget form showing estimates of various departmental budgets for the next year;
- (c) the preliminary statements of anticipated excesses and savings in expenditure submitted by officers (vide para. 42 above); and
- (d) the revised estimates in respect of different heads furnished by the administrative departments concerned .

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

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

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

CHAPTER VII

NEW EXPENDITURE

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

47. There is no authoritative definition of the term "new service" occurring in the Constitution [Clause (1) of Article 205 (a)]. However, a working arrangement has been arrived at, under which the term "new service", though undefined, has been taken as synonymous with term "new expenditure". It is also not possible to define rigidly the term "new expenditure" and in actual practice based on convention it bears a wide interpretation. Broadly speaking, expenditure involved on a new scheme, in the adoption of a new policy, provision of a new facility, or any substantial alteration in character or extent of an existing facility, will normally be treated as constituting "new expenditure". In some cases, increase in expenditure, other than increase due to normal growth or rise in the price of commodities, on the extension or development of an existing scheme or facility, is also, where it is appreciable, treated as "new expenditure".

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

(1) (i) Increases, etc., in staff-

a) Creation of post, whether as addition to the existing cadres or otherwise, unless (such posts form part of schemes falling under starting of new schemes or undertakings and starting of additional schemes or undertakings similar to strengthening, reorganisation, modernisation extension to those already existing if the initial total cost as prescribed by finance Department from time to time involved exceeds Rs. 25 lac recurring or Rs 1.00 crore non-recurring.

b) Revival of posts which were retrenched with the cognizance of the Legislature.

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

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

Explanation - (2) Where provision for an existing service has been made either in the Revenue, Capital or Loan section and it is proposed to change the character of service by transferring it from the existing section to any other section, it will require prior approval of the Legislature.

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

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

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

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

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

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

(8) Purchase of equipment where the cost of individual item exceeds Rs. 5 lakh.

Explanation - Replacement of equipment will not be treated as new expenditure irrespective of the amount of individual item subject to the completion of its normal life.

8(a) Purchase of vehicle

Explanation – Replacement of vehicle will not be treated as new expenditure.

(9) Alienation/ transfer of Government assets

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

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

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

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

Explanation - (1) Employment of additional staff or provision of service for normal increase of work involving no change in policy or the sanction of new scheme, shall not be treated an item of new expenditure.

Explanation - (2) Expenditure on purchase of arms and ammunition against the indent approved by the Home Department where the expenditure is within the budget provision irrespective of the cost of individual item shall not be treated an item of new expenditure.

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

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

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

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

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

(16) All ongoing schemes both under Plan and Non Plan where expenditure is more than five crores per year and which have been running since last five years should be evaluated through Planning Department.

(17) If any post is vacant since last three years and no steps have been taken by the department to fill the post, it would ordinarily be deemed to be abolished and the fresh proposal should be proposed for that post through SND.

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

49. Every proposal or scheme involving new expenditure must be explained as fully and concisely as possible and its financial implications, both immediate and ultimate, as also the physical target clearly brought out. It should also be explained and shown distinctly whether the proposal forms a part of the development programme included in the Five Year Plan, and, if so, yearly allocation and ceiling fixed under the Plan should be specified. The estimates of cost should show the recurring and the non-recurring expenditure separately, by the major and minor heads, sub-heads, detailed heads and primary units of account. In the case of recurring expenditure and of non-recurring expenditure proposed to be spread over a series of years, the estimates for each year should be given. If any assistance in the shape of loans, grants, contributions or donations or any other receipts or recoveries are expected, details thereof for each year should be given and the heads of account to which they will be creditable or taken in reduction of expenditure indicated. Necessary details should be given as in Annexure-A to this chapter.

50. In framing the estimates of cost, the date from which a new scheme is likely to be introduced and whether it will be introduced in full from the beginning or by stages must be carefully considered. Account should be taken of any administrative or other difficulties likely to be encountered and the time likely to be taken in the various sanctioning

processes. In brief, only so much should be provided in the estimates as will actually be spent in a particular year. In the case of schemes to be taken up by stages or under a phased programme, the different stages and the expenditure expected to be incurred and the income anticipated, if any, at each stage should be indicated.

51. Schemes relating to engineering projects or works must be accompanied by preliminary plans and approximate estimates. In the case of buildings, the number and dimensions of the various types of rooms proposed to be constructed and the basis for providing accommodation should be clearly explained. The Finance Department may decline to make provision in the budget for any project or work for which the administrative approval of the competent authority has not been obtained. The total estimated cost of the project, the time likely to be required for its completion and the expenditure to be incurred each year should be stated in every case after consulting the agency to whom the execution of the project is to be entrusted. It has to be borne in mind that even after provision has been made in the budget on the basis of preliminary plans and approximate estimates, time is required for preparing detailed plans and estimates and according necessary sanctions, inviting tenders and settling contracts. In many cases land has to be acquired under the Land Acquisition Act which takes time. Sometimes seasonal conditions and scarcity of labour or of building materials in the market also delay the start or the progress of a work. All relevant factors should be carefully taken into account. If as a result of the construction of new buildings any of the existing buildings are likely to be rendered surplus, it should be indicated how they are proposed to be utilised.

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

53. Proposals relating to sanction of loans or grants-in-aid to local bodies and other non-Government institutions, corporations, private parties and individuals, etc., should not be submitted to the Government until the admissibility of the loan or the grant-in-aid applied for in each case has been fully examined with reference to any existing rules or orders or approved schemes. If the loan or the grant-in-aid applied for is for a new scheme or for expansion of an existing scheme, it is necessary to satisfy that full details have been worked out and have received the approval of the competent authority. Proper assessment of the latest financial position of the party concerned is absolutely necessary to determine whether (i) Government aid is really called for; (ii) the balance of the expenditure, if any, can be met by the party concerned from its own resources; and (iii) there is likely to be any difficulty in effecting recovery of the loan proposed to be granted and the interest thereon. Such terms and conditions to be attached to the proposed loan or grant-in-aid should be clearly mentioned.

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

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

55. In all cases in which purchase of articles from outside India is involved, the name of the foreign country and the currency in which payment will be made should be stated, it being also indicated whether or not supplies have been assured when required in the event of firm orders being placed.

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

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

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

58. It must be carefully understood that the acceptance by the Finance Department of a proposal, item, or scheme of new expenditure does not constitute any authority for the incurring of any liability in connection therewith until necessary provision has been included in the Appropriation Act and the competent authority has sanctioned the incurring of the expenditure in each case.

59. The instructions contained in the preceding paragraphs should be borne in mind also while dealing with proposals for new expenditure arising in the course of the current year for which provision is required to be made through supplementary estimates.

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

1. Is it very necessary to implement the scheme/ programme by the State Government given its limited resources?
2. Can the proposed scheme/ programme be implemented through PPP (Public Private Partnership)? If not, give the justification.
3. Can the proposed scheme/ programme be not implemented by a non-government organization? If the scheme can be implemented by incurring less expenditure (that is, by giving grant-in-aid to a non-government organization) by a private/ non-government organization, it will reduce the burden of expenditure on the State Government.
4. The cost-benefit analysis of the proposed scheme/ programme be carried out also keeping in view the extent to which the proposed expenditure will result in economic/ social benefits.
5. Can the proposed scheme/ programme be taken up without incurring any additional expenditure by terminating some continuing scheme/ schemes?
6. What percent of the recurring expenditure on the proposed scheme/ programme is on establishment? How much expenditure on the capital side is estimated on the creation of assets and the basis thereof? Has the cost of the scheme been determined on the basis of some standards?
7. The departments should carry out "Zero-base review" of continuing schemes to ensure that items that have become irrelevant are not included. The departments should list savings thus estimated.
8. Have the projects/ schemes been prioritized, and whether such projects / schemes are proposed to be included in the budget as are financially and economically viable and which entail better returns? It is essential to avoid excessive multiplicity of schemes with same or similar objectives in the budget so that the resources are not thinly spread over such schemes. Such schemes may be dovetailed. (See para-176)
9. The concept of "Value for Money" should be borne in mind while assessing schemes.

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

Department Financial Year

Grant No. and Name

Designation of controlling officer.....

Designation of HOD.....

Plan/ Non-Plan
(Amount in thousand rupees)

(A) Statement of Proposal		
1. Name of the Scheme	:	
2. Description of the Scheme and its Objects	:	
3. Justification for the Scheme and the details of the alternatives considered	:	
4. (i) Description of the manner in which the scheme is proposed to be implemented including the mention of the agency through which the Scheme will be executed	:	
(ii) Time schedule of the Programme and target date of completion	:	
(B) Financial Implications of the Proposal	:	
5. Total expenditure involved (Recurring and non-recurring to be shown separately), its broad item-wise details and year-wise phasing : Share of establishment expenditure in the total recurring expenditure be indicated (in percentage).	:	
6. If the creation of posts is required, the number of posts (Statement of pay-scales and staffing norms be attached).	:	
7. If the expenditure is on works; the broad details thereof, their justification and basis of estimates. Year-wise estimated expenditure on maintenance subsequent to the completion of work or/ and subsequent to the expiry of warrantee period (if any) on equipment / machines.	:	
8. Sources of Funds for the Scheme -		
(i) Central Plan/ Centrally Sponsored Schemes (mention state share if any) - Financing pattern be clearly mentioned. Position of funds receivable/ received from the Centre be clarified.		
(ii) Schemes funded by various Financial Institutions - Details be given according to (i) above (mention state share if any)		
(iii) State sectors scheme		
(iv) Others - Details of funds expected to be received for the scheme through dovetailing by convergence with a view to optimum utilization of the resources. (In case of the Scheme being a Central Scheme/ Centrally Sponsored Scheme or funded by a Financial Institution, the Central share or the share of the Financial Institution and the State share be given clearly)		
9. Details of year-wise liabilities against the estimated cost of remaining works (including land-building, furnishings, machines, equipment, vehicle etc) of different programmes / projects / schemes be given in prescribed form. (Consolidated year-wise details can be given in Form B.M.-12A in respect of the works / schemes costing upto Rs. five crore, but individual works / schemes of more than Rs. five crore should be shown separately in Form B.M.-12B).		

10. Other details required under the provisions of the Chapters - VII and XVII of the Uttarakhand Budget Manual.		
11. Classification of the proposed budget estimate according to Heads of Account- (It should be clearly mentioned whether the proposed provision is for both, the Central share the share of the financial institution and the State share or for State share only)		
Revenue Expenditure	:
	:
Total Revenue Expenditure	:
Capital Expenditure	:
	:
Total Capital Expenditure	:
12. Other Related Details		

(C) Supplementary information, if any		
(D) Points on which decision/ sanction are sought		

Name of Section

File No.

Date

Signature

Principal Secretary/ Secretary of the
Administrative Department

CHAPTER VIII

PREPARATION OF THE ESTIMATES AND THE BUDGET BY THE FINANCE DEPARTMENT

60. Finance Department's responsibility for preparing the Budget : Under the rules made by the Governor under Article 166 (2) and (3) of the Constitution and the instructions issued thereunder, the Finance Department has been charged with the responsibility to prepare a statement of estimated revenue and expenditure, to be laid before the Legislature in each year. Although the material is supplied by the Heads of Departments and other estimating officers, the actual preparation of the estimates and the budget thus falls upon the Finance Department and it is solely the business and responsibility of that department to settle the estimates of receipts and disbursements.

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

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

63. In respect of the estimates of disbursements the Finance Department will direct the closest scrutiny to the items relating to fluctuating and non-recurring charges. It is only in rare instance that it should be necessary for the Finance Department to make any modification in the estimates of recurring charges proper; it will nevertheless particularly examine the estimates under primary units related to salary, and if necessary, modify them on the basis of actual of previous year. The Finance Department will scrutinise the estimates of fluctuating charges, item by item, and will exercise any increases which are not adequately or satisfactorily explained. It will further scrutinise items in respect of which no increase is proposed, with the object of effecting any legitimate reduction which can be made. It will similarly scrutinise the estimates of non-recurring charges, exercising any amounts which are not covered by sanction and eliminating or reducing the estimates for the forthcoming year where there is no reasonable certainty that the amount estimated will be spent. It will also scrutinise and make such corrections as are necessary in the classification of receipts and disbursements (i) under the various major heads, minor heads and primary units of appropriation and (ii) under –

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

64. Enquiries by the Finance Department to be attended to promptly : In the course of the examination of the estimates, the Finance Department may find that in respect of particular items further explanations or clarifications, etc., are necessary before the estimates can be settled. The necessity of such further information being supplied to it with the least possible delay needs no emphasis. The Finance Department will normally address their inquiries to the administrative departments concerned of the Secretariat and the latter will furnish the required information after consulting their Heads of Departments, etc., where necessary. In cases where it is clear that the details will have to be obtained from the Heads of Departments and other estimating officers, the Finance Department may address their inquiries direct to the officers concerned and send a copy to the administrative departments concerned. Final action will, however, ordinarily be taken by the Finance Department only on the basis of the report received from the administrative department which should be full and clear. The required information must be furnished to the Finance Department within the time allotted for the purpose, failing which the Finance Department will finalise the estimates at its own discretion and the responsibility for any incorrectness of the estimates will ultimately devolve on the officers of the administrative departments concerned.

65. Compilation of Detailed Estimates by the Finance Department : As a result of its scrutiny of each departmental estimate the Finance Department will adopt figures for each item included in the estimate and will cause the estimate as so adopted to be compiled in the form it appears in the Detailed Estimates. The Finance Department may, if it considers necessary, send either before or after its scrutiny, any departmental estimate to the Secretary of the administrative department concerned either for information or to enable him to clear up any doubtful point. It must, however, be clearly understood that this is not obligatory and it is for the Secretary concerned to go through each departmental estimate received from the estimating officer before it is sent to the Finance Department.

66. Further scrutiny and submission of the estimates to the Cabinet : When all the departmental estimates have been settled and detailed estimates are complete in all respects, the Finance Department will re-examine the estimates as a whole and will make such changes as may be found to be necessary due, for example, to overall unsatisfactory financial position or modification of the contemplated loan programme or any other financial factor affecting the estimates. A preliminary note by the Finance Secretary, based on the figures in the consolidated estimates, together with the schedule of new expenditure and the connected explanatory notes, shall then be placed by the Finance Department before the Cabinet ordinarily in the second week of January. The Cabinet may then consider questions of policy arising from the budget, such as fresh taxation, floatation of loans in the market and select, with reference to the funds available, the new items which are to be included in the budget. The amounts for items thus selected shall be added under the appropriate demands for grants in the detailed estimates to be presented to the Legislature. Other decisions taken by the Government affecting those estimates will also be incorporated therein. The Budget is then ripe for presentation to the Legislative Assembly.

67. Last stage modification : The Finance Department may, at any stage before the budget is presented to the Legislature, make such modifications in the estimates as may be necessitated by the emergence or the discovery of factors disturbing the estimates so far framed. Such action is incumbent on the Finance Department in the fulfilment of its responsibility to present the estimates as correctly as possible.

CHAPTER IX

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

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

Volume I – The Finance Minister's budget speech.

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

- (1) Introduction to the Budget
- (2) Review of Financial Position
- (3) Statement of Receipts into the Consolidated Fund
- (4) Expenditure to be made from the Consolidated Fund
- (5) Contingency Fund and the Public Account
- (6) Grant wise Statement of Gross and Net Expenditure
- (7) A statement on recent economic trends and future prospectus for growth and development affecting fiscal position of the State Government to be presented under the provision of the Uttarakhand Fiscal Responsibility and Budget Management Act 2005.

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

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

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

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

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

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

69. Procedure for presentation to and Disposal of the Budget by the Legislative Assembly - The procedure for the presentation of the Budget to the Legislative Assembly and for its disposal is regulated under the Uttarakhand Procedure and Conduct of Business Rules, 2005.

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

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

71. The Budget is presented to the Legislative Assembly ordinarily in the second half of February or early in March. In presenting the budget the Finance Minister makes a speech in the Legislative Assembly explaining the salient features of the budget and Government policies.

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

73. After the general discussion is over, the voting on the demands for grants is taken up in the Legislative Assembly in accordance with the programme approved by the Speaker. A demand for grant is a proposal made, on the recommendation of the Governor, for the appropriation of funds for expenditure to be met from the Consolidated Fund of the State, other than that charged. The amounts required for charged expenditure are shown separately (generally in italics) and are not subject to vote but can nevertheless be discussed. There is usually one demand for grant in respect of each department, but the Finance Minister may include in any one demand grants proposed for two or more departments or make a demand for grant in respect of expenditure which cannot readily be classified under particular departments. Each demand for grant contains first a statement of the total amount required, followed with details arranged by Major Head(s) and Sub-Major Heads, Minor Heads, Sub-Heads, Detailed Heads and Primary Units of Appropriation. The demand is moved by the Minister in-charge of the subject or department or some one deputising for him. The Legislative Assembly has power to assent, or to refuse to assent, to any demand, or to assent to any demand subject to reduction of the amount specified therein. Motions can be moved to reduce or omit any grant but not to increase or alter the destination of a grant. Notice of such motions is to be given not less than two days before the day appointed for the discussion of the demand for the grant concerned, unless otherwise directed by the Speaker. Every such motion must be accompanied by a brief note explaining in precise terms the purpose of the intended motion.

74. Appropriation Bill - After the voting on all the demands for grants has been completed, an Appropriation Bill is introduced to provide for the appropriation out of the Consolidated Fund of the State of all moneys required to meet (a) the grants made by the Assembly and (b) the expenditure charged on the Consolidated Fund but not exceeding in any case the amount shown in the statement previously laid before the Legislative Assembly. The Governor's assent to the Bill is thereafter obtained; and when that has been given, the amounts shown in the Act assented to by the Governor and the Schedule thereto become the sanctioned grants for expenditure under the various demands.

CHAPTER X

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

75. Communication of grants - As soon as the demands for grants included in the Annual Financial Statement have been voted by the Legislative Assembly and the payment from and the appropriation out of the Consolidated Fund of the State of the sums voted by the Assembly and the sums charged on that Fund have also been authorised by means of an Appropriation Act, the Finance Department will intimate the same to all the administrative departments of the Secretariat indicating at the same time whether the demands have been voted in toto, or whether any amounts have been omitted or reduced by the Assembly, either through substantive or token cuts and the purpose or object underlying each such cut. The administrative departments will be responsible for taking necessary action immediately for communication of budget allotments to various Heads of Departments and other controlling officers under them. The allotments placed at the disposal of each such officer for expenditure, whether voted or charged, will be intimated by the administrative departments to the Accountant General also. The controlling officers or the Heads of Departments, as the case may be, and the administrative departments concerned of the Secretariat shall be responsible to ensure that the expenditure is kept strictly within the authorised appropriation; and where cuts have been made by the Assembly in the demands, to ensure that the purpose or object underlying the cuts is duly fulfilled. They should carefully remember that it is not permissible to increase or provide for expenditure on any item the provision for which has been specifically reduced or disapproved by the Assembly through a substantive or a token cut.

The administrative departments will also ensure that the new items of expenditure for which provision has been included in the budget as passed by the Legislature are sanctioned by them as soon as possible. The orders will be issued with the concurrence of the Finance Department, except where the Finance Department may have delegated the necessary financial powers to the administrative departments. A copy of each such order should be sent to the Accountant General and the Finance Department.

76. Matter to be brought to the notice of the Accountant General - The Finance Department will supply copies of the Budget Literature to the Accountant General and while doing so will communicate to him cases in which, on a demand being presented to it, the Assembly has declined to provide funds for expenditure on a particular purpose. The Finance Department will also bring to the notice of the Accountant General any resolution or other motion which has been passed by the Assembly expressing direct disapproval of an expenditure on a specified purpose.

77. Distribution of grants by Controlling Officers - The Heads of Departments and other controlling officers may distribute either the whole or a portion of the grants placed at their disposal among the disbursing officers concerned who are subordinate to them in such manner as they may deem fit. In the case of supplies relating to the estimates which are consolidated by certain departments of the Secretariat, the necessary distribution of the grants amongst the various officers concerned will be made by those departments.

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

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

Note (2) - In respect of such items of expenditure as dietary charges in Jails, annual contributions, purchase of arms and ammunitions for the police force, purchase of uniforms, expenditure on special repairs and petty works, etc., which do not occur every month, the Controlling Officer has full discretion to decide whether he will distribute the grant or retain the full appropriation under his own control, requiring disbursing officers who wish to spend money against it to apply to him for special allotment as and when the need arises.

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

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

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

Provided that where the total amount of the project / scheme or of the service does not exceed Rs. one crore, the approval of the Minister concerned shall be obtained and *in such cases* the approval of the Minister of Finance and the Chief Minister shall not be necessary.

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

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

The administrative departments should submit a work wise detailed annual report to Finance Department by 30th April of the ensuing year stating how the lump provisions were utilised. (in BM form- 15)

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

CHAPTER XI

WATCHING THE PROGRESS OF REVENUE AND RECEIPTS

81. Government dues to be assessed and realised regularly and promptly - Subject to any special arrangement that may be authorised by Government with respect to any particular class of receipts, it is the duty of the departmental Controlling Officers to see that all sums due to Government are regularly and promptly assessed, realised and duly credited into the Government account. The Controlling Officers should accordingly arrange to obtain from their subordinates monthly accounts and returns in suitable form claiming credit for so much paid into the treasury or otherwise accounted for and compare these with the statements of treasury credits furnished by the Accountant General, to see that the amounts reported as collected have been duly credited to Government account. (List of controlling officers is given in Volume-V of the Budget Literature)

If wrong credits come to the notice of the Controlling Officers, they should at once inform the Accountant General with a view to correction of the accounts. If any credits are claimed but not found in the accounts, inquiry should be made first of the responsible departmental officer concerned. Where departmental registers are not maintained under the departmental rules, the heads of offices must make their own arrangement within the office to ensure the correct and complete report of receipts.

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

(i) It is essential that the departmental controlling officer's account should not be compiled from returns prepared by the treasury. But the treasury officer is in some cases required to verify returns for submission to departmental controlling officers.

(ii) The amounts collected should at once be deposited into the treasury and in order to minimise chances of discrepancies between the treasury figures and the departmental figures, the challans with which money is remitted to or deposited into the treasury should bear full and correct classification of account and duly reconciled.

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

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

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

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

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

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

86. Inter departmental adjustments - To ensure that all periodical adjustments between the various departments of the Government are properly and promptly made, the Accountant General should maintain records showing (1) all periodical adjustments that are usually required to be made, (2) the month's accounts in which the adjustments should be made, and (3) the actual date of adjustment, and should take steps to ensure that as far as possible all adjustments are made before the close of the final accounts of the year.

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

CHAPTER XII

WATCHING OF ACTUALS AND CONTROL OVER EXPENDITURE AGAINST BUDGET

88. General Responsibilities of the Finance Department and the Accountant General - Under the rules made by the Governor under Article 166 (2) and (3) of the Constitution, the Finance Department is responsible for watching the Government's balances and their ways and means operations. The Accountant General is, therefore, required to furnish to the Finance Department a monthly account of the Government transactions in Form B.M. 14 by the 25th of the following month; and also a monthly grant-wise account (in 15 digit code) of expenditure.

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

89. Book adjustments and maintenance of liability register - It is necessary that all book adjustments are properly and promptly carried out. In regard to the adjustments which are to be made periodically or annually, the Accountant General maintains a record showing (i) all such adjustments, (ii) the month in the accounts of which they are to be made, and (iii) the actual dates of adjustments, and see that all such adjustments are so made. He also makes other adjustment in respect of debits which are received by him supported by the acceptance on invoices or which he has already been asked by the departmental officers concerned to accept without any further reference to them. Other adjustments should, however, be carried out by him only on receipt of intimation of acceptance of debits by the controlling or disbursing officers concerned. He should send timely intimation of the receipt of advices of such debits to the officers concerned. It must be clearly understood that it is not open to a controlling or a disbursing officer to incur expenditure or authorise payments in excess of the amounts provided in the Appropriation Acts. If inevitable payments for which no appropriation exists have to be made, Government in the administrative department concerned should be moved beforehand to provide for funds for these if necessary, by sanctioning an advance from the Contingency Fund.

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

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

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

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

90. Responsibility of the Administrative Departments and the Heads of Departments etc. - The authority administering a grant is responsible for watching the progress of expenditure under its control and for keeping it within the sanctioned grant or appropriation. In order that the control of departments over the expenditure may be effective and real and the controlling officers may be in a position from month to month to estimate the likelihood of savings and excesses in grants and appropriations, the procedure mentioned and the instructions contained in the preceding and the following paragraphs of this Chapter should be carefully observed by all departments and controlling and disbursing officers, except where the Finance Department may have agreed in writing to some other procedure. The Heads of Departments will be responsible for controlling expenditure from the grant or grants or charged appropriations placed at their disposal and will exercise control through the controlling officers, if any, and the disbursing officers subordinate to them. Such control must be exercised with reference to the grants or charged appropriations as they stand from time to time. While keeping himself posted with the progress of expenditure under different units of appropriation, a controlling officer should also keep a clear record of all commitments made and liabilities incurred, including those of the previous years. Similar record should also be kept in respect of works taken up on behalf of the Central Government, other State Governments and local or other bodies, etc. He should keep himself informed of any special circumstances which are likely to affect the progress of expenditure during the remaining part of the year and should take action in proper time for obtaining additional funds where necessary.

91. Re-examination of expenditure programme with reference to the sanctioned grants - As soon as the grants have been communicated by the administrative departments to the Heads of Departments, etc., the first duty of

these officers is to compare carefully the amounts actually provided for expenditure in these grants with the amounts which had been proposed in the departmental estimates. A note must be taken at once of all reductions made under various units of appropriation and ways and means devised, right at the beginning of the year, to ensure that the expenditure is restricted to the amounts actually provided. Reductions are mostly made to enforce economy in expenditure. It would be improper on the part of the administrative departments and their subordinate officers to start incurring expenditure without first carefully re-examining the position with reference to the amounts actually provided.

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

- (i) to ensure that the grant placed at his disposal is expended only on the objects for which it has been provided, keeping in view the standards of financial propriety [see para 12 (iii) of Chapter I];
- (ii) to keep the expenditure within the sanctioned grant;
- (iii) to keep the expenditure under a particular unit of appropriation within the sum allotted to him under that unit, and, where this is not possible, to meet the excess by effecting saving in the sums allotted to him under other units through re-appropriations, in accordance with the rules contained in Chapter XIII;
- (iv) to move the competent authority, in proper time, to provide additional funds, either by re-appropriation or through supplementary estimates, whenever an excess over the total grant placed at his disposal is expected by him as unavoidable or when he desires to incur some new expenditure;
- (v) to surrender appropriations or portions thereof which are not likely to be required during the year as soon as lapses or savings are foreseen;
- (vi) to ensure the observance by himself and his subordinates of all financial rules and regulations.

93. Responsibilities of disbursing officers - The responsibilities mentioned above of a controlling officer attach equally to a disbursing officer. In addition, a disbursing officer must ensure that the conditions preliminary to the incurring of expenditure are satisfied, namely, that the sanction of the competent authority exists and funds to cover the charge fully have been placed at his disposal. The probability of any excess expenditure over the amounts allotted must be foreseen by him and intimation of the likely excess, along with reason for this, should be sent to the controlling officer concerned in sufficient time to enable the latter to arrange additional funds if these are to be allotted at all.

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

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

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

95. Appropriation, its meaning and operation - It will be noted that an appropriation is intended to cover all charges, including any outstanding liabilities of past years to be paid during the current year or to be adjusted in the account of that year. When a provision is originally proposed in the departmental estimate, or when an application is made subsequently, in the course of the year, for additional appropriation, the amount asked for should , therefore, be inclusive of all anticipated liabilities. An appropriation is operative until the close of the financial year when any unspent balance lapses and is thus not available for utilisation in the following year.

The accounts of each financial year are, however, kept open till June of the following year so that, as far as possible, all the transactions of the year may be entered in the accounts of the year. If it is not possible for any expenditure to be booked in the accounts of the year to which it relates owing to the fact that the actual incidence thereof is under dispute, it ought to be charged to the accounts of the year in which the final decision is taken.

96. General system of control - To facilitate control, departmental accounts are maintained by controlling officers and the progressive actuals are verified every month with those entered in the books of the Accountant General, except in the case of the departments and the account heads mentioned in paras 113-114 infra the control over expenditure on which is based on the progress of actuals as reported by the Accountant General.

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

97. Maintenance of register of allotment and expenditure by disbursing officers - Each disbursing officer will maintain a register of expenditure under each detailed head of account with which he is concerned in Form B.M. 4. Separate registers should be maintained for the Plan and non-Plan expenditure. The allotments communicated by the controlling officer at the beginning of the year will be noted in this register in red ink under each detailed head. Should the allotment against any standard object be increased or reduced by the controlling officer subsequently, the amount of the allotment will be corrected in the register by plus or minus entry in red ink. Should a disbursing officer receive information from his controlling officer that any particular items have been misclassified, he will correct the accounts of expenditure and the available balances of the allotments by means of plus or minus entries in red ink. In the register the details of each bill cashed at the treasury under the appropriate standard object together with the number and date of each voucher on which money has been drawn will also be entered by the disbursing officer. The number and date of each voucher will be known from the reconciliation statement (B.M.-5) downloaded from the website ekosh.uk.gov.in. At the end of each month the expenditure against each standard object will be totalled. The total expenditure will, at the same time, be deducted from the allotment shown in relevant column of the register in Form BM 4 and the balance brought forward to the account of the next month.

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

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

99. Grants-in-aid and contributions : Unless in any case the Government direct otherwise, all bills for grants-in-aid and contributions are prepared and vouched for by the grantees and presented for payment through some responsible Government Officer after they have been countersigned by him. The Treasury officer shall refuse payment of all bills which do not bear the signature or countersignature of the sanctioning authority or such other Government officer as may be nominated by government in this behalf provided that when the sanction of Government is communicated in the form of an express order to the Accountant General to make the payment, the Accountant General may authorise the payment of the bill without requiring the signature or countersignature of a government officer. This procedure will not, however, apply to the cases wherein the grants are paid by cheque or by transfer to the account of the grantee or in cash through a responsible government officer after the amount of the grant has been drawn on a bill by the officer himself. The officer who is authorised to sign such bill must reconcile the draws from the treasury and send it to controlling officer or administrative department like any other voucher being shown in the register in Form B.M. 4.

100. Prompt availability of reconciliation statement - The submission of monthly statements of expenditure by the disbursing officer to the controlling officer and by the latter to the Accountant General, prescribed in the subsequent paragraphs, should not, however, in any case be delayed. The disbursing officer should promptly inform the Treasury Officer about the missing draws (with Vr. no. & date) if any.

The above instructions must carefully be noted and strictly complied with, as the procedure is intended to facilitate prompt detection of fraudulent draws and interpolation in the bills and prevent the inclusion in monthly cash totals of bills which were not presented by the disbursing officer. The disbursing officer must return a signed copy of the reconciliation statement obtained from the website ekosh.uk.gov.in indicating

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

101. Submission of monthly statement of expenditure by disbursing officer to controlling officers - On the fifth day of each month, each disbursing officer must submit to the controlling officer concerned statement of expenditure in respect of the previous month in Form B.M. 4 being a copy of his register. In B.M.4 statement, the numbers and dates of the treasury vouchers against those entries in respect of which reconciliation statement has been downloaded from the website **ekosh.uk.gov.in** should be filled and the reconciliation statement attached to it. If there be nothing to report for any month, a nil statement should be sent.

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

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

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

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

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

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

104. The controlling officer shall also maintain another register in Form B.M.7 in which he will consolidate the statements of monthly expenditure received from his disbursing officers with his own monthly expenditure. This register will be filled in when all disbursing officers' returns for a particular month have been received and found to be in order. The controlling officer will also incorporate the totals of adjustments under the various detailed heads which will be communicated to him by the Accountant General on account of transfer entries and expenditure debited to the grant through 'accounts current', i.e., expenditure incurred in another state or in a Union Territory and communicated to the Accountant General by the authorities of that State or the Union Territory for inclusion in the accounts of this State. If any adjustment communicated by the Accountant General affects the appropriation at the disposal of a subordinate disbursing officer, the fact that it has been made should be communicated immediately by the controlling officer to the disbursing officer concerned.

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

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

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

108. Submission of quarterly statement of expenditure by the controlling officer to the Accountant General - The controlling officer shall send to the Accountant General quarterly a statement showing the departmental totals of expenditure under each primary unit of appropriation, that is, a copy of the entries in the register in Form B.M.7. This statement shall be prepared and forwarded so as to reach the Accountant General by the 20th of the month following that to which the accounts relate. It should be accompanied by the disbursing officers' statements, in original, from which the monthly account has been compiled.

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

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

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

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

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

112. Reconciliation of figures by personal contact - It is very necessary that the reconciliation of the departmental figures of expenditure with those booked in the office of the Accountant General is carried out as early as possible. If on any occasion the controlling officer finds that observance of the procedure prescribed in paragraphs 108 and 109 is leading to protracted correspondence and causing undue delay in effecting a complete reconciliation, he may depute competent staff to the Accountant General's Office for a day or more in a month, as may be necessary, one or more clerks or assistants, as the need may be, for the purpose of reconciling discrepancies by personal discussion and verification. The staff so deputed should have papers proving their identity and a letter of authority signed by the controlling officer himself. They should take with them requisite records and statements and, with the help of the Accountant General's staff, compare the departmental figures with those recorded in the Accountant General's books. A statement of discrepancies will then be prepared in triplicate in two columns bearing the stamp of the office of the Accountant General, one showing the mistakes, misclassifications and omissions on the part of the departmental officers and the other those on the part of the Accounts Office. The original statement will be kept in the Accounts Office. One copy will be made over to the departmental staff and the other sent by post to the controlling officer concerned by name in a closed cover, with an endorsement signed by a gazetted officer of the Accounts Office to the effect that the mistakes, misclassifications and omissions on the part of the departmental officers may be corrected and an intimation of compliance sent to the Accounts Office within a fortnight. On the authority of this statement, which should be seen by him personally, the controlling officer will correct his statements and registers and also direct the disbursing officers concerned to make such corrections as are necessary in their accounts and registers. The procedure mentioned above is intended to reduce the volume of correspondence and to expedite reconciliation.

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

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

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

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

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

- (i) He should, in the first place, examine the allotments made to other disbursing officers under the same unit of appropriation and transfer to the disbursing officer who requires additional allotment such sums as can be spared, informing the disbursing officers whose allotments are so reduced. The disbursing officers concerned shall personally ensure that the allotment is reduced accordingly by the Treasury Officer.

- (ii) Should he find such re-distribution impossible he should examine the allotments against other units of appropriation with the object of discovering probable savings and effecting a transfer. He should obtain the sanction of the competent authority for re-appropriation.
- (iii) If provision of funds from within the same unit of appropriation proves to be impossible, an examination of the whole grant placed at his disposal should be undertaken to see whether there are likely to be savings under any of the other units of appropriation. If such savings are anticipated, he should proceed as indicated in clause (ii) above.
- (iv) If savings are not available, it should be examined whether special economies can be effected or whether the excess should be met by postponement of expenditure on unessential or less urgent items.
- (v) If none of the methods indicated above is feasible, an application for additional funds should be made to the Government in administrative department concerned which will, if necessary, move the Finance Department for provision of additional funds by re-appropriations or through the supplementary estimates. Normally, an application for a supplementary grant will not be entertained by the Government unless the anticipated excess is due to causes beyond the control of the authority concerned and funds cannot be found by any legitimate postponement of expenditure for which provision already exists in the budget or the expenditure in question cannot be postponed.

CHAPTER XIII

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

117. The payment from and the appropriation out of the Consolidated Fund of the State and the sums voted by the Legislative Assembly and the sums charged on that Fund are specified in the Schedule to the Appropriation Act which authorises the appropriation of these sums for the services and purposes expressed in that Schedule in relation to the financial year concerned. Only the total sum for each grant or appropriation is specified in the Schedule to the Appropriation Act and this total is worked out on the basis of detailed estimates of gross expenditure contained in the Volume 'Detailed Estimates and Grants' as finally passed by the Legislature.

118. Emphasis has been laid in the earlier chapters that the detailed estimates should be framed as accurately as possible. Unavoidable and unforeseen circumstances may, however, sometimes arise in the course of the year which make it necessary to incur expenditure under one or other of the minor or sub-heads and units of appropriation in excess of the amounts originally estimated. It may also be that the expenditure under certain heads may not have to be incurred to the extent originally estimated, or a new service, scheme or item for which provision has been included in the budget may be started late or may not be taken up at all due to any administrative reason, resulting in savings. Subject to certain restrictions and limitations mentioned hereafter, the savings available under certain heads can be re-appropriated to meet requirements for additional funds under other heads within the same Grant or the Appropriation concerned. The further savings if any, are to be reported to the Finance Department for resumption. An appropriation is operative only until the close of the financial year and therefore all re-appropriations and resumption of savings must be completed before the close of the year. The rules relating to these are contained in Sections I and Section II of this Chapter.

119. Circumstances may sometimes arise on account of which the amount authorised for expenditure in a year may be found to be insufficient for the purposes of that year or a need may arise during the year for supplementary or additional expenditure upon some new service, scheme or item not contemplated in the original budget. In that case a supplementary estimate has to be presented to the Legislature under Article 205 (1) (a) of the Constitution. The rules and instructions relating to supplementary estimates are contained in Section III of this Chapter.

120. Sometimes a need may arise for incurring unforeseen expenditure of an urgent nature before it can be approved by the Legislature. In such a case, an advance may be sanctioned from the Contingency Fund, established under the Uttarakhand Contingency Fund Act 2001, for meeting such expenditure pending its authorisation by the Legislature through an Appropriation Act. The Uttarakhand Contingency Fund Act and the rules framed thereunder are reproduced in Appendix IV.

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

SECTION - I

SAVINGS IN APPROPRIATIONS

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

123. All savings anticipated by the controlling officers should be reported by them with full details and reasons to the administrative departments concerned of the Secretariat immediately they are foreseen, unless these are required to meet anticipated requirements for additional funds under some other heads within the total allotment under the same grant / appropriation placed under their control. No amount out of the savings should be held in reserve for meeting additional expenditure not definitely foreseen or already approved by the competent authority. Except as provided under paragraph 126, the administrative departments should intimate such of the savings reported by the controlling officers as may not be required by them to the Finance Department which will resume the savings. Savings so resumed will be re-allotted by the Finance Department, if necessary, when dealing with applications for re-appropriations or supplementary grants or appropriations.

124. Every controlling officer must furnish the final statement of excesses and savings in Form B.M. 2 (Part - II) which should reach the Finance Department, through the Administrative Department concerned, not later than 25th January. Where a Secretary to Government is the controlling officer, the statement should reach the Finance Department by 15th January. The disbursing officers or district level officers should prepare the aforesaid statements on the basis of expenditure up to December and furnish to controlling officer latest by January 5. These statements should be prepared with utmost care, as inaccurate statements may lead to uncovered excess expenditure or unsurrendered savings both of which constitute a financial irregularity – the former a more serious irregularity. The administrative departments will prepare their proposals for re-appropriations or surrenders of savings on the basis of those statements. The savings surrendered will be in addition to those surrendered earlier in accordance with the provisions of the preceding paragraph. The disbursing officer will intimate and send the copy of the details of all surrenders to the concerned Treasury Officer. The Treasury Officer shall reduce the allotment accordingly.

125. It must be carefully noted that no amount out of the savings reported in the final statement shall subsequently be utilised by the controlling officer without the prior approval of the Finance Department. Savings coming to notice after the dispatch of the final statement should be reported separately as soon as possible. All final savings must be surrendered to the Finance Department by 25th March. Officers making belated surrenders, when savings could reasonably have been foreseen and surrendered earlier, will be held responsible for the resultant financial irregularity if the Finance Department are not able to accept such surrenders.

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

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

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

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

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

SECTION - II
RE-APPROPRIATIONS

131. Every controlling officer is expected to see not only that the total expenditure is kept within the total grant or appropriation placed at his disposal but also that the expenditure under each unit of appropriation is kept within the amount originally provided under that unit of appropriation. Transfer of funds from one unit to another, however, some times becomes unavoidable.

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

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

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

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

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

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

137. Powers to sanction re-appropriation : Subject to the restrictions mentioned in para 134, Finance Department shall have the powers to sanction any re-appropriation within a grant from one major, minor or subordinate head to another. Provided that the Planning Department shall be consulted before sanctioning any re-appropriation which has the effect of increasing the ceiling for a Plan scheme allotted by that department for a particular financial year.

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

- (a) re-appropriation involves undertaking a recurring liability, that is, a liability which extends beyond the financial year in question;
- (b) a certain part of the provision for a new service, scheme or item of expenditure is to be utilized (this provision should ordinarily be utilized for the purpose for which it was included in the budget);
- (c) re-appropriation is sought to meet an item of expenditure which has not been sanctioned by the competent authority;
- (d) re-appropriation involves transfer of funds on original works which will increase the maintenance charges in future.

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

140. Procedure for submitting applications : All applications for re-appropriations should be numbered and dated. They should be signed by the applicants and be submitted in quadruplicate to the administrative department of the Government which administers or controls the grant or the appropriation concerned. The administrative department concerned shall refer the proposal to the Finance Department with its recommendations. While submitting the applications, the officers will furnish a certificate similar to that mentioned in paragraph 141 below. As far as possible, all such applications requiring action in the Finance Department should reach that Department by 20th March.

141. Communication of sanction to Audit : Copies of all orders sanctioning re-appropriations issued by the administrative department / Finance Department should be supplied to the Finance Department and the Accountant General and should invariably be accompanied by a certificate that the re-appropriations sanctioned do not infringe any of the restrictions or the limitations specified in paragraphs 133 and 134. The certificate shall be recorded on the body of each re-appropriation order.

SECTION - III

SUPPLEMENTARY ESTIMATES

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

143. Supplementary grants or appropriations are required in the following cases :

- (i) when the amount included in a grant or appropriation authorised by the Appropriation Act is found to be insufficient for the year ; or
- (ii) when need has arisen for incurring expenditure, whether voted or charged, upon some new service, scheme or item not contemplated in the Appropriation Act for the year, even though it can be met wholly or in part by re-appropriations within the amount authorised under the grant or the appropriation ; or
- (iii) when it is desired to obtain the prior approval of the Legislature to a scheme involving large financial commitments, even though little or no expenditure on that account is anticipated in the current year.

In cases falling under clause (ii), a token sum of Rs. 1000 or the amount actually required, as the case may be, should be included in the supplementary statement of expenditure, while in cases falling under clause (iii) only a token sum of Rs. 1000 need be included.

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

- (a) that the need for the increased provision could not be foreseen at the time when the original departmental estimate was framed, and
- (b) that in the absence of such provision injustice would be caused to some person not at fault, or serious inconvenience or serious loss or damage would be caused to the public service.

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

145. 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.

146. The principles enunciated in paragraphs 144 and 145 apply also to an application for a supplementary estimate in respect of any demand to which the Assembly has previously refused its assent or the amount of which the Assembly has reduced either by a reduction of the whole grant or by the omission or reduction of any of the items of expenditure of which the grant is composed.

147. The primary responsibility in regard to proposals for supplementary grants or appropriations rests on the controlling officer who should explain clearly in each case not only why a supplementary grant or appropriation is required but also why the need could not be foreseen at the time when the original budget estimates were framed. In explaining the proposals, it should be clearly explained in detail whether specific conditions as prescribed under para 144 or 145, as may be relevant, are strictly fulfilled. If it is under clause (b) of para 145, the authority concerned should explain the necessity and the urgency of the proposed expenditure and also why it is not administratively possible to postpone it. Greatest care should, therefore, be taken in submitting such proposals. It must be carefully understood that if after the close of the financial year it is revealed that any supplementary grants or appropriations obtained were unnecessary or excessive, the officers at fault will be held responsible for the financial irregularity to which the Accountant General is bound to draw attention in the Audit Report on the Appropriation Accounts which will come up before the Legislature and the Committee on Public Accounts in due course.

148. Proposals for supplementary grants or appropriations should be submitted by the controlling officers to the Government in the administrative departments concerned, and not to the Finance Department direct as soon as their necessity has been clearly established. The administrative departments should examine the proposals very carefully and recommend to the Finance Department only such of them as are considered to be fully justified. The savings available, if any, within the grant or the appropriation concerned should be duly taken into account and supplementary grant or appropriation should be asked only for such amount as cannot be met by sanctioning re-appropriations of funds. If the supplementary grant or appropriation is required under para 144 and if savings resumed by the Finance Department under the Grant or the Appropriation concerned are available for re-allotment, that department will, if convinced of the necessity for the supplementary grant or appropriation, sanction it by re-appropriation from these savings. If there are no such savings, or those available are not sufficient to meet the entire additional demand, the Finance Department will take steps to present supplementary estimates to the Legislative Assembly for the amounts needed. Similarly, any savings under any grant or appropriation reported to the Finance Department for resumption should be utilised by that Department in reducing the supplementary estimate under that grant or appropriation required under para 145 and only token or partly substantive provision should be made where the estimated expenditure on any new item or scheme can be met either wholly or in part by re-appropriation of savings.

149. All proposals relating to supplementary estimates submitted by the administrative departments to the Finance Department should be accompanied by self-contained memoranda and indicate clearly the major and minor or sub-heads, etc. of account under which additional grants and appropriations are required. If any proposal involves incurring of additional expenditure in the future years also, that should also be clearly mentioned and estimates given. All applications for supplementary grants or appropriations must be submitted to the Finance Department by the prescribed date after which that department may not be in a position to entertain any application.

150. On the passing of the Appropriation Act pertaining to the supplementary statement of expenditure, the Finance Department will communicate to the administrative departments concerned and also to the Accountant General the amounts included in the Act under the several grants or appropriations. The administrative departments should take immediate steps to communicate the additional grants and appropriations to the subordinate authorities concerned and also to issue, where necessary specific orders sanctioning the incurring of additional expenditure not exceeding those limits. The administrative departments should also issue orders for sanctioning any scheme or item constituting new expenditure for which provision has been made through the supplementary estimates. Copies of all such orders should be furnished to the Accountant General through the Finance Department (except where the administrative departments are competent under the delegated powers to issue such sanctions without reference to the Finance Department after necessary funds have been provided in the budget) . The administrative departments should also

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

Instructions given in para 78 apply mutatis mutandis in respect of supplementary grants or appropriations.

SECTION - IV

EXCESS GRANTS AND APPROPRIATIONS

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

152. A demand for an excess grant differs from a demand for a supplementary grant in that, while the latter is essentially a demand for a grant the need for which is foreseen during the currency of a year and is presented in the year to which it relates, a demand for an excess grant is presented to regularise expenditure incurred in excess of the grant made in a past year. A demand for an excess grant can be laid before the Legislative Assembly only after all the expenditure of the year has been audited and the Appropriation Accounts of the year have been compiled by the officers of the Comptroller and Auditor General of India and considered by the Committee on Public Accounts. The work of compilation of the Appropriation Accounts by the Accountant General and their consideration by the Committee on Public Accounts, however, take some time.

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

CHAPTER XIV

FINANCIAL IRREGULARITIES

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

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

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

- (1) Excess over a grant voted by the Assembly or over a charged appropriation.
- (2) Defective or inaccurate budgeting, necessitating large surrenders or resulting in excesses.
- (3) Defective control of expenditure resulting in -
 - (a) unnecessary or excessive supplementary grants,
 - (b) unnecessary or excessive re-appropriations,
 - (c) injudicious re-appropriations and surrenders, causing excess over allotments,
 - (d) unspent and unsurrendered appropriations,
 - (e) unremedied or uncovered excesses, and
 - (f) late allotments.
- (4) Misclassification of expenditure.
- (5) Re-appropriations which are not made in accordance with the rules in this Manual or which have the effect of increasing expenditure on an item the provision for which has been specifically reduced by a vote of the Legislative Assembly.
- (6) Expenditure on a service not covered by a vote of the Assembly, unless the requisite funds have been arranged by obtaining an advance from the Contingency Fund before incurring expenditure.
- (7) Expenditure incurred without sufficient sanction.
- (8) Expenditure incurred without allotment of adequate funds.
- (9) Loss of public money or property due to fraud, misappropriation or carelessness in accounting.
- (10) Drawing from treasuries of money not required for immediate use.
- (11) Abandonment of revenue without proper sanction, e.g., sale of Government property below market rates, or reduction of dues payable under a license or lease without the sanction of the competent authority in each case.
- (12) Any large claim against another Government, local body or other outside party allowed to remain outstanding for an unduly long time.
- (13) Any irregularity connected with a contract, such as -
 - (i) Placing of a contract without obtaining competitive tenders in an open and public manner except in cases where the necessity for obtaining such tenders has been waived by any general or special rule or order by the competent authority (see Appendix XIX to the Financial Handbook, Volume V, Part I);
 - (ii) Acceptance without adequate reason, of a tender other than the lowest.

- (iii) inadequate scrutiny of tendered rates before acceptance ;
 - (iv) unsuitability of the form of contract ;
 - (v) failure to complete all necessary formalities connected with a contract, including the obtaining of expenditure sanction before permitting the contractor to start work ;
 - (vi) deviation from the contractual terms in favour of the contractor or varying the terms without the approval of the competent authority ;
 - (vii) omissions to enforce the conditions of a contract, such as those requiring the deposit of security or levy of penalty.
- (14) Any irregularity connected with purchases, such as -
- (i) purchases which contravene the rules for the purchase of articles for the public service;
 - (ii) purchase in excess of reasonably anticipated requirements ;
 - (iii) purchase of materials of inferior quality.
- (15) Any extraordinary or apparently unnecessary expenditure, such as-
- (i) payments made as acts of grace except where permitted by any rule or order ;
 - (ii) compensation paid for damage sustained except in cases in which a claim for such damage could be enforced in a court of law or in which such compensation is admissible under any rule or order;
 - (iii) payments in excess of amounts admissible under statute, contract or rule;
 - (iv) payments necessitated by failure to enforce the terms of a contract ;
 - (v) irrecoverable balances of advance payments made on account of services, etc., which were ultimately not rendered.
- (16) Any uneconomical or apparently wasteful expenditure due to -
- (i) the inception of works without adequate investigation of their utility or feasibility and without conducting proper preliminary surveys and preparing detailed estimates of cost and obtaining necessary administrative and technical approval to the estimates ;
 - (ii) the inception of deposit works for local bodies, etc., without the requisite deposits having been obtained from the parties concerned ;
 - (iii) execution of works by a Government agency which lacks the ability or the facilities to execute them properly ;
 - (iv) the unsatisfactory working of Government commercial undertakings ;
 - (v) the fixation of incorrect rents of residential buildings ;
 - (vi) other causes.
- (17) Any irregularity connected with a grant-in-aid, such as neglect (i) by the sanctioning authority of conditions precedent to the grant or (ii) by the grantee of the conditions, expressed or implied, attached to the grant by the sanctioning authority.
- (18) Any instance of the absence of administrative regulations and procedure sufficient to secure a proper and effective check upon monetary transactions.
- (19) No further delegation of powers: Delegation of powers to a subordinate officer does not relieve the delegating officer in any way of his responsibilities for the accuracy of the bill or for the disposal of money received for payment. In any case, the delegated financial power shall not be redelegated or unless as prescribed by Finance Department from time to time.

CHAPTER XV

APPROPRIATION ACCOUNTS, FINANCE ACCOUNTS AND AUDIT REPORTS THEREON

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

156. Finance Accounts - Besides the Appropriation Accounts, the Comptroller and Auditor-General of India also compiles the Finance Accounts of the State Government in respect of each financial year. This compilation presents the accounts of the receipts and outgoings of the Government for the year, together with a report on the financial results disclosed by the different accounts and other data coming under examination; that is to say, both the revenue and capital accounts, the accounts of the debt and the liabilities and assets of the Government as deducted from the balances recorded in their books and other information.

157. Preliminary action in the Finance Department on receipt of the Appropriation Accounts, the Finance Accounts and Audit Reports thereon - On receipt of the authenticated copies of the Appropriation Accounts, Finance Accounts and the Audit Reports thereon, in terms of the provisions of clause (2) of Article 151 (2) of "the Constitution of India", from the Comptroller and Auditor-General of India, the Finance Department will obtain the orders of the Governor for laying the copies before the Legislature and then move the Legislative Department to arrange for the item relating to the laying of these documents before the House of the Legislature being included in the agenda of business of the House.

158. Reference to the Committee on Public Accounts :

- (i) After the Appropriation Accounts, the Finance Accounts and the Audit Reports thereon are laid on the table of the House, they shall stand referred to the Committee on Public Accounts for examination and report.
- (ii) If they are received by the Assembly Secretariat at a time when the Assembly is not in session, then these may be referred to the Committee on Public Accounts by order of the Speaker.

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

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

160. Constitution and function of the Committee on Public Accounts - The constitution and functions of this Committee are described in rules 218 and 219 of the Rules of Procedure and Conduct of Business of the Uttarakhand Legislative Assembly 2005. (See Appendix II).

161. The other general rules of procedure applicable to the Committee on Public Accounts as well as to the other Committees of the Legislative Assembly are contained in Rules 188 to 226, of the Uttarakhand State Assembly Conduct of Business Rules, 2005. (See Appendix II).

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

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

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

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

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

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

167. A memorandum showing the action taken, or proposed to be taken, on the recommendations of the Committee by the various departments of the Government shall be prepared by the Assembly Secretariat in consultation with the Finance Department, and shall be placed before the Committee. The Committee after considering it may make such recommendations as may seem necessary and submit its report to the House.

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

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

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

CHAPTER XVI

PUBLIC ACCOUNT OF THE STATE

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

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

(i) Small Savings, Provident Fund etc.

(b) State Provident Funds.

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

(c) Other Accounts

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

(ii) Reserve fund

(a) Reserve Funds bearing Interest

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

(b) Reserve Funds not bearing Interest

It includes Sinking Funds, Famine Relief Fund, Roads and Bridges Fund, Depreciation / Renewal Reserve Fund, Revenue Reserve Funds, Development and Welfare Funds, General and Other Reserve Funds

(iii) Deposit and Advance

(a) Deposits bearing Interest

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

(b) Deposits not bearing Interest

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

(c) Advances

It includes Civil Advances.

(iv) Suspense And Miscellaneous

(b) Suspense

It includes Suspense Accounts, Accounting Adjustment Suspense

(c) Other Accounts

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

(d) Accounts with Governments of other Countries

(e) Miscellaneous

It includes Miscellaneous Government Accounts

(v) Remittances

(a) Money Orders and other Remittances

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

(b) Inter-Government Adjustment Account

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

CHAPTER XVII

MISCELLANEOUS

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

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

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

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

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

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

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

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

The supervisory and inspecting officers in the course of their visit or inspections of their subordinate offices must make a point of checking the details of contingent expenditure and satisfying themselves that the above instructions have not been infringed, that no expenditure has been incurred on avoidable items and that in respect of items which are necessary, no lavishness has been indulged in. If any case comes to notice in which Government instructions have not been observed, the question of taking suitable disciplinary action against the officials at fault should be examined in accordance with proper procedure.

Pro forma Accounts for commercial undertakings

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

Other miscellaneous provisions

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

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

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

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

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

- (a) Details of income and expenditure on various services provided by the Government may be prepared and revision of fees and user charges etc. considered periodically.
- (b) Review of the cost of collection of revenue should be done vis-a-vis revenue collected with a view to ensuring that the collection of revenue is cost-effective.
- (c) Consequent on the availability of improved versions of office devices staff norms should be revised as a part of regular exercise.
- (d) Grant-in-aid and subsidies are provided by the State Government under various schemes. Such assistances as have outlived their utility should be discontinued.
- (e) Work procedure should be simplified as also the forms of various returns and their number reduced wherever possible.
- (f) Wherever possible, work should be outsourced instead of engaging staff on contract.
- (g) Disposal of surplus and un-serviceable stock and stores (including tools and plant) should be done under time bound programme.
- (h) In respect of plan/developmental schemes, such an exercise would be more effective if we have Third Party evaluation of the performance of such schemes. Independent evaluation of ongoing schemes of more than 5 crore and running for last three years should be done through planning department. If as a

result of such evolution, it is found that the scheme has not fulfilled or substantially fallen short of its objectives in terms of output and outcomes, then such schemes should be discontinued or modified.

182. Guidelines for Formulation and Appraisal of Schemes / projects : It is to be ensured that projects and programs are included into budget only after well considered deliberations and processes. Rigorous project formulation and appraisal have a major bearing on the relevance and impact of projects as well as on their timely implementation. Additional time and effort spent at the project formulation and appraisal stage would result in qualitative improvement in terms of ultimate project impact.

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

- (i) **Project identification : Feasibility report :** The project preparation should commence with the preparation of a Feasibility Report (FR) by the Administrative Department. The FR should focus on analysis of the existing situation, nature and magnitude of the problems to be addressed, need and justification for the project in the context of government priorities, alternative strategies, initial environmental and social impact analysis, preliminary site investigations, stake holder commitment and risk factors. The FR should establish whether the project is conceptually sound and feasible and enable a decision to be taken regarding inclusion in the Plan and preparation of a Detailed Project Report (DPR). The FR should present a rough estimate of the project cost. Consultation with stakeholders should be held to ensure involvement of stakeholders in the project concept and design.
- (ii) **Preparation of DPR :** The various stakeholders in the project should continue to be associated while preparing the DPR. The services of experts/professional bodies may be hired for preparation of the DPR, if considered necessary. The DPR must address all issues related to the justification, financing and implementation of the project/scheme. The Terms of Reference (TOR) for preparation of the DPR should cover all aspects of the format of DPR* structure. In addition, sector/project specific aspects should be incorporated in the TOR as required.

[* G.O. No. 498/XXVII(1)/2007, Dated 05 June, 2007, Finance Section-1, Annexure-A (EFC)]

- (iii) **Sanction of DPR :** Sanction on various scheme/projects will be accorded in two stages. In the first stage in principle approval would be accorded by Finance Department for Preliminary procedural works eg. preparation of DPR, transfer of forest land NPV, land acquisition, utility shifting, soil testing, geologists report, consultancy etc.

In the second stage, financial sanction would be given on the basis of DPR and detailed estimates. However, sanction would be accorded on the basis of DPR only in one stage where no complexities are involved in the project/scheme eg. the land is available and there is no issue of forest land transfer.

If the total cost of the project is more than 5 crores then the project/scheme will be placed before Expenditure Finance Committee (EFC) and after its recommendation, the Finance department would provide the sanction. If the cost of the project is between 1 crore to 5 crores, the sanction of Finance Department would be provided after the examination of the project/scheme at the level of Principal Secretary/Secretary of the Administrative Department. In any case, the sanction would not provide if the estimates are prepared on the plinth area rates.

- (iv) **Process for public sector projects requiring budgetary support or entailing contingent liability on Government :** The process for seeking approval would be identical both for new public sector projects requiring budgetary support, as well as those entailing contingent liability on Government. [G.O. No. 699/XXVII(1)/2009, Dated 21 October, 2009, Finance Section-1, Annexure- A1-I,II]
- (v) **Evaluation :** Evaluation arrangements for the project, whether concurrent, mid-term and/or post-project, should be spelt out in the DPR. It may be noted that continuation of projects/schemes from one Plan period to another will not be permissible without an independent, in-depth evaluation. Evaluation work may be outsourced to reputed institutions, if required.

(vi) Time and Cost over-run :

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

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

(3) New capital works shall not be launched without first ensuring availability of adequate funds. In order to prevent cost escalation, and ensure timely returns from the bigger projects, priority should be accorded to the completion of ongoing projects rather than launching new projects. Departments should provide the amount in three or four installments based on the completion of time period and amount spent. 2nd and subsequent installment would be released after obtaining financial and physical progress statement. Departments should provide not less than 40 percent of the estimated cost in first year, 40 percent in second year and rest in third year so as to ensure sufficient and timely funding of projects. In case of longer duration or shorter duration projects, suitable phasing may be done with the prior consent of the Finance Department. If the project cost is more than one crore, the first phase estimate must be prepared in the preceding year so that DPR may be sanctioned in the beginning of the succeeding year and forty percent project cost may be utilised in that year. If the remaining period is less than six months then in exceptional cases where there is a delay in submission of the DPR for its sanction, releases less than 40 percent of the project cost may be permitted subject to a minimum of 20 percent with the consent of the Finance Department and Finance Minister. Ordinarily no new financial sanction of capital works would be permitted in the last quarter of the financial year, except in cases of Externally Aided Projects (EAP) and Centrally Sponsored Schemes(CSS) or where funds are lapsing. If the construction of Capital Works doesn't start within one year after the sanction of the project, the Capital Works would ordinarily be deemed as cancelled and the amount released should be remitted back to the Government Account.

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

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

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

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

(7) The Principal Secretaries / Secretaries of the departments concerned shall ensure monthly review of all incomplete projects, and in respect of the projects where the cost over-run and/or time over-run have/ has exceeded ten percent of the approved limit, send reports to the Planning Department. The Planning Department will compile reports received from all the departments and submit a report to the Chief Secretary every quarter. A check-list for determining the responsibility for the time and cost over-runs is at Annexure-B.

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

(viii) The register of buildings is a record of Government property. It should be brought up-to-date by the local officer when there is a change in capital value. The inspecting officers / audit officers during their inspection will see to it that the aforesaid register is properly maintained and kept up-to-date.

183. Rush of Expenditure: According to Financial Regulations, rush of expenditure in the closing month of the financial year should be avoided. For a sound financial management, uniform pace of expenditure should be maintained.

Budgetary controls should be strictly observed to avoid deficiencies in financial management. Last minute fund releases and issuance of reappropriation /surrender orders should be avoided.

184. Grants recommended under Finance Commission: The administrative Department should strictly adhere to the time frame and guidelines as annunciated by Finance Commission from time to time and adequate budget provision in the State Budget should be ensured.

185. Public Private Partnership (PPP) Initiatives: The approach to PPPs must remain firmly grounded in principles which ensure that PPPs are formulated and executed in Public interest with a view to achieving additional capacity and delivery of public services at reasonable cost. These partnerships must ensure the supplementing of scare public resources for investment in infrastructure sectors, while improving efficiencies and reducing costs.

The Department should attract private capital in the form of PPP as it is a key strategy to meet the resources deficit and enhanced ability to take a larger shelf of infrastructure investment. PPP can be designed, structured and implemented using a number of different institutional arrangements depending upon the nature of the project level of participation required by the partners and risk allocation strategy required for the project.

[G.O. No. 1052/XXVII(1)/2007, Dated 04 December, 2007, Finance Section-1, Annexure-A2-I,II,III,IV (PPP)]

For promoting Public Private Partnership (PPP) in physical and social sector infrastructure, the Uttarakhand Infrastructure Viability Gap Funding Scheme 2008 has been introduced. It will be a Plan Scheme and suitable budgetary support will be provided in the Annual Plan on an year to year basis.

Eligibility and other terms and conditions are at Annexure A3 (Notification no. 474/XXVII(7)/2008 Dated 17 December 2008 of Finance Department.)

- 186. Timely utilization of Central Government assistance/ grants :** Since the process of funding is that of reimbursement through the channel of ACA, sufficient budget provision is to be made. The implementation of the project should be started as per the time schedule.

GENERIC STRUCTURE OF THE DPR

- (i) **Context/background** : This section should provide a brief description of the sector/sub-sector, the government priority, strategy and policy framework as well as a brief description of the existing situation.
- (ii) **Problems to be addressed** : This section should elaborate the problems to be addressed through the project/scheme at the local/regional/State level, as the case may be. Evidence regarding the nature and magnitude of the problems should be presented, supported by baseline data/surveys/reports. Clear evidence should be available regarding the nature and magnitude of the problems to be addressed.
- (iii) **Project Objectives** : This section should indicate the Development Objectives proposed to be achieved, ranked in order of importance. The deliverables/ outputs for each Development Objective should be spelt out clearly. This section should also provide a general description of the project.
- (iv) **Target beneficiaries** : There should be clear identification of target beneficiaries. Stakeholder analysis should be undertaken, including consultation with stakeholders at the time of project formulation. Options regarding cost sharing and beneficiary participation should be explored and incorporated in the project. Impact of the project on weaker sections of society, positive or negative, should be assessed and remedial steps suggested in case of adverse impact.
- (v) **Project strategy** : This section should present an analysis of alternative strategies available to achieve the Development Objectives. Reasons for selecting the proposed strategy should be brought out. Involvement of NGOs should be considered. Basis for prioritization of locations should be indicated (where relevant). Options and opportunity for leveraging government funds through public-private partnership must be given priority and explored in depth.
- (vi) **Legal Framework** : This section should present the legal framework within which the project will be implemented and strengths and weakness of the legal framework in so far as it impacts on achievement of project objectives.
- (vii) **Environmental impact assessment** : Environmental impact assessment should be undertaken, wherever required and measures identified to mitigate adverse impact, if any. Issues relating to land acquisition, diversion of forest land, rehabilitation and resettlement should be addressed in this section.
- (viii) **On-going initiatives** : This section should provide a description of ongoing initiatives and the manner in which duplication will be avoided and synergy created through the proposed project.
- (ix) **Technology issues** : This section should elaborate on technology choices, if any, evaluation of options, as well as the basis for choice of technology for the proposed project.
- (x) **Management arrangements** : Responsibilities of different agencies for project management and implementation should be elaborated. The organizational structure at various levels as well as monitoring and coordination arrangements should be spelt out.
- (xi) **Means of Finance and Project Budget** : This section should focus on means of finance, evaluation of options, project budget, cost estimates and phasing of expenditure. Options for cost sharing and cost recovery (user charges) should be considered and built into the total project cost. Infrastructure projects may be assessed on the basis of the cost of debt finance and the tenor of debt. Options for raising funds through private sector participation should also be considered and built into the project cost.
- (xii) **Time frame** : This section should indicate the proposed 'Zero' date for commencement and also provide a PERT / CPM chart, wherever relevant.
- (xiii) **Risk analysis** : This section should focus on identification and assessment of project risks and how these are proposed to be mitigated. Risk analysis could include legal/contractual risks, environmental risks, revenue risks, project management risks, regulatory risks, etc.
- (xiv) **Evaluation** : This section should focus on lessons learnt from evaluation of similar projects implemented in the past. Evaluation arrangements for the project, whether concurrent, mid-term or post-project should be spelt out. It may be noted that continuation of projects/schemes from one Plan period to another will not be permissible without an independent, in-depth evaluation being undertaken.
- (xv) **Success criteria** : Success criteria to assess whether the Development Objectives have been achieved should be spelt out in measurable terms. Base-line data should be available against which success of the project will be assessed at the end of the project (Impact assessment). In this regard, it is essential that base-line surveys

be undertaken in case of large, beneficiary-oriented projects.

Success criteria for each Deliverable/Output of the project should also be specified in measurable terms to assess achievement against proximate goals.

(xvi) Financial and economic analysis : Financial and economic analysis of the project may be undertaken where the financial returns are quantifiable. This analysis would generally be required for investment and infrastructure projects, but may not always be feasible for social sector projects where the benefits cannot be easily quantified.

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

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

Specific Proforma on which information related to every plan/project/non- recurring item to be submitted to Expenditure Finance Committee (EFC) -

- 1- Name of administrative department.
- 2- Grant no./account head.
- 3- Brief detail of name, place, object and justification of plan/project/non- recurring item.
- 4- Whether detailed project report has been prepared (If yes, enclose)
- 5- Estimated period of the project completion, and estimated completion time table for various phases of the project.
- 6- Cost of Plan/Project/Non-Recurring items.
- 7- Items of expenditure plan, non plan, centrally aided (in percentage).
 - i. If expenditure is non plan item, then object and justification for not putting under plan.
 - ii. Whether this plan/project/non-recurring item can't be financed by outsourcing/ central aid.
 - iii. If the work is of such nature that it can be executed under PPP, if yes, then justification for funding by the government grant.
 - iv. Whether the outlay is available if yes, amount of outlay?
 - v. Whether budget provision has been made if yes, provision?
- 8- If provision is of plan item, then year wise division of expenditure for the proposed five years plan.

Item	Total cost	Ist year	IInd year	IIIrd year	IVth year	Vth year
	Rs	Rs	Rs	Rs	Rs	Rs
a. Land acquisition						
b. Construction/ development work						
c. Expenditure on required employees						
	Total					

- Check list is given ahead on points a, b and c.
- Information must be given mentioning the financial year for consistent year.

- Year wise expenditure on non-plan item should also be given till completion of the project.

Land Acquisition-

- 1- Status of land availability?
- 2- Is there any problem to develop the selected place?
- 3- Area of land?
- 4- Is selected land of appropriate size?
- 5- Whether no objection certificate has been obtained for the selected land under provisions of Forest Conservation Act? If not, then how much estimated period would be required to obtain this? Would this delay may not lead to cost/time over run? What is the strategy of the department to overcome this situation? If delay is probable then project/plan can't be completed in two phases?
- 6- Whether rehabilitation has been ensured to displace people?

B- Building construction/Development work

- | | |
|--|--------|
| 1- Specification as approved by Public Work Departments? | yes/no |
| 2- Whether soil testing and load bearing capacity certificate has been obtained? | yes/no |
| 3- Whether construction estimate has been prepared on the basis of entitled plinth area, entitled office place and fixed area prescribed by PWD ? | yes/no |
| 4- Whether proposed estimate has been prepared on the basis of specific norms prescribed by PWD of Uttarakhand/Central ? | yes/no |
| 5- Whether proposed work is to be completed in the form of one unit ? | yes/no |
| 6- Whether layout plan is based on spot inspection ? | yes/no |
| 7- Whether architectural structure and design has been made efficient and low cost? Whether at the time of design preparation specifications of hill region was kept in mind ? and design is as per environmental situation of hill region and aesthetic ? | yes/no |
| 8- Whether layout plan and building is approved by competent authority ? | yes/no |
| 9- Whether implementation schedule of construction and development work has been prepared ? | yes/no |
| 10- Is CVIR technology adopted ? | yes/no |
| 11- Whether Quake resistance technology has been applied ? | yes/no |

- 12- Whether provision of rain water harvesting has been made ? yes/no
- 13- Whether fire extinguisher/anti white-ant provision has been made as per rules and necessity ? yes/no
- 14- Whether in building design especially of schools, hospitals needs of the handicapped persons were kept in mind ? yes/no

C. Required Employees

S. No	Detail	Justification of need	Category	Pay scale	Ist year No. amount	IInd year No. amount	IIIrd year No. amount	IVth year No. amount	Vth year No. amount	Total amount
					Rs	Rs	Rs	Rs	Rs	Rs
1.	Nature of appointment temporary/permanent.									
2.	No. of employees to be kept on the basis of out source/ contract if no then justification									
3.	Earlier appointed staff on plan and non-plan side									
	Total									

II Physical specification of Equipment store/Machinery/Vehicles etc.

Item	Ist year	IInd year	IIIrd year	IVth year	Vth year	Total
	Rs	Rs	Rs	Rs	Rs	Rs
a. To be purchased in India						
b. To be imported						
Total						

III Foreign Exchange.

Item	Country from where to be imported	Name of Currency	Amount (In rupees)	Availability is ensured or not.

(D) Estimated year wise future expenditure on Plan/Project/Non-Recurring item.

9. Estimate of expected profit from plan (Financial, Social and Economic)
10. Expected revenue from plan in five-year plan period-

		Ist year	IInd year	IIIrd year	IVth year	Vth year	Total
		Rs	Rs	Rs	Rs	Rs	Rs
	Total						

11- Whether any Project is going on like the proposed project or has been already completed ? If yes, detail of the project and impact assessment and lessons learnt.

12- Remarks if any-

Section.....

Signature.....

File No.....

Designation.....

FORMAT FOR PIB

S.No.	Item	Response
1. General		
1.1	Name of the Project	
1.2	Location (State/District/Town)	
1.3	Administrative Department	
1.4	Name of Sponsoring Authority	
1.5	Name of the Agency which prepared the feasibility report/detailed project report/detailed cost estimate.	
1.6	Does the implementing agency have the legal right to enter into an agreement	
1.7	Has consent for the project from other concerned department/s been obtained	
1.8	Status of land acquisition	
2. Project Description		
2.1	Brief description of the project	
2.1.1	Project Objectives	
2.1.2	Problems to be addressed by Project	
2.1.3	Target beneficiaries	
2.1.4	Project strategy	
2.2	Justification for the project	
2.3	Have the necessary technical studies been done (attach separate sheet if necessary)	
2.4	Possible alternatives for the project, if any	
2.5	Estimated Capital & operating costs with break-up under major heads of expenditure. Also indicative the basis cost estimation	
2.6	Phasing of investment	
2.7	Project implementation schedule (PIS)	
2.8	Have consultations been done with stakeholders	
2.9	Benefits to stakeholders	
2.10	Need for taking the project in the Public sector rather than in Private sector PPP mode.	
2.11	Base price for cost estimates.	
2.12	Basis of cost estimate.	
3. Financing Arrangements		
3.1	Sources of financing (equity, debt, mezzanine capital etc.)	
3.2	Indicate the revenue streams of the Projects (annual flows over project life). Also indicate the underlying assumptions.	
3.3	Indicate the NPV of revenue streams with 12% discounting	
3.4	Who will fix the tariff/ user charges? Please specify in detail.	
3.5	Have any FIs been approached? If yes, their response may be indicated.	

4. IRR		
4.1	Economic IRR (if computed)	
4.2	Financial IRR, indicating various assumptions (attach separate sheet if necessary)	
4.3	Sensitivity analysis on key variables	
5. Social Sector Projects		
5.1	In case of social sector project please indicate expected social benefits	
5.2	Indicate expected gains in terms of cost saving (economy)	
5.3	Indicate expected gains in terms of (efficiency) improved service delivery	
5.4	Indicate gains in terms better reach & access	
5.5	Have output based specifications/ performance parameters been identified	
5.6	What will be the monitoring arrangements of output/performance	
6. Clearances		
6.1	Status of environmental clearances	
6.2	Clearance required from the State Government and other local bodies	
6.3	Other support required from the State Government	
6.4	Responsibility of obtaining remaining Clearances.	
7. GOI Support		
7.1	Viability Gap Funding, if required	
8. GoUA Support		
8.1	What is the expected financial support from State Government	
8.2	Any Non-financial support from State Government	
8.3	Viability Gap Funding, if required	
9. Others		
9.1	Other Remarks, if any	

Format of PIB Memorandum

1- Statement of proposal:

a) Reasons and justification for proposal, indicating historical background, circumstances IN WHICH THE NEED HAVE ARISEN, WHETHER OTHER ALTERNATIVES have been considered and what detailed studies have been made in regard to the proposal for establishing its need, its economics and other relevant aspects.

b) Has the proposal been included in the Plan and what is the provision? Is any modification proposed?

c) What is the estimated yield from the Project and what are the economic implications including Financial and economic IRR and social benefits if any.

d) Have other concerned departments and planning department been consulted and if so, with what result?

e) Has the proposal or its variant been gone into by any Committee, Departmental etc, and if so with what result and what decisions have been taken.

2- Programme Schedule:

a) Has the project/scheme been worked out and scrutinized in all its details?

b) What is the schedule for construction, indicating the position separately relating to plant and machinery and civil works, raw materials, manpower, etc. together with year wise phasing?

c) What is the target date for completion and when will the expected benefits commence?

3- Expenditure involved

a) What is the total expenditure (non-recurring and recurring) indicating the position year wise and also whether any budget provision has been made and if not, how it is proposed to be arranged? Has any expenditure been incurred already?

b) Statements showing:-

i) The number of posts required and the pay scales, together with basic adopted for staffing, both in current year of future years;

ii) Expenditure on building and other works and its basis of phasing; and

iii) Expenditure on stores and equipment.

4- Supplementary information, if any.

5- Points on which decisions/sanctions are required.

Memorandum for ‘in principle approval’

[Please See Sub-rule (5) of Rule 67, The Uttarakhand Procurement rules, 2008]

A. Sponsoring Department
B. Name and location of the Project

C. Legal Consultant (if any)
D. Financial Consultant (if any)

S.No.	Item	Response
1. General		
1.1	Name of the Project	
1.2	Type of PPP (BOT, BOOT etc.)	
1.3	Location (State/District/Town)	
1.4	Administrative Department	
1.5	Name of Sponsoring Authority	
1.6	Name of the Implementing Agency	
1.7	Does the implementing agency have the legal right to enter into an agreement	
1.8	Has consent for the project from other concerned department/s been obtained	
2. Project Description		
2.1	Brief description of the project	
2.1.1	Project Objectives	
2.1.2	Problems to be addressed by Project	
2.1.3	Target beneficiaries	
2.1.4	Project strategy	
2.2	Justification for the project	
2.3	Have the necessary technical studies been done (attach separate sheet if necessary)	
2.4	Possible alternatives for the project, if any	
2.5	Estimated Capital & operating costs with break- up under major heads of expenditure. Also indicative the basis cost estimation	
2.6	Phasing of investment	
2.7	Project implementation schedule (PIS)	
2.8	Have consultations been done with stakeholders	
2.9	Benefits to stakeholders	
3. Financing Arrangements		
3.1	Sources of financing (equity, debt, mezzanine capital etc.)	
3.2	Indicate the revenue streams of the Projects (annual flows over project life). Also indicate the underlying assumptions.	
3.3	Indicate the NPV of revenue streams with 12% discounting	
3.4	Who will fix the tariff/ user charges? Please specify in detail.	
3.5	Have any FIs been approached? If yes, their response may be indicated.	
4. IRR		
4.1	Economic IRR (if computed)	

4.2	Financial IRR, indicating various assumptions (attach separate sheet if necessary)	
4.3	Sensitivity analysis on key variables	
5. Social Sector Projects		
5.1	In case of social sector project please indicate expected social benefits	
5.2	Indicate expected gains in terms of cost saving (economy)	
5.3	Indicate expected gains in terms of (efficiency) improved service delivery	
5.4	Indicate gains in terms better reach & access	
5.5	Have output based specifications/ performance parameters been identified	
5.6	What will be the monitoring arrangements of output/performance	
6. Clearances		
6.1	Status of environmental clearances	
6.2	Clearance required from the State Government and other local bodies	
6.3	Other support required from the State Government	
6.4	Responsibility of obtaining remaining Clearances.	
7. GOI Support		
7.1	Viability Gap Funding, if required	
7.2	GOI guarantees being sought, if any	
8. GoUA Support		
8.1	What is the expected financial support from State Government	
8.2	Any Non-financial support from State Government	
9. Concession Agreement		
9.1	Term Sheet of the proposed Concession Agreement (Attached at Annexure – II)	
9.2	Have output based specifications been adopted/used (requirements specified in terms of service output delivery)	
10. Criteria for short-listing		
10.1	Is short-listing to be in one stage or two stages ?	
10.2	Indicate the criteria for short-listing (attach separate sheet if necessary) Are they quantitative?	
10.3	Does the short-listing criteria for the final stage include parameters other than financial	
11. Others		
11.1	Remarks, if any	

Term Sheet of the proposed Concession Agreement

[Please See Sub-rule (5) of Rule 67, The Uttarakhand Procurement rules, 2008]

A. Sponsoring Department

C. Legal Consultant (if any)

B. Name and location of the Project

D. Financial Consultant (if any)

S.No.	Item	Response
1. General		
1.1	Scope of the Project (in about 200 words)	
1.2	Nature of Concession to be granted	
1.3	Period of Concession and justification for fixing the period	
1.4	Estimated capital cost	
1.5	Likely construction period	
1.6	Conditions precedent, if any, for the concession to be effective	
1.7	Status of land acquisition	
2. Construction and O&M		
2.1	Designing Agency	
2.2	Designing parameters and norms	
2.3	Design review Agency	
2.4	Minimum standards of constructions	
2.5	Monitoring of construction; whether an independent agency/engineer is provided	
2.6	Minimum standards of Operation and Maintenance whether Output based/input based	
2.7	Penalties for violation of prescribed design, construction and O&M Standards	
2.8	Safety related provisions	
2.9	Environment related provisions	
3. Financial		
3.1	Maximum period for achieving financial close	
3.2	Whether Right to mortgage/pledge/hypothecate/lien is being given	
3.3	Performance Security Value	
3.4	Source, nature and extent of capital grant, subsidy contemplated	
3.5	Bidding parameter (capital subsidy or other parameter)	
3.6	Provisions for change of scope and the financial burden thereof	
3.7	Likely concession fee, if any, payable by/payable to the Concessionaire	
3.8	User charges/fee to be collected by the concessionaire	

3.9	Indicate how the user fee is to be determined; the legal provision in support of user fee (attach the relevant rules/notification); and the extent and nature of indexation for inflation.	
3.10	Provisions, if any for mitigating the risk of lower revenue collection	
3.11	Provisions relating to escrow account, if any	
3.12	Provisions relating to insurance	
3.13	Provisions relating to audit and certification of claims	
3.14	Provisions relating to assignment/substitution rights relating to lenders	
3.15	Provisions relating to change in law	
3.16	Provisions, if any for compulsory buy-back of assets upon termination/ expiry	
3.17	Contingent liabilities of the government	
	(a) Maximum Termination Payment for government/ Authority Default	
	(b) Maximum Termination payment for concessionaire Default	
	(c) Specify any other penalty, compensation or payment contemplated under the agreement.	
3.18	Who will bear Project monitoring/supervision expenses.	
4. Risk Sharing		
4.1	Sponsoring department/ GoU risk/s	
4.2	Is there any unusual risk allocation to GoU	
4.3	Major obligations of sponsoring department/GoU	
4.4	Provisions for indemnity (design, construction, patents, accidents, legal violations)	
5. Others		
5.1	Provisions relating to competing facilities, if any	
5.2	Specify the proposed Dispute Resolution Mechanism	
5.3	Specify the proposed governing law and jurisdiction	
5.4	Provisions relating to Hand back obligations/provisions/guarantee.	
5.5	Remarks, if any	

**Memorandum for PPP Appraisal Committee
(for final approval)**

[Please See Sub-rule (14) of Rule 67, The Uttarakhand Procurement rules, 2008]

A. Sponsoring Department
B. Name and location of the Project

C. Legal Consultant (if any)
D. Financial Consultant (if any)

S.No.	Item	Response
1. General		
1.1	Name of the Project	
1.2	Type of PPP (BOT, BOOT etc.)	
1.3	Location (State/District/Town)	
1.4	Administrative Department	
1.5	Name of Sponsoring Authority	
1.6	Name of the Implementing Agency	
1.7	Does the implementing agency have the legal right to enter into an agreement	
1.8	Has consent for the project from other concerned department/s been obtained	
2. Project Description		
2.1	Brief description of the project	
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2.1.2	Problems to be addressed by Project	
2.1.3	Target beneficiaries	
2.1.4	Project strategy	
2.2	Justification for the project	
2.3	Have the necessary technical studies been done (attach separate sheet if necessary)	
2.4	Possible alternatives for the project, if any	
2.5	Estimated Capital & operating costs with break- up under major heads of expenditure. Also indicative the basis cost estimation	
2.6	Phasing of investment	
2.7	Project implementation schedule (PIS)	
2.8	Have consultations been done with stakeholders	
2.9	Benefits to stakeholders	
3. Financing Arrangements		
3.1	Sources of financing (equity, debt, mezzanine capital etc.)	
3.2	Indicate the revenue streams of the Projects (annual flows over project life). Also indicate the underlying assumptions.	
3.3	Indicate the NPV of revenue streams with 12% discounting	

3.4	Who will fix the tariff/ user charges? Please specify in detail.	
3.5	Have any FIs been approached? If yes, their response may be indicated.	
4. IRR		
4.1	Economic IRR (if computed)	
4.2	Financial IRR, indicating various assumptions (attach separate sheet if necessary)	
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5.6	What will be the monitoring arrangements of output/performance	
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6.2	Clearance required from the State Government and other local bodies	
6.3	Other support required from the State Government	
6.4	Responsibility of obtaining remaining Clearances.	
7. GOI Support		
7.1	Viability Gap Funding, if required	
7.2	GOI guarantees being sought, if any	
8. GoUA Support		
8.1	What is the expected financial support from State Government	
8.2	Any Non-financial support from State Government	
9. Concession Agreement		
9.1	Is the concession Agreement based on Model Concession Agreement (MCA) of GOI? If yes, indicate the variations, if any, in a detailed note (to be attached)	
9.2	Details of Concession Agreement (Attached at Annexure- IV)	

10. Criteria for short-listing		
10.1	Is short-listing to be in one stage or two stages ?	
10.2	Indicate the criteria for short-listing (attach separate sheet if necessary) Are they quantitative?	
10.3	Does the short-listing criteria for the final stage include parameters other than financial	
11. Others		
11.1	Remarks, if any	

Brief particulars of the Concession Agreement

[Please See Sub-rule (14) of Rule 67, The Uttarakhand Procurement rules, 2008]

A. Sponsoring Department

C. Legal Consultant (if any)

B. Name and location of the Project

D. Financial Consultant (if any)

S.No.	Item	Response
1. General		
1.1	Scope of the Project (in about 200 words)	
1.2	Nature of Concession to be granted	
1.3	Period of Concession and justification for fixing the period	
1.4	Estimated capital cost	
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1.6	Conditions precedent, if any, for the concession to be effective	
1.7	Status of land acquisition	
2. Construction and O&M		
2.1	Designing Agency	
2.2	Designing parameters and norms	
2.3	Design review Agency	
2.4	Minimum standards of constructions	
2.5	Monitoring of construction; whether an independent agency/ engineer is provided	
2.6	Minimum standards of Operation and Maintenance whether Output based/input based	
2.7	Penalties for violation of prescribed design, construction and O&M Standards	
2.8	Safety related provisions	
2.9	Environment related provisions	
3. Financial		
3.1	Maximum period for achieving financial close	
3.2	Whether Right to mortgage/pledge/hypothecate/lien is being given	
3.3	Performance Security Value	
3.4	Source, nature and extent of capital grant, subsidy contemplated	
3.5	Bidding parameter (capital subsidy or other parameter)	

3.6	Provisions for change of scope and the financial burden thereof	
3.7	Likely concession fee, if any, payable by/payable to the Concessionaire	
3.8	User charges/fee to be collected by the concessionaire	
3.9	Indicate how the user fee is to be determined; the legal provision in support of user fee (attach the relevant rules/notification); and the extent and nature of indexation for inflation.	
3.10	Provisions, if any for mitigating the risk of lower revenue collection	
3.11	Provisions relating to escrow account, if any	
3.12	Provisions relating to insurance	
3.13	Provisions relating to audit and certification of claims	
3.14	Provisions relating to assignment/substitution rights relating to lenders	
3.15	Provisions relating to change in law	
3.16	Provisions, if any for compulsory buy-back of assets upon termination/ expiry	
3.17	Contingent liabilities of the government	
	(a) Maximum Termination Payment for government/ Authority Default	
	(b) Maximum Termination payment for concessionaire Default	
	(c) Specify any other penalty, compensation or payment contemplated under the agreement.	
3.18	Who will bear Project monitoring/supervision expenses.	
4. Risk Sharing		
4.1	Sponsoring department/ GoU risk/s	
4.2	Is there any unusual risk allocation to GoU	
4.3	Major obligations of sponsoring department/GoU	
4.4	Provisions for indemnity (design, construction, patents, accidents, legal violations)	
5. Others		
5.1	Provisions relating to competing facilities, if any	
5.2	Specify the proposed Dispute Resolution Mechanism	
5.3	Specify the proposed governing law and jurisdiction	
5.4	Provisions relating to Hand back obligations/provisions/guarantee.	
5.5	Remarks, if any	

**Government of Uttarakhand
Department of Finance
No. 474/XXVII(7)/2008
Dehradun : Dated : 17 December, 2008**

Office Memorandum

For promoting Public Private Partnership in physical and social sector infrastructure, the Governor is pleased to make The Uttarakhand Infrastructure Viability Gap Funding Scheme 2008.

THE UTTARAKHAND INFRASTRUCTURE VIABILITY GAP FUNDING SCHEME 2008

1. Preamble:

(i) It is recognized that the development of physical and social infrastructure projects requires very large investment that may not be possible out of the budgetary resources of the State Government alone. In order to remove these shortcomings and to bring in private sector, corporate and institutional resources as well as techno- managerial efficiencies it is proposed to promote revenue generating projects for the development of physical and social sector infrastructure in Public Private Partnerships.

(ii) And, whereas, the Government of Uttarakhand recognizes that infrastructure projects may not always be financially viable because of difficult terrain, limited clientele, long gestation periods and limited financial returns. Financial viability of such projects can be improved through Government support.

(iii) Accordingly, the Government of Uttarakhand has decided to put into effect the following scheme for providing financial support to bridge the viability gap of infrastructure projects undertaken through Public Private Partnerships.

2. Short Title and Extent:

This scheme will be called the Uttarakhand Infrastructure Viability Gap Funding Scheme for promoting Public Private Partnerships (PPPs) in physical & social sector Infrastructure. It will be a plan scheme and suitable budgetary support will be provided in the Annual Plans on an year-to-year basis.

3. Definitions

(i) **‘Competent Authority’** means either the Finance Minister or Chief Minister as the case may be.

(ii) **‘Empowered Committee’** means a committee under the Chairmanship of Chief Secretary, Principal Secretary Finance, Secretary Planning and Principal Secretary/Secretary of the concerned Administrative department will be the other members.

(iii) **‘Hilly Areas’** means following areas of the State as follows.

Entire area of District Pithoragarh, Uttarkashi, Chamoli, Rudrapur and Champawat, Pauri Garhwal, Tehri Garhwal, Almora and Bageshwar. All hilly development blocks in District Nainital (except development

blocks of Haldwani & Ramnagar) and District Dehradun (except development blocks of Vikasnagar, Doiwala, Raipur and Sahaspur).

(iv) **‘Lead Financial Institution’** means the financial institution (FI) that is funding the PPP project, and in case there is a consortium of FIs, the FI designated as such by the consortium.

(v) **‘Private Sector Company’** means a company in which 51% or more of the subscribed and paid up equity is owned and controlled by a private entity.

(vi) **‘Private Sector Entity’** includes (1) a company registered under the Indian Companies Act in which 51% or more equity is owned and controlled by a private controlled by the Government (iii) a Trust registered under the Indian Trusts Act 1882 and not controlled by Government.

(vii) **‘Project Term’** means the duration of the contract or concession agreement for the PPP Project.

(viii) **‘Public Private Partnership (PPP) Project’** means a project based on a contract or concession agreement, between a Government or statutory entity on the one side and a private sector entity on the other side, for delivering an infrastructure service or social sector service on payment of user charges.

(ix) **‘Total Project Cost’** means the lower of the total capital cost of the PPP Project: (a) as estimated by the government/statutory entity that owns the project. (b) as sanctioned by the Lead Financial institution and (c) as actually expended; but does not in any case include the cost of land incurred by the government/statutory.

(x) **‘Viability Gap Funding or Grant’** means a grant one-time or deferred or paid in installments provided under this Scheme with the objective of making a project commercially viable.

(xi) **‘VGF scheme of Government of India’** means the Government of India scheme for support to PPP in infrastructure (2005) and as amended from time to time.

4. Eligibility:

In order to be eligible for funding under this Scheme, a PPP Project shall meet the following criteria:

(i) The project shall be implemented i.e. developed, financed, constructed, maintained and operated for the Project Term by a Private Sector Entity to be selected by the Government or a statutory entity through a process of open competitive bidding.

(ii) The PPP Project for physical infrastructure will include all the sectors eligible as per provisions of VGF Scheme of G.O.I. such as :-

(a) Roads and bridges, airports

(b) Power

(c) Urban transport, water supply, sanitation, sewerage, solid waste management and other physical infrastructure in urban areas.

(d) Infrastructure projects in Special Economic Zones/Designated Industrial Areas.

(e) International convention centers and other tourism Infrastructure Project.

(iii) PPP Project for Social Sector infrastructure could include sectors such as:

(a) General Education, including elementary, secondary higher and non-formal education;

- (b) Technical Education;
- (c) Sports and Youth Services;
- (d) Art and Culture;
- (e) Medical, Public Health, Family Welfare & Medical Education;
- (f) Labour and Employment.
- (g) Agriculture Services, Agriculture Extension & Agriculture Education;
- (h) Soil and Water Conservation;
- (i) Animal Husbandry, Veterinary and Animal Sciences Education;
- (j) Forestry and Wild Life; Environment Protection;
- (k) Minor Irrigation;
- (l) Non-conventional sources of Energy;
- (m) Urban and Rural Development;
- (n) Women and Child Development;

The aforesaid list is not exhaustive and the Empowered Committee shall be authorized to add or delete sectors/sub sectors from this list.

(iv)The project should provide a service against payment of a predetermined tariff or user charge.

(v)The concerned administrative department should certify, with reasons.

- (a) That the tariff/user charge cannot be increased to eliminate or reduce the viability gap of the PPP.
- (b) That the project term cannot be increased for reducing the viability gap and;
- (c) That the capital costs are reasonable and based on the standards and specifications normally applicable to such projects and that the capital costs cannot be further restricted for reducing the viability gap.

5. Preparation of Projects for Viability Gap Funding:

- (i) The proposal for Viability Gap Funding shall be prepared and presented to the Secretariat of the Empowered Committee by the concerned Administrative Department. Proposals of Govt. Controlled autonomous organizations or urban/rural local bodies would also be vetted and presented by the concerned Administrative Department. The proposal for seeking clearance of the Empowered Committee Should be sent in 4 copies (both in hard & soft form) in the format prescribed by the Empowered Committee. The proposal should include copies of all project agreements, escrow agreement, O&M agreement and shareholders agreement, as applicable and the Detailed Project Report/Feasibility Report (see Rules 3.1 and 5.1) Project Report. In addition, the proposal should have the following:-
 - (a) Project appraisal carried out by Lead Financial Institution.
 - (b) Details of private promoter for the proposal/project and selection procedure.
 - (c) Details of rationale, efficiency improvement, and other benefits of undertaking the project in PPP mode.

6.Appraisal/Feasibility Report:

All project proposals under this scheme must be accompanied by a project appraisal carried out by the financial institution that is funding the PPP project and in case there is a consortium of Fls, the lead fl designated as such by the consortium.

7. Procurement process for PPP Projects:

The Private Sector Entity shall be selected through a transparent and open competitive bidding process as per procedure prescribed in the Uttarakhand Procurement Rules 2008. The criterion for bidding shall be the amount of Viability Gap Funding required by a Private Sector Entity for implementing the project were all other parameters are comparable.

8. Sanction/approval of scheme/project:

- (i) There shall be an Empowered Committee to consider the proposals submitted for viability Gap Funding
- (ii) The Committee will be headed by Chief Secretary and will comprise members as under:
 - (a) Principal Secretary/Secretary Finance;
 - (b) Principal Secretary/Secretary of the concerned Administrative Department;
 - (c) Secretary, Planning; Member Secretary
- (iii) PPP cell of the Planning Deptt. will work as Secretariat for the Scheme.
- (iv) The concerned administrative department will prepare the primary proposal for Viability Gap Funding and submit it to the PPP cell of the planning department for the consideration of the Empowered Committee as stated in para 5.
- (v) The Secretariat of the Empowered Committee will examine the proposal and seek additional information, if required for presenting a complete proposal for consideration of the Empowered Committee. In case the proposal does not have the required information or required information is not furnished despite being so asked for by the Secretariat the Secretariat with the approval of Chairman of the Empowered Committee, will summarily reject the same
- (vi) The Secretariat of the Empowered Committee will obtain the comments of the Finance & Planning Department (PPP Cell) before presenting the proposal for the consideration of the Empowered committee.
- (vii) The Empowered Committee will thereafter consider the proposal along with the views of the Planning Department (PPP Cell) and Finance Department and make its recommendations on the proposal for viability gap funding. After receiving the recommendations of the Empowered Committee the approval of Finance Minister will be obtained in cases when Viability Gap Funding is upto Rs. 5 crores. In cases where Viability Gap Funding is more than Rs. 5 Crores approval of Chief Minister shall also be taken. In case the PPP proposal is from a social sector not specified in the aforesaid Para 4(iii) the Empowered Committee may consider the matter on the merits of the proposal subject to the final approval of the Finance Minister.
- (viii) All approvals will be subject to availability of budgetary provisions.

9. Extent of Viability Gap Funding

(1) As regards Viability Gap Funding in physical infrastructure projects, the State Govt. Support shall be limited to providing only supplementary support to those projects which have been approved by Govt. of India under their SCHEME FOR SUPPORT TO PUBLIC PRIVATE PARTNERSHIPS IN INFRASTRUCTURE July 2005 (annexure) Accordingly, in Cases where Govt. of India support does not cover the entire Viability Gap of the project, State Govt. may provide additional Viability Gap Funding upto a max. of 20% of the total Project Cost. All proposals pertaining to Viability Gap Funding in physical infrastructure should be accompanied with the approvals accorded by the Government of India under the aforesaid Scheme.

(2)(i) In cases of PPP projects in social sectors as indicated in Para 4(iii), the State Govt. may provide viability Gap Funding upto a maximum of 33% [Subject to max. of Rs. 10 Crores.] of the Project Cost. However in projects which are located in hilly areas or where majority of the beneficiaries are members of SC/ST, the Empowered Committee may on a case by case basis recommend Viability Gap Funding upto a max. of 50% of the Project Cost subject of max of Rs. 15 crores.

(ii) The Empowered Committee may on merits of a particular proposal recommend a higher amount of VGF within the percentage limits of subsidy as specified in (2)(i) and it may be sanctioned with approval of Finance Minister & Chief Minister.

10. Viability Gap Support and disbursement of grant:

(i) Prior to disbursement the Administrative Department on behalf of the State Govt. the Lead Financial Institution and the Private Sector Entity shall enter into a Tripartite Agreement for the purposes of this Scheme The format of such Tripartite Agreement shall be prescribed by the Empowered Committee from time to time.

(ii) Viability Gap Support under this scheme shall be determined by Empowered Committee on a case to case basis. After the approval of the Projects by the EC/Competent Authority necessary funds may be placed at the disposal of Administrative Department on the basis of its request.

(iii) Viability Gap Funding under this Scheme will normally be in the form of a credit linked and back ended capital grant and would be released in three installment by the Administrative Department through the Lead Financial Institution.

(iv) The First installment limited to 25% of the assistance to be provided by the State Government will be released only after atleast 25% of the total cost of the project has been contributed by the Private Sector Entity and upon achieving targeted physical milestones. The second installment, limited to additional 50% of the assistance to be provided by the State Govt. would be disbursed only after the Private Sector Entity has contributed 50% of the total project cost. The last installment of balance 25% of the assistance, to be provided by the State Government will be released after the project is fully functional.

In case projects of special nature the Empowered Committee shall be authorized to revise the disbursement schedule including the amount of grant to be released keeping in view the expenditure protections of the project.

(v) The Lead Financial Institution and administrative department shall be jointly responsible for regular monitoring and periodic evaluation of project compliance with agreed milestones and performance levels, particularly for the purposes of disbursement of installments of Viability Gap Funding. The installments of viability Gap Funding will be released after the administrative department and the lead financial institution jointly verify the required physical and financial progress. The Lead Financial Institution should in particular satisfy itself that prior to disbursement of VGF the Private Sector Entity has expended its share of the project cost.

(vi) Proposals for any other form of assistance other than capital grant may be considered by the Empowered Committee and sanctioned with the approval of the Finance Minister and Chief Minister on a case by case basis.

(vii) Eligible Projects will be funded on a first come first serve basis subject to availability of budget. The Finance Department will reserve the right to make sectoral earmarking of the budget available under Viability Gap Funding to ensure intersectoral balance.

(viii) In case of default in project implementation or misuse of funds, the released fund may be recovered with interest as arrears of land revenue under the Uttar Pradesh Public Moneys (Recovery of Dues) Act 1972 as applicable in the State of Uttarakhand.

ANNEXURE - B

**CHECK LIST FOR DETERMINING THE RESPONSIBILITY
FOR TIME AND COST OVER-RUNS**

A- ADMINISTRATIVE AND PROCEDURAL DELAYS

Failures	Agency / person responsible
<p>* Sanction letter</p> <ul style="list-style-type: none"> ➤ Delayed issue ➤ Not defining cost, accountability etc. ➤ Others (Specify) 	<ul style="list-style-type: none"> ➤ ➤ ➤
<p>* Processing of Revised Cost Estimates</p> <ul style="list-style-type: none"> ➤ Delay in submission ➤ Delay in Pre-PIB/EFC meeting ➤ Delay in circulation ➤ Delay in appraisal ➤ Delay in PIB/EFC meeting ➤ Others (Specify) 	<ul style="list-style-type: none"> ➤ ➤ ➤ ➤ ➤ ➤

B- LAND ACQUISITION

Failures	Agency / person responsible
<p>* Assessment of requirement/suitability</p> <ul style="list-style-type: none"> ➤ Not assessed ➤ Area of land not indicated ➤ Site/location not surveyed ➤ Inspection/soil testing not done ➤ Inspection / testing not professional ➤ Others (Specify) 	<ul style="list-style-type: none"> ➤ ➤ ➤ ➤ ➤
<p>* Acquisition process</p> <ul style="list-style-type: none"> ➤ Advance action not taken ➤ Action taken but not possession ➤ Possession not on time ➤ Possessed but with encroachment ➤ Forest land clearance not obtained ➤ Rehabilitation of displaced not done ➤ Others (Specify) 	<ul style="list-style-type: none"> ➤ ➤ ➤ ➤ ➤ ➤ ➤

C - FUND CONSTRAINTS

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

D - TECHNICAL/DESIGN PROBLEMS

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

E - TENDERING/CONTRACTING

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

F - IMPLEMENTATION PLAN AND MONITORING MECHANISM

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

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

A. EXTRACTS FROM THE CONSTITUTION OF INDIAAN EXTRACTS FROM THE CONSTITUTION OF INDIA AND ITS DESCRIPTIONS

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149. Duties and powers of the Comptroller and Auditor-General - The Comptroller and Auditor-General shall perform such duties and exercise such powers in relation to the accounts of the Union and of the States and of any other authority or body as may be prescribed by or under any law made by Parliament and, until provision in that behalf is so made, shall perform such duties and exercise such powers in relation to the accounts of the Union and of the States as were conferred on or exercisable by the Auditor-General of India immediately before the commencement of this Constitution in relation to the accounts of the Dominion of India and of the Provinces respectively.

150. Form of accounts of the Union and of the States - The accounts of the Union and of the States shall be kept in such form as the President may, on the advice of the Comptroller and Auditor-General of India, prescribe.

151. Audit reports - (1) The reports of the Comptroller and Auditor-General of India relating to the accounts of the Union shall be submitted to the President, who shall cause them to be laid before each House of Parliament.

(2) The reports of the Comptroller and Auditor-General of India relating to the accounts of a State shall be submitted to the Governor of the State, who shall cause them to be laid before the Legislature of the State.

154. Executive power of State - (1) The executive power of the State shall be vested in the Governor and shall be exercised by him either directly or through officers subordinate to him in accordance with this Constitution.

(2) Nothing in this article shall—

(a) be deemed to transfer to the Governor any functions conferred by any existing law on any other authority; or

(b) prevent Parliament or the Legislature of the State from conferring by law functions on any authority subordinate to the Governor.

199. Definition of "Money Bills" - (1) For the purposes of this Chapter, a Bill shall be deemed to be a Money Bill if it contains only provisions dealing with all or any of the following matters, namely:—

(a) the imposition, abolition, remission, alteration or regulation of any tax;

(b) the regulation of the borrowing of money or the giving of any guarantee by the State, or the amendment of the law with respect to any financial obligations undertaken or to be undertaken by the State;

(c) the custody of the Consolidated Fund or the Contingency Fund of the State, the payment of moneys into or the withdrawal of moneys from any such Fund;

(d) the appropriation of moneys out of the Consolidated Fund of the State;

(e) the declaring of any expenditure to be expenditure charged on the Consolidated Fund of the State, or the increasing of the amount of any such expenditure;

(f) the receipt of money on account of the Consolidated Fund of the State or the public account of the State or the custody or issue of such money; or

(g) any matter incidental to any of the matters specified in sub-clauses (a) to (f).

(2) A Bill shall not be deemed to be a Money Bill by reason only that it provides for the imposition of fines or other pecuniary penalties, or for the demand or payment of fees for licences or fees for services rendered, or by reason that it provides for the imposition, abolition, remission, alteration or regulation of any tax by any local authority or body for local purposes.

(3) If any question arises whether a Bill introduced in the Legislature of a State which has a Legislative Council is a Money Bill or not, the decision of the Speaker of the Legislative Assembly of such State thereon shall be final.

(4) There shall be endorsed on every Money Bill when it is transmitted to the Legislative Council under article 198, and when it is presented to the Governor for assent under article 200, the certificate of the Speaker of the Legislative Assembly signed by him that it is a Money Bill.

202. Annual financial statement- (1) The Governor shall in respect of every financial year cause to be laid before the House or Houses of the Legislature of the State a statement of the estimated receipts and expenditure of the State for that year, in this Part referred to as the "annual financial statement".

(2) The estimates of expenditure embodied in the annual financial statement shall show separately—

(a) the sums required to meet expenditure described by this Constitution as expenditure charged upon the Consolidated Fund of the State; and

(b) the sums required to meet other expenditure proposed to be made from the Consolidated Fund of the State; and shall distinguish expenditure on revenue account from other expenditure.

(3) The following expenditure shall be expenditure charged on the Consolidated Fund of each State—

(a) the emoluments and allowances of the Governor and other expenditure relating to his office;

(b) the salaries and allowances of the Speaker and the Deputy Speaker of the Legislative Assembly and, in the case of a State having a Legislative Council, also of the Chairman and the Deputy Chairman of the Legislative Council;

(c) debt charges for which the State is liable including interest, sinking fund charges and redemption charges, and other expenditure relating to the raising of loans and the service and redemption of debt;

(d) expenditure in respect of the salaries and allowances of Judges of any High Court;

(e) any sums required to satisfy any judgment, decree or award of any court or arbitral tribunal;

(f) any other expenditure declared by this Constitution, or by the Legislature of the State by law, to be so charged.

203. Procedure in Legislature with respect to estimates - (1) So much of the estimates as relates to expenditure charged upon the Consolidated Fund of a State shall not be submitted to the vote of the Legislative Assembly, but nothing in this clause shall be construed as preventing the discussion in the Legislature of any of those estimates.

(2) So much of the said estimates as relates to other expenditure shall be submitted in the form of demands for grants to the Legislative Assembly, and the Legislative Assembly 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.

(3) No demand for a grant shall be made except on the recommendation of the Governor.

204. Appropriation Bills - (1) As soon as may be after the grants under article 203 have been made by the Assembly, there shall be introduced a Bill to provide for the appropriation out of the Consolidated Fund of the State of all moneys required to meet—

(a) the grants so made by the Assembly; and

(b) the expenditure charged on the Consolidated Fund of the State but not exceeding in any case the amount shown in the statement previously laid before the House or Houses.

(2) No amendment shall be proposed to any such Bill in the House or either House of the Legislature of the State which will have the effect of varying the amount or altering the destination of any grant so made or of varying the amount of any expenditure charged on the Consolidated Fund of the State, and the decision of the person presiding as to whether an amendment is inadmissible under this clause shall be final.

(3) Subject to the provisions of articles 205 and 206, no money shall be withdrawn from the Consolidated Fund of the State except under appropriation made by law passed in accordance with the provisions of this article.

205. Supplementary, additional or excess grants - (1) The Governor shall—

(a) if the amount authorised by any law made in accordance with the provisions of article 204 to be expended for a particular service for the current financial year is found to be insufficient for the purposes of that year or when a need has arisen during the current financial year for supplementary or additional expenditure upon some new service not contemplated in the annual financial statement for that year, or

(b) 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, cause to be laid before the House or the Houses of the Legislature of the State another statement showing the estimated amount of that expenditure or cause to be presented to the Legislative Assembly of the State a demand for such excess, as the case may be.

(2) The provisions of articles 202, 203 and 204 shall have effect in relation to any statement and expenditure or demand and also to any law to be made authorising the appropriation of moneys out of the Consolidated Fund of the State to meet such expenditure or the grant in respect of such demand as they have effect in relation to the annual financial statement and the expenditure mentioned therein or to a demand for a grant and the law to be made for the authorisation of appropriation of moneys out of the Consolidated Fund of the State to meet such expenditure or grant.

206. Votes on account, votes of credit and exceptional grants - (1) Notwithstanding anything in the foregoing provisions of this Chapter, the Legislative Assembly of a State shall have power—

(a) to make any grant in advance in respect of the estimated expenditure for a part of any financial year pending the completion of the procedure prescribed in article 203 for the voting of such grant and the passing of the law in accordance with the provisions of article 204 in relation to that expenditure;

(b) to make a grant for meeting an unexpected demand upon the resources of the State when on account of the magnitude or the indefinite character of the service the demand cannot be stated with the details ordinarily given in an annual financial Statement;

(c) to make an exceptional grant which forms no part of the current service of any financial year,

and the Legislature of the State shall have power to authorise by law the withdrawal of moneys from the Consolidated Fund of the State for the purposes for which the said grants are made.

(2) The provisions of articles 203 and 204 shall have effect in relation to the making of any grant under clause (1) and to any law to be made under that clause as they have effect in relation to the making of a grant with regard to any expenditure mentioned in the annual financial statement and the law to be made for the authorisation of appropriation of moneys out of the Consolidated Fund of the State to meet such expenditure.

207. Special provisions as to financial Bills - (1) A Bill or amendment making provision for any of the matters specified in sub-clauses (a) to (f) of clause (1) of article 199 shall not be introduced or moved except on the recommendation of the Governor, and a Bill making such provision shall not be introduced in a Legislative Council:

Provided that no recommendation shall be required under this clause for the moving of an amendment making provision for the reduction or abolition of any tax.

(2) A Bill or amendment shall not be deemed to make provision for any of the matters aforesaid by reason only that it provides for the imposition of fines or other pecuniary penalties, or for the demand or payment of fees for licenses or fees for services rendered, or by reason that it provides for the imposition, abolition, remission, alteration or regulation of any tax by any local authority or body for local purposes.

(3) A Bill which, if enacted and brought into operation, would involve expenditure from the Consolidated Fund of a State shall not be passed by a House of the Legislature of the State unless the Governor has recommended to that House the consideration of the Bill.

208. Rules of procedure - (1) A House of the Legislature of a State may make rules for regulating, subject to the provisions of this Constitution, its procedure and the conduct of its business.

(2) Until rules are made under clause (1), the rules of procedure and standing orders in force immediately before the commencement of this Constitution with respect to the Legislature for the corresponding Province shall have effect in relation to the Legislature of the State subject to such modifications and adaptations as may be made therein by the Speaker of the Legislative Assembly, or the Chairman of the Legislative Council, as the case may be.

(3) In a State having a Legislative Council the Governor, after consultation with the Speaker of the Legislative Assembly and the Chairman of the Legislative Council, may make rules as to the procedure with respect to communications between the two Houses.

209. Regulation by law of procedure in the Legislature of the State in relation to financial business - The Legislature of a State may, for the purpose of the timely completion of financial business, regulate by law the procedure of, and the conduct of business in, the House or Houses of the Legislature of the State in relation to any financial matter or to any Bill for the appropriation of moneys out of the Consolidated Fund of the State, and, if and so far as any provision of any law so made is inconsistent with any rule made by the House or either House of the Legislature of the State under clause (1) of article 208 or with any rule or standing order having effect in relation to the Legislature of the State under clause (2) of that article, such provision shall prevail.

243-I. Constitution of Finance Commission to review financial position - (1) The Governor of a State shall, as soon as may be within one year from the commencement of the Constitution (Seventy-third Amendment) Act, 1992, and thereafter at the expiration of every fifth year, constitute a Finance Commission to review the financial position of the Panchayats and to make recommendations to the Governor as to—

(a) the principles which should govern—

- (i) the distribution between the State and the Panchayats of the net proceeds of the taxes, duties, tolls and fees leviable by the State, which may be divided between them under this Part and the allocation between the Panchayats at all levels of their respective shares of such proceeds;
- (ii) the determination of the taxes, duties, tolls and fees which may be assigned to, or appropriated by, the Panchayats;
- (iii) the grants-in-aid to the Panchayats from the Consolidated Fund of the State;

(b) the measures needed to improve the financial position of the Panchayats;

(c) any other matter referred to the Finance Commission by the Governor in the interests of sound finance of the Panchayats.

(2) The Legislature of a State may, by law, provide for the composition of the Commission, the qualifications which shall be requisite for appointment as members thereof and the manner in which they shall be selected.

(3) The Commission shall determine their procedure and shall have such powers in the performance of their functions as the Legislature of the State may, by law, confer on them.

(4) The Governor shall cause every recommendation made by the Commission under this article together with an explanatory memorandum as to the action taken thereon to be laid before the Legislature of the State.

243Y. Finance Commission - (1) The Finance Commission constituted under article 243-I shall also review the financial position of the Municipalities and make recommendations to the Governor as to —

(a) the principles which should govern —

- (i) the distribution between the State and the Municipalities of the net proceeds of the taxes, duties, tolls and fees leviable by the State, which may be divided between them under this Part and the allocation between the Municipalities at all levels of their respective shares of such proceeds;
- (ii) the determination of the taxes, duties, tolls and fees which may be assigned to, or appropriated by, the Municipalities;
- (iii) the grants-in-aid to the Municipalities from the Consolidated Fund of the State;

(b) the measures needed to improve the financial position of the Municipalities;

(c) any other matter referred to the Finance Commission by the Governor in the interests of sound finance of the Municipalities.

(2) The Governor shall cause every recommendation made by the Commission under this article together with an explanatory memorandum as to the action taken thereon to be laid before the Legislature of the State.

266. Consolidated Funds and public accounts of India and of the States - (1) Subject to the provisions of article 267 and to the provisions of this Chapter with respect to the assignment of the whole or part of the net proceeds of certain taxes and duties to States, all revenues received by the Government of India, all loans raised by that Government by the issue of treasury bills, loans or ways and means advances and all moneys received by that Government in repayment of loans shall form one consolidated fund to be entitled "the Consolidated Fund of India", and 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 moneys received by that Government in repayment of loans shall form one consolidated fund to be entitled "the Consolidated Fund of the State".

(2) All other public moneys received by or on behalf of the Government of India or the Government of a State shall be credited to the public account of India or the public account of the State, as the case may be.

(3) No moneys out of the Consolidated Fund of India or the Consolidated Fund of a State shall be appropriated except in accordance with law and for the purposes and in the manner provided in this Constitution.

267. Contingency Fund - (1) Parliament may by law establish a Contingency Fund in the nature of an imprest to be entitled "the Contingency Fund of India" into which shall be paid from time to time such sums as may be determined by such law, and the said Fund shall be placed at the disposal of the President to enable advances to be made by him out of such Fund for the purposes of meeting unforeseen expenditure pending authorisation of such expenditure by Parliament by law under article 115 or article 116.

(2) The Legislature of a State may by law establish a Contingency Fund in the nature of an imprest to be entitled "the Contingency Fund of the State" into which shall be paid from time to time such sums as may be determined by such law, and the said Fund shall be placed at the disposal of the Governor of the State to enable advances to be made by him out of such Fund for the purposes of meeting unforeseen expenditure pending authorisation of such expenditure by the Legislature of the State by law under article 205 or article 206.

280. Finance Commission - (1) The President shall, within two years from the commencement of this Constitution and thereafter at the expiration of every fifth year or at such earlier time as the President considers necessary, by order constitute a Finance Commission which shall consist of a Chairman and four other members to be appointed by the President.

(2) Parliament may by law determine the qualifications which shall be requisite for appointment as members of the Commission and the manner in which they shall be selected.

(3) It shall be the duty of the Commission to make recommendations to the President as to—

(a) the distribution between the Union and the States of the net proceeds of taxes which are to be, or may be, divided between them under this Chapter and the allocation between the States of the respective shares of such proceeds;

(b) the principles which should govern the grants-in-aid of the revenues of the States out of the Consolidated Fund of India;

(bb) the measures needed to augment the Consolidated Fund of a State to supplement the resources of the Panchayats in the State on the basis of the recommendations made by the Finance Commission of the State;

(c) the measures needed to augment the Consolidated Fund of a State to supplement the resources of the Municipalities in the State on the basis of the recommendations made by the Finance Commission of the State;

(d) any other matter referred to the Commission by the President in the interests of sound finance.

(4) The Commission shall determine their procedure and shall have such powers in the performance of their functions as Parliament may by law confer on them.

281. Recommendations of the Finance Commission - The President shall cause every recommendation made by the Finance Commission under the provisions of this Constitution together with an explanatory memorandum as to the action taken thereon to be laid before each House of Parliament.

282. Expenditure defrayable by the Union or a State out of its revenues - The Union or a State may make any grants for any public purpose, notwithstanding that the purpose is not one with respect to which Parliament or the Legislature of the State, as the case may be, may make laws.

283. Custody, etc., of Consolidated Funds, Contingency Funds and moneys credited to the public accounts - (1) The custody of the Consolidated Fund of India and the Contingency Fund of India, the payment of moneys into such Funds, the withdrawal of moneys therefrom, the custody of public moneys other than those credited to such Funds received by or on behalf of the Government of India, their payment into the public account of India and the withdrawal of moneys from such account and all other matters connected with or ancillary to matters aforesaid shall be regulated by law made by Parliament, and, until provision in that behalf is so made, shall be regulated by rules made by the President.

(2) The custody of the Consolidated Fund of a State and the Contingency Fund of a State, the payment of moneys into such Funds, the withdrawal of moneys therefrom, the custody of public moneys other than those credited to such Funds received by or on behalf of the Government of the State, their payment into the public account of the State and the withdrawal of moneys from such account and all other matters connected with or ancillary to matters aforesaid shall be regulated by law made by the Legislature of the State, and, until provision in that behalf is so made, shall be regulated by rules made by the Governor of the State.

284. Custody of suitors' deposits and other moneys received by public servants and Courts - All moneys received by or deposited with—

(a) any officer employed in connection with the affairs of the Union or of a State in his capacity as such, other than revenues or public moneys raised or received by the Government of India or the Government of the State, as the case may be, or

(b) any Court within the territory of India to the credit of any cause, matter, account or persons,

shall be paid into the public account of India or the public account of the State, as the case may be.

293. Borrowing by States - (1) Subject to the provisions of this article, the executive power of a State extends to borrowing within the territory of India upon the security of the Consolidated Fund of the State within such limits, if any, as may from time to time be fixed by the Legislature of such State by law and to the giving of guarantees within such limits, if any, as may be so fixed.

(2) The Government of India may, subject to such conditions as may be laid down by or under any law made by Parliament, make loans to any State or, so long as any limits fixed under article 292 are not exceeded, give guarantees in respect of loans raised by any State, and any sums required for the purpose of making such loans shall be charged on the Consolidated Fund of India.

(3) A State may not without the consent of the Government of India raise any loan if there is still outstanding any part of a loan which has been made to the State by the Government of India or by its predecessor Government, or in respect of which a guarantee has been given by the Government of India or by its predecessor Government.

(4) A consent under clause (3) may be granted subject to such conditions, if any, as the Government of India may think fit to impose.

STATUTORY PROVISIONS RELATING TO BUDGET PROCEDURE, ETC.

(a) Extracts From The Rules Of Procedure And Conduct Of Business Of The Uttarakhand Legislative Assembly, 2005

CHAPTER XV - PROCEDURE IN FINANCIAL MATTERS

(A) Budget

171. Budget and its presentation - The annual financial statement or the statement of the estimated receipts and expenditure of the state in respect of every financial year (herein after referred to as the Budget) shall be presented to the Assembly on such day as the Governor may appoint.

172. Discussion on Budget - No discussion on the Budget shall take place on the day on which it is presented to the Assembly.

173. Demands for Grants - (1) No demand for grant shall be made except on the recommendation of the Governor.

(2) A separate demand shall ordinarily be made in respect of the grant proposed for each department of the Government:

Provided that the Finance Minister may include in one demand grants proposed for two or more departments, or make only one demand in respect of expenditure, which cannot readily be classified under any particular departments.

(3) Each demand shall contain first a statement of the total grant proposed, and then a statement of the detailed estimate under each grant divided into items.

(4) Subject to these rules, the Budget shall be presented in such form as the Finance Minister may, after considering the suggestions, if any, of the Estimates committee consider best.

174. Stages of Budget Debate - The Budget shall be dealt with by the Assembly in two stages, namely:-

- (i) a general discussion, and
- (ii) the voting on demands for grants.

175. General Discussion on Budget - (1) On days to be appointed by the Speaker, which shall be after at least two days subsequent to the presentation of the Budget, there shall be general discussion on the Budget or any question of principles involved therein ordinarily for five days, but no motion shall be moved at this stage, nor shall the Budget be submitted to the vote of the House.

(2) The Finance Minister shall have a general right to reply at the end of the discussion.

(3) The Speaker may, if he thinks fit, prescribe a time limit for speeches.

176. Voting on Demands - (1) The Speaker shall, in consultation with the Leader of the House, allot not more than 24 days for consideration and voting on the demands for grants.

(2) Subject to sub-rule (1), demands for grants shall be presented in such order as the leader of the House, in consultation with the Leader of the Opposition, may determine.

(3) On the days allotted under sub-rule (1), no other business except the questions shall be taken up without the consent of the Speaker.

(4) Motion may be moved at this stage to reduce any demand for grant or to omit any item thereof but not to increase or alter the destination of, a demand for grant.

(5) No amendment to motions to reduce any demand for grant shall be permissible.

(6) When several motions relating to the same demand are made they shall be discussed in the order in which the heads to which they relate appear in the Budget.

(7) About half an hour before the usual closing of the sitting on the last day of the days allocated under sub-rule (1) the Speaker shall forthwith put every question necessary to dispose of the outstanding matters in connection with the demands for grants; and this procedure shall not be anticipated by any motion for adjournment or be interrupted in any manner whatsoever, nor shall any dilatory motion be moved in regard thereto.

177. Cut motions - A motion may be allowed to reduce the amount of a demand in any of the following ways:

(a) "That the amount of the demand be reduce to Re.1": representing disapproval of the policy under lying the demand. Such a motion shall be known as "Disapproval of Policy Cut". A member giving notice of such a motion shall indicate in precise terms the particulars of the policy which he proposes to discuss. The discussion shall be confined to the specific point or points mentioned in the notice and it shall be open to members to advocate an alternative policy:

(b) "That the amount of the demand be reduced by a specified amount" representing the economy that can be effected. Such specific amount may be either a lump-sum reduction in the demand or omission or reduction of an item in the demand. The motion shall be known as "Economy Cut". The notice shall indicate briefly and precisely the particular matter on which discussion is sought to be raised, and speeches shall be confined to the discussion as to how economy can be effected:

(c) "That the amount of the demands be reduced by Rs. 100": in order to ventilate a specific grievance, which is within the sphere of the responsibility of the Government such a motion shall be known as "Token Cut" and the discussion there on shall be confined to the particular grievance specified in the motion.

178. Conditions of admissibility of Cut motions - (1) In order that a notice of motion for reduction of the amount of demand may be admissible it shall satisfy the following conditions, namely :

(a) it shall relate to one demand only;

(b) it shall be clearly expressed and shall not contain arguments, inferences, ironical expressions, imputations, epithets or defamatory statements;

(c) it shall be confined to one specific matter which shall be stated in precise terms;

(d) it shall not reflect on the character or conduct of any person whose conduct can only be challenged on a substantive motion;

(e) it shall not make suggestions or the amendment or repeal of existing laws;

(f) it shall not refer to a matter which is not primarily the concern of the Government;

(g) it shall not relate to expenditure charged on the Consolidated Fund of the State of Uttarakhand;

(h) it shall not relate to a matter which is under adjudication by a Court of law having jurisdiction in any part of India ;

(i) it shall not raise a question of privilege ;

(j) it shall not raise a matter which has been discussed in the same session and on which a decision has been taken;

(k) it shall not anticipate a matter which has been previously appointed for consideration in the same session;

(l) it shall not raise a matter pending before any statutory tribunal or statutory authority performing any judicial or quasi-judicial functions or any Commission or Court of Inquiry appointed to inquire into or investigate any matter:

Provided that the Speaker may in his discretion allow such matter being raised in the House as is concerned with the procedure or scope or stage of inquiry if the Speaker is satisfied that it is not likely to prejudice the Consideration of such matter by the tribunal, statutory authority, Commission or Court of Inquiry; and

(m) it shall not relate to a trifling, matter.

(2) The Speaker may disallow such cut motion as, in his opinion is an abuse of the right of moving such a motion, or is in contravention of these rules.

179. Notice of a Cut Motion - Notice of a cut motion shall be given at least two days before the day appointed for the discussion of the grant unless otherwise directed by the Speaker.

180. Votes on Credit and Exceptional Grants -

(1) Notwithstanding anything contained in the preceding rules, motions may be made for grants in advance in respect of the estimated expenditure for unexpected and exceptional grants under Article 206.

(2) Such demands shall be dealt with by the Assembly in the same manner as demands for grants in connection with the Budget and the rule on the subject shall apply to such demand with such modifications as the Speaker may deem necessary.

181. Vote on Account - (1) A motion for vote on account shall state the total sum required and the various amounts needed for each department or service or item of expenditure which compose that sum shall be stated in a schedule appended to the motion.

(2) Amendment may be moved for the reduction of the whole grant or for the reduction or omission of the items whereof the grant is composed.

(3) Discussion of a general nature shall be allowed on the motion or the amendments moved thereto and the details of the grant shall not be discussed but may instead be referred only to the extent necessary for general discussion.

(4) In other respects, a motion for vote on account shall be dealt with in the same way as it were demand for grant.

182. Supplementary or Additional Grants or Grants for Excess Expenditure - (1) The Governor may appoint the day for presentation of a statement of demands for grants in respect of supplementary or additional or excess expenditure under Article 205.

(2) The Speaker shall in consultation with the Leader of the House allot one or more days for the discussion and voting of such demands. In such cases the same procedure will be followed as is laid down in rules 185, 186, 187, 188, 189, 190 and 191 with such modifications as the Speaker may deem necessary.

183. Scope of Discussion on Supplementary Grants -The debate on the supplementary grants shall be confined to the items and no discussion shall be raised on the original grants or on the policy underlying them save in so far as it may be necessary to explain or illustrate the particular items under discussion.

184. Token Grant - When funds to meet proposed expenditure on a new service can be made available by re-appropriation, a demand for the grant of a token sum may be submitted to the vote of the House, and if the House assents to the demands funds may be so made available.

(B) Appropriation Bill

185. Appropriation Bill - (1) Subject to the provisions of tile Constitution, the procedure in regard to an Appropriation Bill shall with such modifications as the Speaker may consider necessary, be the same as for Bills generally:

Provided that no amendment shall be proposed to an appropriation Bill which will have the effect of varying the account or altering the destination of any grant make under Article 203.

(2) The Speaker may suspend the operation of any rule with a view to the timely passing of such Bills.

186. Time limit for disposal of Financial Business - In addition to the powers exercisable by the Speaker under these rules he may exercise all rights or powers necessary for the purpose of the timely completion of all financial business and may, in particular, allot time for the disposal of various kinds of such business and when the time is so allotted, he shall, at the appointed hour, put every question necessary to dispose of all the outstanding matters in connection with the stage or stage for which the time has been allotted.

Explanation - Financial business includes such business as the Speaker holds as coming within this category under the Constitution.

187. Publication of Appropriation and Finance Accounts and Audit Reports - As soon as may be practicable after the Appropriation and Finance Accounts and Audit Reports thereon have been laid on the Tables of the Legislature, the Secretary shall issue a notification declaring them to be published for general information.

CHAPTER XVI - PROCEDURE FOR COMMITTEES

(C) Committee On Public Accounts

218. Constitution of the Committee - (1) There shall be a Committee on Public Accounts for the examination of the appropriation accounts of the State, and the reports of the Comptroller and Auditor-General of India thereon, the annual financial accounts of the State or such other accounts or financial matters as are laid before it or referred to it or which the Committee deems necessary to scrutinize.

(2) The Committee on Public Accounts shall consist of not more than 07 members who shall be elected by the House every year from amongst its members according to the principle of proportional representation by means of the single transferable vote:

Provided that no Minister shall be appointed a member of the Committee and if a member of the Committee is appointed a Minister he shall cease to be a member of the Committee from the date of such appointment.

(3) The Chairman shall be elected by the Committee from amongst its members.

219. Functions of the Committee - (1) In scrutinizing the appropriation accounts of the State and the report of the Comptroller and Auditor-General of India thereon, it shall be the duty of the Committee on Public Accounts to satisfy itself:

(a) that the moneys shown in the accounts as having been disbursed were legally available for and applicable to the 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 re-appropriation has been made in accordance with such rules as may be prescribed by the competent authority.

(2) It shall also be the duty of the Committee on Public Accounts:

(a) to examine the statement of accounts showing the income and expenditure of State trading and manufacturing schemes together with the balance-sheets, and statements of profit and loss accounts which the Governor may have required to be prepared or are prepared under the provisions of the statutory rules regulating the finances of a particular State trading concern or project and the report of the Comptroller and Auditor-General thereon;

(b) to examine the statement of accounts showing the income and expenditure of autonomous and semi-autonomous bodies the audit of which may be conducted by the Comptroller and Auditor-General of India either under the directions of the Governor or by a statute; and

(c) 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 receipts or to examine the accounts of stores and stock.

(3) All functions which relate to the public Undertakings / Corporations of the State shall be outside the purview and jurisdiction of the Committee on public Accounts.

(D) Committee on Estimates

220. Constitution of the Committee - (1) There shall be a Committee on Estimates for the examination of such of the estimates as the Committee deems fit or are specifically referred to it by the House.

(2) The Committee shall consist of not more than twenty-five members who shall be elected by the House every year from amongst its members according to the principle of proportional representation by means of the single transferable vote:

Provided that no Minister shall be appointed a member of the Committee and if a member of the Committee is appointed a Minister he shall cease to be a member of the Committee from the date of such appointment.

221. Functions of the Committee - (1) The functions of the Committee shall be :

(a) to report what economies improvements in organization, 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 underlying in the estimates; and

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

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

(DD) Joint Committee on the Public undertakings and Corporations

222. Function of the Committee - There shall be a Joint Committee on Public undertaking and Corporations of the Uttarakhand Legislature for the examination of the working of all public undertaking and corporations of the State. The functions of the Committee shall be -

(a) to examine the statement of accounts showing the income and expenditure of the above mentioned public undertakings and Corporations together with the balance sheets and statements of Profit and Loss accounts which the Governor may have required to be prepared or which have been prepared under the provisions of statutory rules regulating the finances of a particular public undertaking or corporation and to examine the reports, if any given by the Accountant General, Uttarakhand in respect thereof;

(b) to examine keeping in view the autonomy of the said undertakings and corporations, their efficiency with a view to ascertain whether their affairs are being managed in accordance with sound business principles and commercial practices.

(c) to exercise such other functions vested in the Committee on Public Accounts and Committee on Estimates, in relation to the said public undertakings and corporations as may be allotted to the Committee by the Speaker of the Legislative Assembly from time to time:

Provided that the Committee shall not examine the following matters

(1) matters of major Government policy as distinct from the business functions of the public undertaking;

(2) matters of day-to-day administration; .

(3) matters which are required to be dealt with in accordance with the procedure specified in the Act under which the concerned Public Undertaking or Corporation was established.

223. Constitution of the Committee - The Committee shall consist of 07 members including the Chairman, in accordance with the principle of proportional representation by means of the single transferable vote :

Provided that no Minister shall be a member of the Committee and if a member of the Committee is appointed a Minister, his membership of the Committee shall determine from the date of such appointment.

224. Appointment of Chairman of the Committee - Appointment of Chairman of the Committee shall be made by the Speaker of the Legislative Assembly. The Quorum to constitute a sitting of the Committee shall be one-third of the total number of members of the Committee.

225. Report of the Committee - The Committee shall submit its report, from time to time, to the State Legislature on all or any of the aforesaid matters.

226. Determination of Jurisdiction of the Joint Committee on Public Undertakings and Corporations - If a question arises as to whether or not the Joint Committee on Public Undertakings and Corporations has jurisdiction over a particular matter, the question shall be referred to the Speaker Legislative Assembly, whose decision shall be final.

STATUTORY PROVISIONS RELATING TO BUDGET PROCEDURE, ETC.

(b) Extracts from the Uttar Pradesh Rules of Business, 1975 and the Secretariat Instructions, 1982.

The Uttar Pradesh Rules of Business, 1975

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4. (2) Unless the case is fully covered by powers to sanction expenditure or to appropriate or re-appropriate funds, conferred by any general or special orders made by the Finance Department, no department shall, without the previous concurrence of Finance Department, issue any orders which may -

(a) involve any abandonment of revenue or involve any expenditure for which no provision has been made in the Appropriation Act;

(b) involve any grant of land or assignment of revenue or concession, grant, lease or licence of mineral or forest rights or a right to water, power or any easement or privilege in respect of such concession;

(c) relate to number or grade of posts, or to strength of a service, or to the pay or allowances of government servants or to any other conditions of their service having financial implications; or

(d) otherwise have a financial bearing whether involving expenditure or not :

Provided that no orders of the nature specified in clause (c) shall be issued in respect of the Finance Department without the previous concurrence of the Department of Personnel.

5. Request for Papers

* * * *

(2) The Finance Minister may call for papers from any department in which financial consideration is involved.

The Uttar Pradesh Secretariat Instructions, 1982

21. (1) When consultation with the Finance Department is necessary in a case under the rules or under these Instructions, the following procedure shall be followed:-

- (i) the Secretary (or an officer subordinate to him) in the Administrative Department shall refer the case to the Finance Department, or an officer of the Finance Department before submitting the case for consideration of the Minister-in-charge.
- (ii) On receipt of the views of the Finance Department the case shall be disposed of in accordance with the advice of the Finance Department.
- (iii) In case the Administrative Department is unable to accept the advice of the Finance Department, the case shall under the order of the Minister-in-charge, be referred to the Finance Minister. If the Finance Minister does not agree with the views of the Minister-in-charge of the administrative department the disagreement will be resolved by the Chief Minister or decided by the Cabinet, as the nature of the case may require.

25. Subject to any orders of delegation In that behalf, the Finance Department shall be consulted before the issue of orders upon all proposals which affect the finances of the State.

26. (1) The views of the Finance Department shall be brought to the permanent record of the administrative department and shall form part of the case file.

(2) No Department shall have the right to call for any papers of Finance Department.

27. The Cabinet or the Finance Department may by general or special order prescribe cases in which concurrence of the Finance Department may be dispensed with or may be presumed to have been given.

28. The Finance Department shall be specially charged with the following functions, namely :

- (i) It shall in consultation with the Personnel Department frame rules regulating the pay, allowances leave and pensionary benefits of persons in the service of the State Government, and rules regulating the number, gradings or cadre and emoluments of posts under the State Government, and shall also be responsible for seeing that these rules are properly applied.
- (ii) It shall be in the overall charges of the accounts relating to loans granted by the State Government, the responsibility for the maintenance of accounts of individual loans beings (a) that of the Accountant General in the case of loans sanctioned by Government, and (b) departmental officers concerned in the case of loans sanctioned by authorities subordinate to the Government, and shall advise on the financial aspects of all transaction relating to such loans.
- (iii) It shall be responsible for the safety and proper employment of the Famine Relief Fund and for the maintenance of the accounts relating to provident funds, deposits and advances.
- (iv) It shall examine and report on all proposals for the increase or reduction of taxation.
- (v) It shall examine and report on all proposals for borrowing by the State Government, shall raise such loans as have been duly authorised and shall be in overall charge of all matters relating to the service of loans and the discharge of any financial guarantees, the responsibility in individual cases resting with the administrative departments on whose behalf any specific loans (other than loans from the public or from the Government of India) have been obtained or the financial guarantees have been given.
- (vi) It shall be responsible for seeing that proper financial rules are framed for the guidance of other departments and that suitable accounts are maintained by other Departments and establishments subordinate to them.
- (vii) It shall prepare an estimate of the total receipts and disbursements of the State in each year and shall be responsible during the year for watching the position of the State Government's balances and for their Ways and Means operations.
- (viii) In connection with the budget and with supplementary estimates —
 - (a) It shall prepare a statement of estimated revenue and expenditure to be laid before the Legislature in each year and any supplementary estimates or demands for excess grants which may be submitted to the vote of the Legislative Assembly or, as the case may be, be laid before the Legislature.
 - (b) For the purpose of such preparation it shall obtain from the Departments concerned material on which to base its estimates and it shall be responsible for the correctness of the estimates framed on the material so supplied.
 - (c) It shall examine and advise on all schemes of new expenditure for which it is proposed to make provision in the estimates.

NOTE - It will be incumbent upon each department to scrutinize each scheme with which it is concerned and which is to be included in the schedule of new demands, as soon as it is ready during the course of the year and to forward the same with its approval to the Finance Department immediately and not at the fag-end of the prescribed time. The Finance Department shall be at liberty to refuse to accept the scheme if it is not sent to them well in advance of the prescribed time.

- (d) It shall prepare Appropriation Bills to be introduced in the Legislature providing for the appropriation of money out on the Consolidated Fund.
- (ix) On receipt of a report from an Audit Officer that expenditure is being incurred for which there is no sufficient sanction, it shall require the Department concerned to obtain sanction or not to incur further expenditure.
- (x) On receiving a report that a financial rule has been contravened or a financial irregularity has been committed, it shall take steps to enforce the rule or to stop or rectify the irregularity.
- (xi) On receipt of the authenticated copies of the Appropriation Accounts and Finance Accounts and the Report of the Comptroller and Auditor General of India, it shall, after submitting them to the Cabinet, and then obtaining the orders of the Governor, lay these documents before the Legislature.
- (xii) It shall advise departments responsible for the collection of revenue regarding the progress of collection and the methods of collection employed.

* * * *

30. The Finance Department shall also be consulted upon all proposals to sanction the relaxation of any financial rule and also before final orders are passed in any case of serious financial irregularity.

31. Where consultation with the Finance Department is necessary under the Rules or under these Instructions, it shall take place before the issue of orders or submission of the case to the Cabinet.

THE COMPTROLLER AND AUDITOR-GENERAL'S (DUTIES, POWERS AND CONDITIONS OF SERVICE) ACT, 1971

(as of May 31, 1989) (15th December, 1971)

(as amended in 1976, 1984, 1987 and 1994)

An Act to determine the conditions of service of the Comptroller and Auditor-General of India and to prescribe his duties and powers and for that matters connected therewith or incidental thereto.

Be it enacted by parliament in the Twenty-second year of the Republic of India as follows:-

CHAPTER 1

PRELIMINARY

1. Short title

This Act may be called the Comptroller and Auditor-General's (Duties, Powers and Conditions of Service) Act, 1971.

2. Definitions

In this Act, unless the context otherwise requires,

(a) "accounts", in relation to commercial undertakings of a Government, includes trading, manufacturing and profit and loss accounts and balance-sheets and other subsidiary accounts;

(b) "appropriation accounts" means accounts which relate the expenditure brought to account during a financial year, to the several items specified in the law made in accordance with the provisions of the Constitution or of the Government of Union Territories Act, 1963, (20 of 1963) for the appropriation of moneys out of the Consolidated Fund of India or of a State, or of a Union territory having a Legislative Assembly, as the case may be;

(c) "Comptroller and Auditor-General" means the Comptroller and Auditor-General of India appointed under article 148 of the Constitution;

(d) "State" means a State specified in the First Schedule to the Constitution;

(e) "Union" includes a Union territory, whether having a Legislative Assembly or not.

CHAPTER II

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CHAPTER III

DUTIES AND POWERS OF THE COMPTROLLER AND AUDITOR-GENERAL

Comptroller and Auditor-General to compile accounts of Union and States

10. (1) The Comptroller and Auditor-General shall be responsible -

(a) for compiling the accounts of the Union and of each State from the initial and subsidiary account rendered to the audit and accounts offices under his control by treasuries, offices or departments responsible for the keeping of such accounts; and

(b) for keeping such accounts in relation to any of the matters specified in clause (a) as may be necessary:

Provided that the President may, after consultation with the Comptroller and Auditor-General, by order relieve him from the responsibility for compiling-

(i) the said accounts of the Union (either at once or gradually by the issue of several orders); or

(ii) the accounts of any particular services or departments of the Union:

Provided further that the Governor of a State may with the previous approval of the President and after consultation with the Comptroller and Auditor-General, by order, relieve him from the responsibility for compiling-

(i) the said accounts of the State (either at once or gradually by the issue of several orders); or

(ii) the accounts of any particular services or departments of the State:

Provided also that the President may, after consultation with the Comptroller and Auditor-General, by order, relieve him from the responsibility for keeping the accounts of any particular class or character.

(2) Where, under any arrangement, a person other than the Comptroller and Auditor-General has, before the commencement of this Act, been responsible -

(i) for compiling the accounts of any particular service or department of the Union or of a State, or

(ii) for keeping the accounts of any particular class or character,

such arrangement shall, notwithstanding anything contained in sub-section (1), continue to be in force unless, after consultation with the Comptroller and Auditor-General, it is revoked in the case referred to in clause (i), by an order of the President or the Governor of the State, as the case may be, and in the case referred to in clause (ii) by an order of the President.

Comptroller and Auditor-General to prepare and submit accounts to the President, Governors of States and Administrators of Union Territories having Legislative Assemblies.

11. The Comptroller and Auditor-General shall from the accounts compiled by him or by the Government or any other person responsible in that behalf prepare in each year accounts (including, in the case of accounts compiled by him, appropriation accounts) showing under the respective heads the annual receipts and disbursements for the purpose of the Union, of each State and of each Union territory having a Legislative Assembly, and shall submit those accounts to the President or the Governor of a State or Administrator of the Union territory having a Legislative Assembly, as the case may be on or before such dates as he may, with the concurrence of the Government concerned, determine:

Provided that the President may, after consultation with the Comptroller and Auditor-General, by order, relieve him from the responsibility for the preparation and submission of the accounts relating to annual receipts and disbursements for the purpose of the Union or of a Union territory having a Legislative Assembly;

Provided further that the Governor of a State may, with the previous approval of the President and after consultation with the Comptroller and Auditor-General, by order, relieve him from the responsibility for the

preparation and submission of the accounts relating to annual receipts and disbursements for the purpose of the State.

Comptroller and Auditor-General to give information and render assistance to the Union and States.

12. The Comptroller and Auditor-General shall, in so far as the accounts, for the compilation or keeping of which he is responsible, enable him so to do, give to the Union government, to the State Governments or to the Governments of Union Territories having Legislative Assemblies, as the case may be, such information as they may, from time to time, require, and render such assistance in the preparation of their annual financial statements as they may reasonably ask for.

General Provisions Relating to Audit

13. It shall be the duty of the Comptroller and Auditor-General -

(a) to audit all expenditure from the Consolidated Fund of India and of each State and of each Union territory having a Legislative Assembly and to ascertain whether the moneys shown in the accounts as having been disbursed were legally available for and applicable to the service or purpose to which they have been applied or charged and whether the expenditure conforms to the authority which governs it;

(b) to audit all transactions of the Union and of the States relating to Contingency Funds and Public Accounts;

(c) to audit all trading, manufacturing, profit and loss accounts and balance-sheets and other subsidiary accounts kept in any department of the Union or of a State;

and in each case to report on the expenditure, transactions or accounts so audited by him.

Audit of receipts and expenditure of bodies or authorities substantially financed from Union or State Revenues

14.(1) Where any body or authority is substantially financed by grants or loans from the Consolidated Fund of India or of any State or of any Union territory having a Legislative Assembly, the Comptroller and Auditor-General shall, subject to the provisions of any law for the time being in, force applicable to the body or authority, as the case may be, audit all receipts and expenditure of that body or authority and to report on the receipts and expenditure audited by him.

Explanation: Where the grant or loan to a body or authority from the Consolidated Fund of India or of any State or of any Union territory having a Legislative Assembly in a financial year is not less than rupees twenty-five lakhs and the amount of such grant or loan is not less than seventy-five percent of the total expenditure of that body or authority, such body or authority shall be, deemed, for the purposes of this sub-section, to be substantially financed by such grants or loans as the case may be.

(2) Notwithstanding anything contained in sub-section (1) the Comptroller and Auditor-General may with the previous approval of the President or the Governor of a State or the Administrator of a Union territory having a Legislative Assembly, as the case may be, audit all receipts and expenditure of any body or authority where the grants or loans to such body or authority from the Consolidated Fund of India or of any State or of any Union territory having a Legislative Assembly, as the case may be in a financial year is not less than rupees one crore.

(3) Where the receipts and expenditure of any body or authority are by virtue of the fulfilment of the, conditions specified in sub-section (1) or sub-section (2) audited by the Comptroller and Auditor-General in a financial year, he shall continue to audit the receipts and expenditure of that body or authority for a further period of two years notwithstanding that the conditions specified in sub-section (1) or sub-section (2) are not fulfilled during any of the two subsequent years.

Functions of Comptroller and Auditor-General in the Case of Grants or Loans given to other Authorities or Bodies

15. (1) Where any grant or loan is given for any specific purpose from the Consolidated Fund of India or of any State or of any Union territory having a Legislative Assembly to any authority or body, not being a foreign State or international organisation, the Comptroller and Auditor-General shall scrutinise the procedures by which the sanctioning authority satisfies itself as to the fulfilment of the conditions subject to which such grants or loans were given and shall for this purpose have right of access, after giving reasonable previous notice, to the books and accounts of that authority or body:

Provided that the President, the Governor of a State or the Administrator of a Union territory having a Legislative Assembly, as the case may be, may, where he is of opinion that it is necessary so to do in the public interest, by order, relieve the Comptroller and Auditor-General, after consultation with him, from making any such scrutiny in respect of any body or authority receiving such grant or loan.

(2) Except where he is authorised so to do by the President, the Governor of a State or the Administrator of Union territory having a Legislative Assembly, as the case may be, the Comptroller and Auditor-General shall not have, while exercising the powers conferred on him by sub-section (1), right of access to the books and accounts of any corporation to which any such grant or loan as is referred to in subsection (1) is given if the law by or under which such corporation has been established provides for the audit of the accounts of such corporation by an agency other than the Comptroller and Auditor-General:

Provided that no such authorisation shall be made except after consultation with the Comptroller and Auditor-General and except after giving the concerned corporation a reasonable opportunity of making representations with regard to the proposal to give to the Comptroller and Auditor-General right of access to its books and accounts.

Audit of Receipts of Union or of States

16. It shall be the duty of the Comptroller and Auditor-General to audit all receipts which are payable into the Consolidated Fund of India and of each State and of each Union territory having a Legislative Assembly and to satisfy himself that the rules and procedures in that behalf are designed to secure an effective check on the assessment, collection and proper allocation of revenue and are being duly observed and to make for this purpose such examination of the accounts as he thinks fit and report thereon.

Audit of accounts of stores and stock

17. The Comptroller and Auditor-General shall have authority to audit and report on the accounts of stores and stock kept in any office or department of the Union or of a State.

Powers of Comptroller and Auditor-General in connection with audit of accounts

18. (1) The Comptroller and Auditor-General shall in connection with the performance of his duties under this Act, have authority-

(a) to inspect any office of accounts under the control of the union or of a State, including treasuries, and such offices responsible for the keeping of initial or subsidiary accounts, as submit accounts to him;

(b) to require that any accounts, books, papers and other documents which deal with or form the basis of or an otherwise relevant to the transactions to which his duties in respect of audit extend, shall be sent to such place as he may appoint for his inspection;

(c) to put such questions or make such observations as he may consider necessary, to the person in charge of the office and to call for such information as he may require for the preparation of any account or report which it is his duty to prepare.

(2) The person in charge of any office or department, the accounts of which have to be inspected and audited by the Comptroller and Auditor-General, shall afford all facilities for such inspection and comply with requests for information in as complete a form as possible and with all reasonable expedition.

Audit of Government companies and corporations

19. (1) The duties and powers of the Comptroller and Auditor-General in relation to the audit of the accounts of Government companies shall be performed and exercised by him in accordance with the provisions of the Companies Act, 1956 (1 of 1956).

(2) The duties and powers of the Comptroller and Auditor-General in relation to the audit of the accounts of corporations (not being companies) established by or under law made by Parliament shall be performed and exercised by him in accordance with the provisions of the respective legislations.

(3) The Governor of a State or the Administrator of a Union territory having a Legislative Assembly may, where he is of opinion that it is necessary in the public interest so to do, request the Comptroller and Auditor-General to audit the accounts of a corporation established by law made by the Legislature of the State or of the Union territory, as the case may be, and where such request has been made, the Comptroller and Auditor-General shall audit the accounts of such corporation and shall have, for the purposes of such audit, right of access to the books and accounts of such corporation:

Provided that no such request shall be made except after consultation with the Comptroller, and Auditor-General and except after giving reasonable opportunity to the corporation to make representations with regard to the proposal for such audit.

Laying of reports in relation to accounts of Government companies and corporation

19A. (1) The reports of the Comptroller and Auditor-General, in relation to audit of accounts of a Government company or a corporation referred to in section 19, shall be submitted to the Government or Governments concerned.

(2) The Central Government shall cause every report received by it under sub-section (1) to be laid, as soon as may be after it is received, before each House of Parliament.

(3) The State Government shall cause every report received by it under sub-section (1) to be laid, as soon as may be after it is received, before the Legislature of the State.

Explanation : For the purposes of this section "Government or "State Government" in relation to a Union Territory having a Legislative Assembly, means the Administrator of the Union territory.

Audit of accounts of certain authorities or bodies

20. (1) Save as otherwise provided in section 19, where the audit of the accounts of any body or authority has not been entrusted to the Comptroller and Auditor-General by or under any law made by Parliament, he shall, if requested so to do by the President, or the Governor of a State or the Administrator of a Union territory having a Legislative Assembly, as the case may be, undertake the audit of the accounts of such body or authority on such terms and conditions as may be agreed upon between him and the concerned Government and shall have, for the purposes of such audit, right of access to the books and accounts of that body or authority:

Provided that no such request shall be made except after consultation with the Comptroller and Auditor-General.

(2) The Comptroller and Auditor-General may propose to the President or the Governor of a State or the Administrator of a Union territory having a Legislative Assembly, as the case may be, that he may authorised to undertake the audit of accounts of any body or authority, the audit of the account of which has not been entrusted to him by law, if he is of opinion that such audit is necessary because a substantial amount has been invested in, or advanced to, such body or authority by the Central or State Government or by the Government of a Union territory having a Legislative Assembly, and on such request being made, the President or the Governor or, the Administrator, as the case may be, may empower the Comptroller and Auditor-General to undertake the audit of the accounts of such body or authority.

(3) The audit referred to in sub-section (1) or sub-section (2) shall not be entrusted to the Comptroller and Auditor-General except where the President or the Governor of a State or the Administrator of a Union territory having a Legislative Assembly, as the case may be, is satisfied that it is expedient so to do in the public-interest and except after giving a reasonable opportunity to the concerned body or authority to make representations with regard to the proposal for such audit.

CHAPTER IV MISCELLANEOUS

Delegation of Power of Comptroller and Auditor-General

21. Any power exercisable by the Comptroller and Auditor-General under the provisions of this Act, or any other law may be exercised by such officer of his department as may be authorised by him in this behalf by general or special order.

Provided that except during the absence of the Comptroller and Auditor-General on leave or otherwise, no officer shall be authorised to submit on behalf of the Comptroller and Auditor-General any report which the Comptroller and Auditor-General is required by the Constitution or the Government of Union Territories Act, 1963 (20 of 1963) to submit to the President or the Governor of a State or the Administrator of a Union territory having a Legislative Assembly, as the case may be.

Power to Make Rules

22. (1) The Central Government may, after consultation with the Comptroller and Auditor-General, by notification in the official Gazette, make rules for carrying out the provisions of this Act in so far as they relate to the maintenance of accounts.

(2) In particular, and without prejudice to the generality of the foregoing power, such rules may provide for all or any of the following matters, namely:-

(a) the manner in which initial and subsidiary accounts shall be kept by the treasuries, offices and departments rendering accounts to audit and accounts offices;

(b) the manner in which the accounts of the Union or of a State or of any particular service or department or of any particular class or character, in respect of which the Comptroller and Auditor-General has been relieved from the responsibility of compiling or keeping the accounts, shall be compiled or kept;

(c) the manner in which the accounts of stores and stock shall be kept in any office or department of the Union or of a State, as the case may be;

(d) any other matter which is required to be or may be, prescribed by rules.

(3) Every rule made under this section shall be laid, as soon as may be after it is made, before each House of Parliament, while it is in session, for a total period of thirty days which may be comprised in one Session or in two or more successive sessions, and if, before the expiry of the session immediately following the session or the successive sessions aforesaid both Houses agree in making any modification in the rule or both Houses agree that the rules should not be made, the rule shall thereafter have effect only in such modified form or be of no effect, as the case may be; so, however, that any such modification or annulment shall be without prejudice to the validity of anything previously done under that rule.

Power to make regulations

23. The Comptroller and Auditor-General is hereby authorised to make regulations for carrying into effect the provisions of this Act in so far as they related to the scope and extent of audit, including laying down for the guidance of the Government Departments the general principles of Government accounting and the broad principles in regard to audit of receipts and expenditure.

Power to dispense with detailed audit

24. The Comptroller and Auditor-General is hereby authorised to dispense with, when circumstances so warrant, any part of detailed audit of any accounts or class of transactions and to apply such limited check in relation to such accounts or transactions as he may determine.

Repeal

25. The Comptroller and Auditor-General (Conditions of Service) Act 1953,(21 of 1953) is hereby repealed.

Removal of doubts

26. For removal of doubts, it is hereby declared that on the commencement of this Act the Government of India (Audit and Accounts) Order, 1936, as adapted by the India (Provisional Constitution) Order, 1947, shall cease to be in force except as respects anything done or any action taken thereunder.

THE REGULATIONS ON AUDITS AND ACCOUNTS 2007

In pursuance of Section 23 of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971 (Act no.56 of 1971), the Comptroller and Auditor General of India hereby makes the following Regulations, namely :-

CHAPTER 1

Preliminary

1. Short title, application and commencement

(1) These Regulations may be called the 'Regulations on Audit and Accounts, 2007'.

(2) These Regulations shall apply to the officers and staff of the Indian Audit and Accounts Department and all ministries and departments of the Union Government, State Governments and Union Territory Governments as well as bodies, authorities and enterprises, to which the audit or accounts jurisdictions of the Comptroller and Auditor General of India extend.

(3) These Regulations shall come into force with effect from the date of their publication in the official gazette.

2. Definitions

In these Regulations, unless the context otherwise requires,

(1) Accountant General (Accounts and Entitlement) means the head of the department of an accounts office of the Comptroller and Auditor General of India by whatever designation called;

(2) Accountant General (Audit) means the head of the department of an audit office of the Comptroller and Auditor General of India by whatever designation called;

(3) Accounts Office means an office of the Comptroller and Auditor General of India responsible for compilation of accounts from the initial and subsidiary accounts rendered by the treasuries, offices of departments responsible for keeping of such accounts and for entitlement work in relation to Government employees and other categories of employees;

(4) Accounts Officer means an officer, irrespective of designation, authorised by the Comptroller and Auditor General of India by a general or special order for accounts or entitlement or related work;

(5) Audit means examination of accounts, transactions and records in performance of duties and exercise of powers of the Comptroller and Auditor General as prescribed in the Constitution of India and the Act and includes performance audit or any other type of audit determined by the Comptroller and Auditor General of India. When used as a noun, it refers to Audit Department as a whole or any part thereof as per context;

(6) Audit Board means the Audit Board constituted by the Comptroller and Auditor General of India for performance audits of Central Public Sector Undertakings;

(7) Audit department or Audit institution means the offices of the Indian Audit and Accounts Department under the Comptroller and Auditor General of India responsible for audit under the Constitution of India and the Act;

(8) Auditable entity means an office, authority, body, company, corporation or any other entity subject to audit by the Comptroller and Auditor General of India;

(9) Audit mandate means the authority of the Comptroller and Auditor General of India for audit under the Constitution of India and the Act and includes audit entrusted by the Government under the Act;

(10) Audit memorandum means a memorandum or letter issued during the course of audit for eliciting information, confirmation of facts or any other matter considered necessary by the audit officer in conduct of audit;

(11) Audit note means a note issued by an audit office containing the results of audit conducted with reference to data, information or documents available in an audit or accounts office;

(12) Audit office means an office of the Comptroller and Auditor General of India responsible for audit;

(13) Audit officer or auditor means an officer, by whatever designation called, authorised by the Comptroller and Auditor General of India by a general or a special order to conduct audit;

(14) Audit report of the Comptroller and Auditor General means a report of the Comptroller and Auditor General of India under Article 151 of the Constitution of India or under Section 19A of the Act or under Section 49 of the Union Territories Act, 1963;

(15) Audit Review Committee means the committee constituted by an Accountant General (Audit) for finalisation of performance audits of State Public Sector Enterprises;

(16) Auditing Standards means the auditing standards issued by the Comptroller and Auditor General of India unless the context otherwise requires;

(17) Comptroller and Auditor General or the C & AG means the Comptroller and Auditor General of India appointed under Article 148 of the Constitution of India;

(18) Entitlement for the purpose of these Regulations means functions relating to pay, provident fund or pension and related work which the Comptroller and Auditor General is to perform under Article 149 of the Constitution of India and the Act;

(19) Government means the Union Government, the Government of a State and/or Government of the Union Territory as the context may require;

(20) Government company means a Government company as defined under Section 617 of the Companies Act, 1956 (Act No.1 of 1956);

(21) Deemed Government Company for the purpose of these Regulations means a company covered under Section 619B of the Companies Act, 1956;

(22) Guidelines are the guidelines issued by the Comptroller and Auditor General for carrying out the mandate. These are generally on professional matters especially on emerging and important areas of audit or accounts. The guidelines are to be consistent with these Regulations and are to be followed by the audit officers and the accounts officers;

(23) Inspecting officer means an officer in charge of an audit team deputed for audit;

(24) Inspection report means a report issued by an audit office containing the results of an audit;

(25) Local fund auditor means an auditor, by whatever designation called, generally appointed by a State Government for audit of accounts of panchayati raj institutions and/or urban local bodies;

(26) Major irregularity means (a) an instance of suspected material fraud or corruption coming to the notice in audit, or (b) an irregularity of serious nature involving public funds, particularly that relating to mismanagement, loss, waste, nugatory expenditure or loss of revenue, exceeding the monetary limit prescribed by the Comptroller and Auditor General in this regard.

(27) Mandate of the Comptroller and Auditor General means the authority vested in him in regard to accounts and audit under the Constitution of India and the Act;

(28) Practice notes are the detailed instructions on audit or on accounting matters. These need to be consistent with the Regulations, standing orders and guidelines issued by the Comptroller and Auditor General;

(29) Separate audit report means an audit report containing audit observations on the account of an authority, body or corporation whether or not required to be laid before the legislature;

(30) Standing orders of the Comptroller and Auditor General are the orders, including orders on administrative matters, of permanent nature issued in fulfillment of the mandate. These are to be consistent with these Regulations and are to be followed by the accounts officers and the audit officers;

(31) Statutory auditor means an auditor or an auditing firm appointed under the Companies Act, 1956 for the audit of accounts of a Government company or a deemed Government company; and

(32) The Act means the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971 (Act No. 56 of 1971);

All other expressions used in these Regulations but not defined herein shall have the meaning respectively assigned to them in the Constitution or in the Act.

CHAPTER 2

General

3. Role of the C & AG in regard to audit

The Comptroller and Auditor General is the sole authority prescribed in the Constitution entrusted with the responsibility of audit of accounts of the Union and of the States. It is the duty of the Comptroller and Auditor General to audit receipts and expenditure of the Union and each State and the Union Territory Governments. The audit reports of the Comptroller and Auditor General are placed before Parliament or the Legislature of the State or the Union Territory, as the case may be.

The duties of the Comptroller and Auditor General also extend to audit of Government companies and corporations and bodies and authorities in accordance with the laws made by the legislature and rules made thereunder.

4. Broad objectives of audit

The broad objectives of audit are to ensure legality, regularity, economy, efficiency and effectiveness of financial management and public administration mainly through assessment as to:

(1) whether the financial statements are properly prepared, are complete in all respects and are presented with adequate disclosures (financial audit);

(2) whether the provisions of the Constitution, the applicable laws, rules and regulations made thereunder and various orders and instructions issued by competent authority are being complied with (compliance audit); and

(3) the extent, to which an activity, programme or organisation operates economically, efficiently and effectively (performance audit).

5. All audits to be as per Mandate, Regulations, etc.

All audits undertaken by the Comptroller and Auditor General, or on his behalf, shall be as per the Constitution of India and the Act. These Regulations, standing orders, guidelines and practice notes issued by the Comptroller and Auditor General shall guide the conduct of such audits.

6. Authority of the C & AG in regard to audit

Under Section 18 read with Section 2(e) of the Act, the Comptroller and Auditor General has the authority:

(a) to inspect any office of accounts under the control of the Union or of a State or of a Union Territory having a legislative assembly;

(b) to require that any accounts, books, papers and other documents which deal with or form the basis of or are otherwise relevant to the transactions to which his duties in respect of audit extend, shall be sent to such place as he may appoint for his inspection; and

(c) to put such questions or make such observations as he may consider necessary, to the person in charge of the office and to call for such information as he may require for the preparation of any account or report which it is his duty to prepare.

The person in charge of any office or department, the accounts of which have to be inspected and audited by the Comptroller and Auditor General, shall afford all facilities for such inspection and comply with requests for information in as complete a form as possible and with all reasonable expedition.

7. Participation in management committees

Auditors should ordinarily not become members of management committees and if advice is to be given, it should be conveyed as audit advice or recommendation and acknowledged clearly as such.

8. Advice by Audit on certain issues

Audit should be ready to advise the executive in such matters as accounting standards and policies and the form of financial statements.

9. No power of direction with the executive in relation to Audit

It is important for the independence of the Comptroller and Auditor General that there is no power of direction by the executive in relation to the performance of the audit mandate. The Comptroller and Auditor General is not obliged to carry out, modify or refrain from carrying out an audit or suppress or modify audit findings, conclusions and recommendations in the light of any directions by the executive. This, however, does not preclude requests to the Comptroller and Auditor General by the executive proposing matters for audit. Decision in this regard shall rest finally with the Comptroller and Auditor General.

10. Utilising specialised skills from external sources

The Comptroller and Auditor General may, in special circumstances and if so required, utilise specialised skills from external sources in carrying out an audit or accounts task.

11. General or common Regulations to apply in all cases

General or common Regulations shall apply in all cases subject to specific provisions made in particular chapters in these Regulations.

CHAPTER 3

Scope and Extent of Audit

12. Authority for determination of scope and extent of audit

Under Section 23 of the Act, the scope and extent of audit shall be determined by the Comptroller and Auditor General.

13. Scope of audit

(1) Within the audit mandate, the Comptroller and Auditor General is the sole authority to decide the scope and extent of audit to be conducted by him or on his behalf. Such authority is not limited by any considerations other than ensuring that the objectives of audit are achieved.

(2) In the exercise of the mandate, the Comptroller and Auditor General undertakes audits which are broadly categorised as financial audit, compliance audit and performance audit, as elucidated in Chapter 5, 6 and 7 respectively.

(3) The scope of audit includes the assessment of internal controls in the auditable entities. Such an assessment may be undertaken either as an integral component of an audit or as a distinct audit assignment.

(4) The Comptroller and Auditor General may, in addition, decide to undertake any other audit of a transaction, programme or organisation in order to fulfill the mandate and to achieve the objectives of audit.

14. Extent of audit

Extent of audit means the quantum of audit including the period, the units of the auditable entity, the extent of test check and the boundaries of audit enquiry to be covered in an audit.

15. Power to dispense with detailed audit

Under Section 24 of the Act, the Comptroller and Auditor General may, when circumstances so warrant, dispense with any part of detailed audit of any accounts or class of transactions and apply such limited check in relation to such accounts or transactions as he may determine.

16. Conduct of audit

Audit will be conducted (a) with reference to such accounts, vouchers and records as may be received in the audit office and/or in the accounts office and may include online data, information and documents of the auditable entity; and (b) in the office of the auditable entity or at the site where the relevant records for audit are available or at such other place as may be decided by Audit.

17. Request for special audit

(1) The Comptroller and Auditor General or any officer so authorised shall give due consideration to a request for special audit of a programme, project or organisation within the audit jurisdiction provided that every such request:

(a) is made with the approval of the Secretary to Government of the concerned department;

(b) shall state the justification and reasons that necessitate a special audit, including the results of any preliminary inquiry, investigation or study that may have already been conducted; and

(c) specify the period to be covered in the special audit.

(2) The decision of the Comptroller and Auditor General or any officer so authorised in regard to the special audit shall be final.

18. Reporting the results of special audit

(1) The Accountant General (Audit) shall report the results of the special audit to the Secretary to Government of the concerned department and in case of a State or a Union Territory with legislative assembly, also report these results to Secretary to Government, Finance Department.

(2) The Comptroller and Auditor General reserves the right to communicate the results of any special audit to the Ministry of Finance, Government of India and to include them in the audit report.

CHAPTER 4

Guiding Principles of Auditing Standards

19. Definition

Auditing standards prescribe the norms which the auditors are expected to follow in conduct of audit. These provide guidance to the auditor to help determine the auditing steps and procedures that should be applied in audit and constitute the criteria or the yardstick against which quality of audit results is evaluated.

20. Relevance and application

(1) Auditing standards provide the framework for performing high quality audit. Compliance with these standards is expected to ensure that a high quality of audit is performed for achieving the audit objectives.

(2) Auditing standards shall apply both to the individual auditor and the audit department.

(3) All audits on behalf of the Comptroller and Auditor General are required to be conducted as per the auditing standards. In other words, auditing standards shall apply to all types of audit including financial audit, compliance audit and performance audit.

(4) Auditing standards shall be consistent with the guiding principles of auditing standards as contained in this Chapter.

21. Consideration of international auditing standards while prescribing auditing standards

The international auditing standards may be considered and suitably adapted keeping in view the Constitution of India, the Act, other relevant statutes, extant rules and these Regulations while prescribing the auditing standards of the Comptroller and Auditor General.

22. Scope of auditing standards

The auditing standards shall inter alia include the following:

(a) Basic postulates

- (b) General standards
- (c) Field standards
- (d) Reporting standards

(a) Basic Postulates

23. Definition

The basic postulates for auditing standards are the basic premises and requirements which help in developing auditing standards and guide the auditors in forming their opinions and reports, particularly in cases where no specific standards apply.

24. Framework of basic postulates

The basic postulates for auditing standards shall inter alia include the following:

- (1) The auditing standards shall be complied with by the auditors in all matters that are deemed material.
- (2) The auditors shall apply their own judgement to the diverse situations that arise in the course of audit.
- (3) There shall be an effective accountability process in operation.
- (4) The Government shall be responsible for establishment, development and enforcement of adequate information, control, evaluation and reporting systems within the Government to facilitate the accountability process.
- (5) Appropriate authorities in Government shall ensure the promulgation of acceptable accounting standards for financial reporting and disclosure that are relevant to the needs of the Government and that result in true and fair presentation of financial position and results of operations.
- (6) The Government shall establish an adequate system of internal control to minimise the risk of errors and irregularities.
- (7) The Government shall ensure cooperation of auditable entities in providing access to all relevant data, information and documents necessary for audit.
- (8) All audit activities shall be consistent with the audit mandate of the Comptroller and Auditor General.
- (9) Audit shall avoid conflict of interest between the auditor and the auditable entity.

(b) General Standards

25. Definition

The general standards describe the qualifications of the auditor and the audit institution, the compliance of which enables them to carry out the tasks related to conduct of audit and reporting of audit findings in a competent and effective manner. These standards establish a foundation for credibility of work of the auditor and the audit institution.

26. Framework of general standards

The general standards shall inter alia include:

(a) Independence : The auditor and the audit institution should be independent in all matters relating to audit work so that their opinions and reports are impartial.

(b) Professional competence : The auditor and the audit institution should possess adequate professional competence for performance of work. The audit institution should assess skill needs to consider whether its workforce has the essential skills that match those necessary to fulfill the audit mandate. Accordingly, the audit institution should have a process for recruitment, hiring, continuous development, assignment and evaluation of personnel to maintain a competent workforce.

(c) Due care : The auditors should exercise due care and caution in complying with auditing standards particularly in planning audits, specifying, gathering and evaluating evidence and in reporting findings, conclusions and recommendations.

(d) Professional judgement : The auditors should use professional judgement in all aspects of carrying out their professional responsibilities. Professional judgement represents the application of the collective knowledge, skills and experience of all personnel involved with an assignment as well as the professional judgement of the individual auditors. In addition to personnel directly involved in the audit, professional judgement may involve collaboration with other stakeholders, outside experts and the management in the audit institution.

(e) Quality control : The audit institution should establish a system of quality control that is designed to provide reasonable assurance that the institution and its personnel comply with standards. The system of quality control encompasses the audit institution's emphasis on performing high quality work, and the organisation's policies and procedures designed to provide reasonable assurance of complying with standards. The audit institution should document its quality control policies and procedures and communicate them to its personnel.

(c) Field Standards

27. Definition

The field standards provide an overall framework for conducting and managing an audit. Separate field standards may be formulated for financial audit, compliance audit and performance audit.

28. Relationship with general standards and reporting standards

The field standards are related to the general standards which set out the basic requirements for undertaking the tasks covered by the field standards. They are also related to the reporting standards which cover the communication aspect of auditing, as the results from carrying out the field standards constitute the main source for the contents of the audit findings, opinions or reports.

29. Framework of field standards

The field standards shall inter alia include:

(1) Planning : The auditor should plan audit in a manner which ensures that an audit of high quality is carried out in an economic, efficient and effective way and in a timely manner.

(2) Supervision and review : The work of audit staff at each level and audit phase should be properly supervised during audit and a senior member of the audit staff should review documented work.

(3) Examination and evaluation of internal control : The auditor, in determining the extent and scope of audit, should examine and evaluate the reliability of internal control. Auditors should obtain a sufficient understanding of internal control to plan the audit and determine the nature, timing and extent of checks to be performed.

(4) Compliance with applicable laws, rules and regulations : The auditor shall verify compliance with applicable laws, rules and regulations and highlight deviations, if any.

(5) Audit evidence : Competent, relevant and reasonable evidence should be obtained to support the auditor's judgement as well as conclusions regarding the organisation, programme, activity or function under audit.

(d) Reporting Standards

30. Definition

The reporting standards provide an overall framework for the auditor and the audit institution for reporting the results of audit.

31. Application

The reporting standards shall apply equally to all kinds of reports submitted by the Government auditors to the executive and the legislature, including inspection reports, audit reports and audit certificates on financial statements or statements of expenditure.

32. Framework of reporting standards

The reporting standards shall inter alia include the following:

(1) Reporting standards shall be meant to assist, and not to supersede, prudent judgement of the auditor in framing and reporting audit findings, conclusions and recommendations.

(2) The reports should be complete, accurate, objective, convincing, clear, concise, constructive and timely.

(3) The form and content of all audit opinions and reports need to be consistent with the principles laid down in regard to (a) objectives and scope, (b) completeness, (c) addressee, (d) identification of subject matter, (e) legal basis, (f) compliance with standards, and (g) timeliness.

(4) In formulating the audit opinion or report, the auditor should inter alia give due regard to the materiality of the matter keeping in view the amount, nature and context.

(5) Auditors should report on significant instances of non-compliance and abuse that were found in audit. In some circumstances, auditors should report illegal acts promptly to the audited entity without waiting for the full report to be prepared after the audit.

(6) When auditors conclude, based on evidence obtained, that fraud or corruption has either occurred or is suspected to have occurred, they should report relevant information. Such information that is clearly inconsequential either in a quantitative or qualitative sense need not be reported. When fraud involves financial assistance directly or indirectly from the Government and if the management fails to take remedial steps, the auditor may report it directly to the concerned Government and the grantor agency where such assistance is indirect and routed through such agency. Reporting of the cases of fraud and corruption noticed in audit directly to any other authorities shall be governed by the general or special orders of the Comptroller and Auditor General. The reporting of instances of fraud and corruption need not wait for final report of the auditor where promptness in such reporting is desirable due to special circumstances.

(7) Auditors should report deficiencies in internal control that they consider significant.

(8) Compliance audits, besides reporting on individual cases of non-compliance and abuse, also require reporting on weaknesses that exist in systems of financial management and internal control. The auditor should also report the results of examination of rules, regulations, orders and instructions and their consistency as well as significant irregularities and instances of fraud and corruption.

(9) In the report on the financial statements, the auditor should inter alia either (a) describe the scope of the auditor's testing of compliance with laws, rules and regulations and internal control in preparation of financial statements and present the results of those tests or (b) refer to the separate report(s) containing that information. In presenting the results of those tests, the auditor should report fraud, corruption, illegal acts, other material non-compliance, and significant deficiencies in internal control over financial reporting.

(10) The performance audit report should state clearly the objectives and scope of the audit. Reports may give independent information, advice or assurance as to whether and to what extent economy, efficiency and effectiveness are being or have been achieved. Performance audit reports should not concentrate solely on adverse assessment of the past but should be constructive. Recommendations should, as far as feasible, suggest what improvements are needed and how to achieve them.

(11) In follow up of recommendations, the auditor should maintain objectivity and independence and focus on whether identified weaknesses are corrected rather than on whether specific recommendations are adopted.

(12) Audit reports shall be forwarded by the audit department to the appropriate authorities of the audited entity. Copies shall also be sent to other officers who may be responsible for taking action on audit findings, conclusions and recommendations.

(13) Systems and procedures should be in place to assess whether adequate, prompt and proper follow up action has been taken on audit reports. In subsequent audits, the auditor should examine and report whether satisfactory action was taken on the audit reports.

CHAPTER 5

Financial Audit

33. Audit of annual accounts of the Government

Under the Constitution of India and the Act, it is the duty of the Comptroller and Auditor General to audit and report on the accounts of the Union Government and of the Governments of each State and Union Territory having a legislative assembly. These reports are submitted to the President or the Governor of a State or the Administrator of a Union Territory having a legislative assembly, as the case may be, for being placed before the appropriate legislature.

34. Certification of Finance and Appropriation Accounts

The Comptroller and Auditor General examines and certifies the Finance Accounts and the Appropriation Accounts of the Union and of each State and the Union Territory having a legislative assembly, irrespective of the agency that is responsible for their compilation.

35. Finance Accounts of the Government

The Finance Accounts of the Government show the receipts and disbursements of the Government for the financial year, together with the financial results disclosed by the revenue and capital accounts, the accounts relating to public debt and assets and other liabilities as prescribed.

36. Appropriation Accounts of the Government

The Appropriation Accounts of the Government show the expenditure of the Government compared with the amounts authorised by the legislature with explanations for significant variations between the two by way of saving or excess beyond the prescribed limits of such variations.

37. Checks in financial audit

The primary purpose of financial audit is to verify whether the accounts of Government are properly prepared, are complete in all respects and are presented with adequate disclosures. Financial audit thus verifies:

(1) books of accounts and the financial statements for their compliance with the applicable laws, rules and regulations and accounting principles, policies and acceptable standards including conformity with the form of accounts prescribed by the President on the advice of the Comptroller and Auditor General;

(2) completeness of the books of accounts and the financial statements; this also includes a critical review of the amounts that are not adjusted to their final classification;

(3) accuracy of the books of accounts and the financial statements including consistency between the related statements;

(4) timeliness of the books of accounts and the financial statements;

(5) adequacy of disclosures including appropriate and necessary explanations for any entry or amount that is prima facie unusual; and

(6) in the case of Appropriation Accounts, in addition to the above, (a) the amount of actual expenditure for its legal availability for and application to the service or purpose in accordance with the scope and intent of the grant; (b) the orders of re-appropriation and surrender of funds for their legality, competence and propriety; and (c) the explanations for the significant variations between the amounts of actual expenditure and the amounts authorised by the legislature, beyond the prescribed limits of such variations, for their veracity.

38. Requirement for sending copies of orders of re-appropriation and surrender of funds

Government departments shall send copies of all orders of re-appropriation and surrender of funds to the audit office and the accounts office as soon as these are issued. A consolidated statement of all such orders issued during a financial year shall also be sent to the audit office and the accounts office so as to reach within one month after the close of the financial year. A nil statement shall be sent if no such order was issued.

39. Orders of re-appropriation and surrender of funds to state reasons explicitly

The orders of re-appropriation shall comprehensively and explicitly state the reasons for the transfer of funds between different units of appropriation. The reasons for surrender of funds should also be similarly stated.

40. Reasons for excesses and shortfalls to be furnished

Government departments shall furnish to the audit office and the accounts office, within such time as may be specified, reasons for any excess or shortfall in expenditure beyond the limits prescribed for the purpose under any unit of appropriation vis-à-vis the amount provided for it.

41. Supply of specific documents and information to the audit officer

Without prejudice to the generality of other provisions in this regard in these Regulations, Government departments and the agency responsible for the compilation of accounts and financial statements shall inter alia supply the following to the audit officer:

(1) the reasons for any significant variations between the amounts of expenditure and the amounts of receipts of the year of accounts and the corresponding amounts for the preceding year;

(2) the statement of periodic book adjustments together with the copies of the general or special orders authorising such adjustments;

(3) the explanation for differences, if any, in the cash balance as per the books of accounts and the balance as per the books of the Reserve Bank of India;

(4) the explanation for any items that are prima facie unusual including adverse and insufficient balances ;

(5) the reasons for variations, if any, between the closing balances of the preceding year and the opening balances of the year of accounts in respect of heads of accounts that do not close to Government account;

(6) the confirmation of the outstanding amounts of loan and interest on loans;

(7) the details of overdue loans and interest on loans;

(8) the explanation for and analysis of variations, if any, between the amounts as per the detailed accounts kept in the form of ledgers and the corresponding aggregate amounts as per the books of accounts and financial statements;

(9) the statement of outstanding guarantees including the amounts (original amounts as well as the amounts outstanding at the end of the year);

(10) the confirmation of the amounts of guarantees (original amounts as well as the amounts outstanding at the end of the year) from the parties on whose behalf the guarantees were issued;

(11) the details of guarantees invoked during the year;

(12) the amount of guarantee fee received and the amount in arrears;

(13) the details of incomplete works costing more than the limit prescribed by the audit office from time to time; and

(14) year-wise analysis of the amounts outstanding under 'Remittance' and 'Suspense' heads of accounts.

42. Action plan for certification of financial statements

The audit office and the agencies responsible for preparation and compilation of accounts shall prepare an annual action plan for the timely completion of certification of financial statements and monitor its implementation.

CHAPTER 6

Compliance Audit

(a) Broad Principles

43. Examination of transactions in compliance audit

Compliance audit examines the transactions relating to expenditure, receipts, assets and liabilities of Government for compliance with :

(1) the provisions of the Constitution of India and the applicable laws; and

(2) the rules, regulations, orders and instructions issued by the competent authority either in pursuance of the provisions of the Constitution of India and the laws or by virtue of the powers formally delegated to it by a superior authority.

44. Examination of rules, regulations, orders, etc. in compliance audit

Compliance audit also includes an examination of the rules, regulations, orders and instructions for their legality, adequacy, transparency, propriety and prudence and effectiveness, that is whether these are:

(1) intra vires the provisions of the Constitution of India and the laws (legality);

(2) sufficiently comprehensive and ensure effective control over Government receipts, expenditure, assets and liabilities with sufficient safeguards against loss due to waste, misuse, mismanagement, errors, frauds and other irregularities (adequacy);

(3) clear and free from ambiguity and promote observance of probity in decision making (transparency);

(4) judicious and wise (propriety and prudence); and

(5) effective and achieve the intended objectives and aims (effectiveness).

45. Examination of rules, regulations, orders, etc. for consistency

Compliance audit also examines whether the rules, regulations, orders and instructions are consistent.

46. Endorsement of copies of rules, regulations and orders by Government departments

Government departments shall invariably endorse or otherwise send to the audit office(s) and the accounts office(s) copies of all rules, regulations and general orders regulating the raising of revenues, incurring of expenditure and liabilities and management of assets and liabilities, as soon as these are issued.

47. Reference of revision of rules or codes to Audit for scrutiny before issue

Wherever possible, any revision of rules or substantive codes undertaken by the Government departments and having financial, accounting or auditing implications may be referred to the concerned Accountant General (Accounts and Entitlement) or Accountant General (Audit), as the case may be, for scrutiny before issue.

(b) Audit of Expenditure

48. Authority of the C & AG in regard to audit of expenditure

Section 13 of the Act authorises the Comptroller and Auditor General to audit all expenditure from the Consolidated Fund of India and of each State and of each Union Territory having a legislative assembly. Section 13 read with Section 2(e) of the Act also authorises the Comptroller and Auditor General to audit all transactions of the Union and of the States and Union Territories relating to Contingency Funds and Public Accounts.

49. Examination of systems and procedures and checks to be applied in audit of expenditure

Audit of expenditure incurred from the Consolidated Fund examines and verifies whether adequate, proper and sound systems and procedures are in place and are being complied with, both in letter and spirit, for spending public money. Audit inter alia checks the expenditure for:

(1) Appropriation, that is, the availability of funds in the budget, including supplementary grant(s) and re-appropriation; this also includes (a) examination of the orders of re-appropriation for their legality, competence and propriety; and (b) confirmation that the expenditure is within the scope and intent of the grant and does not attract the limitation of new service or new instrument of service;

(2) Authorisation by the authority that is competent to do so;

(3) Compliance with the requirement of the applicable laws, rules, regulations, orders and instructions in actual disbursement;

(4) Evidence by way of vouchers, payees' acknowledgements, etc;

(5) Record in the books of the spending officer, including cross-verification with the records of the treasury, pay and accounts office, bank, etc;

(6) Accounting in the books of the Government; and

(7) Monitoring, control and reporting as prescribed in the Government rules.

The above carries an embedded, but essential, requirement of the examination of expenditure for compliance with the broad and general principles of financial propriety. Audit shall bring to light not only significant cases of irregularity and breach of rules, regulations and orders but also every matter which, in the judgment of the audit officer, appears to involve significant unnecessary, excessive, extravagant or wasteful expenditure of public money and resources despite compliance with the rules, regulations and orders.

50. Endorsement of copies of sanction orders and contract agreements to Audit

Copies of all orders sanctioning expenditure issued by Government departments shall be endorsed or otherwise sent to the audit office as soon as these are issued. The orders shall cite reference to the authority by way of rules, regulations, etc. in terms of which the expenditure is sanctioned. Heads of departments shall also send to the audit office quarterly statements on the 15th day of each of the months of July, October, January and April, of all sanctions issued in respect of their department during the preceding quarter. A nil statement shall be sent in case no such order was issued during the preceding quarter.

The Comptroller and Auditor General may, by a general or special order, exempt any department or a particular class or classes of orders from the requirement of sending copies to audit office.

Copies of contract agreements need not be sent to the audit office. Only quarterly statements (including nil statements) of all contracts entered into in the preceding quarter need to be sent to audit office as per time schedule given above.

51. Audit of transactions of Public Account and Contingency Fund

The basic principles of audit of expenditure incurred from the Consolidated Fund apply mutatis mutandis to any expenditure that may be incurred from the Public Account or from the Contingency Fund. Audit may also examine the transactions for their legality, competence and propriety and:

(1) in the case of Public Account, for the availability of credit for any withdrawal; and

(2) in the case of Contingency Fund, for the availability of sufficient balance in the Fund for any amount of advance as well as timely resumption to the Fund of any such amount.

52. Endorsement of copies of sanctions of advance from Contingency Fund

The Ministry of Finance or Finance Department shall endorse or otherwise send to the audit office and the accounts office, copies of all sanctions of advance from the Contingency Fund as well as resumption of the advance to the Contingency Fund as soon as these are issued.

(c) Audit of Receipts

53. Authority of the C & AG for audit of receipts

Section 16 of the Act authorises the Comptroller and Auditor General to audit all receipts (both revenue and capital) of the Government of India and of Governments of each State and of each Union Territory having a legislative assembly and to satisfy himself that the rules and procedures are designed to secure an effective check on the assessment, collection and proper allocation of revenue and are being duly observed.

54. Examination of systems and procedures and their efficacy

Audit of receipts includes an examination of the systems and procedures and their efficacy in respect of:

(1) identification of potential tax assessees, ensuring compliance with laws as well as detection and prevention of tax evasion;

(2) pursuit of claims with due diligence and that these are not abandoned or reduced except with adequate justification and proper authority;

(3) prompt investigation of losses of revenue through fraud, default or mistake including, if required, through the review of other similar cases;

(4) exercise of discretionary powers in an appropriate manner including levy of penalties and initiation of prosecution;

(5) appropriate action to safeguard the interests of the Government on the orders passed by departmental appellate authorities;

(6) any scheme as may be introduced by the Government from time to time;

(7) any measures introduced to strengthen or improve revenue administration;

(8) amounts that may have fallen into arrears, maintenance of records of arrears and action taken for the recovery of the amounts in arrears;

(9) other ancillary and non-assessment functions including expenditure incurred by the departments;

(10) achievement of targets, accounting and reporting of receipts and their crossverification and reconciliation with the accounts records;

(11) amounts of refunds, rebates, drawbacks, remissions and abatements to see that these are correctly assessed and accounted for; and

(12) any other matter, as may be determined by the Comptroller and Auditor General.

55. Integrity of data, information and documents forming basis of policy

The scope of audit of receipts includes examination of integrity of data, information and documents which form the basis of a policy.

56. Access to assessment files and records and computerised database

(1) The audit officer shall have access to individual assessment files as may be necessary subject to provisions of applicable laws and rules. The department concerned shall provide access to the assessment records and also any computerised systems including the databases maintained by it in hard copy or/and electronic form.

(2) As regards third party records and additional information thereon, provisions in this regard in Chapter 12 refer.

57. Follow up action on systemic faults or high risks pointed out by Audit

Where the audit officer points out systemic faults or identifies high risks, the department should take appropriate action to address these faults and mitigate the risks so identified.

58. Intimation of follow up action taken by the department

The department shall furnish within six months of the close of each financial year, an annual statement to the Accountant General (Audit) containing the details of follow up action taken on audit observations, including recoveries, in respect of accepted paragraphs included in the audit reports laid before Parliament or legislature till the end of that financial year.

(d) Audit of Assets and Liabilities

Stores and Stock

59. Authority of the C & AG for audit of stores and stock

Section 17 read with Section 2(e) of the Act authorises the Comptroller and Auditor General to audit and report on the accounts of the stores and the stock kept in any office or department of the Union or of a State or of a Union Territory having a legislative assembly.

60. Manner of keeping accounts of stores and stock

The accounts of stores and stock shall be kept in the manner prescribed by the Union Government in consultation with the Comptroller and Auditor General.

61. Audit of stores and stock

Audit of stores and stock is primarily an extension of audit of expenditure. Additionally, it involves verifying that adequate and sound systems and procedures are in place and complied with for:

- (1) establishment of the need for procurement of stores;
- (2) proper assessment of requirement of stores, including, where applicable, determination of reserve stock limits;
- (3) authorisation of procurement of stores;
- (4) procurement of stores in a cost-effective manner in accordance with the prescribed systems and procedures;
- (5) receipt, inspection, custody, issue and accounting of stores including appropriate segregation of duties of personnel and reconciliation of store accounts with books of accounts;
- (6) verification of physical balances at prescribed intervals, and reconciliation and resolution of discrepancies between physical balances and balances as per the records without delay; and
- (7) identification of obsolete and surplus stores, their disposal by way of sale and/or transfer to other units, divisions, etc. and accounting of corresponding receipts, or write off after proper investigation.

62. Right of Audit to investigate stores balances

Audit shall not normally assume responsibility for physical verification of stores which rests with the Government. It, however, reserves the right to investigate store balances and highlight discrepancies.

Other Assets and Liabilities

63. Authority of the C & AG in regard to audit of other assets and liabilities

Section 13 read with Section 2(e) of the Act authorises the Comptroller and Auditor General to audit trading, manufacturing and profit and loss accounts and balance sheets and other subsidiary accounts kept in any department of the Union or of a State or of a Union Territory having a legislative assembly and to report on accounts so audited by him.

Accordingly, besides store and stock, audit by the Comptroller and Auditor General shall extend to all other assets and liabilities of the Union and of States and of Union Territories having a legislative assembly including ongoing and completed works, investments, loans and advances, deposits, cash balances, internal and external borrowings, guarantees given by the Governments, reserves and sinking funds.

64. Broad principles of audit to apply

Broad principles of audit shall apply to audit of assets and liabilities.

65. Audit to be governed by orders of the C & AG

Audit of assets and liabilities shall further be governed by any general or special orders issued by the Comptroller and Auditor General.

(e) Audit of Grants-in-aid and Loans

66. Audit of grants-in-aid and loans

Audit of grants-in-aid and loans is primarily an extension of audit of expenditure and the broad principles of audit of expenditure shall apply. Additionally, it examines whether the amount of Government assistance is utilised for the intended purpose.

67. Verifications to be done during audit of grants-in-aid and loans

Audit of Government assistance in form of grants-in-aid or loans shall be conducted to verify whether systems and procedures are in place and are being complied with for:

- (1) clear enunciation of purpose for the sanction of the Government assistance;
- (2) proper and transparent identification and selection of persons, bodies and authorities for Government assistance with reference to their antecedents, absorptive capacity, financial position, systems and management practices;
- (3) determination of amount of assistance and its timely release;
- (4) proper accounting of assistance by the grantee or the loanee including maintenance of accounts in such form as may be prescribed;
- (5) ensuring the fulfillment of conditions of Government assistance;
- (6) monitoring and ensuring the economical, efficient and effective end use of assistance including achievement of the objectives of assistance;
- (7) refund to the Government of any unutilised amount; and
- (8) in the case of loans, their repayment as prescribed and recovery of interest including penal interest according to applicable conditions.

CHAPTER 7

Performance Audit

68. Definition

Performance audit is an independent assessment or examination of the extent to which an organisation, programme or scheme operates economically, efficiently and effectively.

69. Three Es of performance audit

Performance audit assesses:

(a) Economy – Economy is minimising the cost of resources used for an activity, having regard to appropriate quality. Economy issues focus on the cost of the inputs and processes. Economy occurs where equal-quality resources are acquired at least cost.

(b) Efficiency – Efficiency is the relationship between the output, in terms of goods, services or other results and the resources used to produce them. Efficiency exists where the use of financial, human, physical and information resources is such that output is maximised for any given set of resource inputs, or input is minimised for any given quantity and quality of output.

(c) Effectiveness – Effectiveness is the extent to which objectives are achieved and the relationship between the intended impact and the actual impact of an activity. Effectiveness addresses the issue of whether the scheme, programme or organisation has achieved its objectives.

70. Responsibility for development of measurable objectives, performance indicators, etc.

The responsibility for the development of measurable objectives and performance indicators as also the system of measurement rests with the Government departments or heads of entities. They are also

required to define intermediate and final outputs and outcomes in measurable and monitorable terms, standardise the unit cost of delivery and benchmark quality of outputs and outcomes.

71. Review of the measurable objectives and performance indicators in Audit

In reviewing performance against the outputs and outcomes, Audit may critically review the measurable objectives and performance indicators for their reasonableness and soundness. Audit may also set criteria for reviewing programme performance based on best practices.

72. Interaction with auditable entity during performance audit

Performance audit envisages a high degree of interaction with the auditable entities, right from the selection of subject(s) for review to all subsequent stages like definition of audit objectives and criteria, preparation of detailed audit programme, development of audit findings, formulation of recommendations and other related matters. Government departments shall ensure adequate and timely response to the audit officer at all stages.

73. Holding of entry conference

Before commencing detailed work of performance audit, the Accountant General (Audit) shall hold an entry conference with the Secretary to Government of the concerned department.

74. Topics for discussion in entry conference

The discussions at the entry conference shall inter alia include the scope and coverage of audit, audit objectives and criteria, proposed techniques of evidence collection, overall timeframe and tentative time schedule. The Accountant General (Audit) shall give full consideration to any suggestion that may be made by the Secretary to Government of the concerned department. A written record of the proceedings of the entry conference, duly signed by both parties, shall be kept on record.

75. Nomination of an officer for coordination and cooperation with Audit

The Secretary to Government of the concerned department shall nominate a sufficiently senior officer of the department who shall be responsible for coordinating with the concerned officers and the field offices of the department and ensuring their cooperation with the audit officer.

76. Holding of exit conference

The Accountant General (Audit) shall, after the draft performance audit report is ready, hold an exit conference with the Secretary to Government of the concerned department. A written record of the proceedings of the exit conference, duly signed by both parties, shall be kept on record. The Accountant General (Audit) shall give full consideration to the observations and comments of the Secretary while finalising the draft performance audit report for inclusion in the audit report of the Comptroller and Auditor General.

77. Furnishing of reply by department and processing of material for audit report

The Secretary to Government of the concerned department shall furnish reply to the draft performance audit report within the specified time and the Accountant General (Audit) shall take into account such reply before finalising the material for audit report of the Comptroller and Auditor General. The provisions of Chapter 15 relating to processing of material for the audit reports of the Comptroller and Auditor General and the follow up action thereon shall apply.

CHAPTER 8

Audit of Bodies and Authorities other than Government Establishments and Companies

(a) Broad Principles

78. Authority of the C & AG for audit of bodies and authorities

The audit of bodies and authorities, other than Government establishments and companies, by the Comptroller and Auditor General is governed by the provisions contained in Sections 14, 15, 19(2), 19(3), 19A and 20 of the Act.

79. Meaning of the expression 'body' and 'authority'

The expression 'authority' means a person or body exercising power or command vested in it by virtue of the Constitution or any law made by the legislature. The expression 'body' means an aggregate of persons, whether incorporated or unincorporated, and includes an institution or organisation set up as an autonomous organisation under a specific statute or as a society registered under the Societies Registration Act, 1860 or Indian Trusts Act, 1882 or any other statute, voluntary organisation or non-Government organisation, urban or rural local self Government institution, co-operative society, society or club, etc.

80. Provisions of Section 18 of the Act to apply to bodies and authorities

The provisions of Section 18 of the Act shall apply to bodies and authorities that are under the audit jurisdiction of the Comptroller and Auditor General.

81. Accounts of bodies and authorities to be made available to Audit

The body or authority under the audit jurisdiction of the Comptroller and Auditor General shall make its duly approved accounts available for audit as per time schedule that may be prescribed by the laws governing such body or authority or else by the Comptroller and Auditor General.

(b) Audit of Bodies and Authorities substantially financed from Union or State Revenues

82. Audit of bodies and authorities under Section 14 of the Act

(1) Section 14(1) of the Act authorises the Comptroller and Auditor General to audit the receipts and expenditure of a body or authority if (a) the amount of Government grant or loan paid to it in a financial year is not less than rupees twenty five lakh and also (b) the amount of such grant or loan is not less than seventy-five per cent of its total expenditure during the year. Audit under this Section is subject to the provisions of any law applicable to the body or authority.

(2) Section 14(2) of the Act provides that the Comptroller and Auditor General may, with the previous approval of the President or the Governor of a State or the Administrator of a Union Territory having a legislative assembly, as the case may be, audit all receipts and expenditure of a body or authority where the amount of Government grants or loans to the body or authority in a financial year is not less than rupees one crore.

(3) Where the receipts and expenditure of a body or authority are audited by the Comptroller and Auditor General under sub-section (1) or (2) of Section 14 for a particular year, the Comptroller and Auditor General is authorised under Section 14(3) of the Act to continue to audit its receipts and expenditure for a further period of two years even if the conditions stated in sub-section (1) or (2) are not satisfied during any of the two subsequent years.

83. Sanctions of grants and loans and forwarding of copies

Government departments and other officers empowered to sanction grants and/or loans to any body or authority shall:

(1) endorse a copy of each letter of sanction of grant or loan to the audit office;

(2) mention in the sanction, the amount of the budgeted expenditure of the body or authority; and

(3) ensure that the assisted body or authority makes available all the relevant records to the audit officer for audit, wherever and whenever necessary, and that a requirement to this effect is incorporated in the letter of sanction to the grant and/or loan.

84. Forwarding of statement of bodies and authorities receiving assistance

Governments and heads of departments which sanction grants and/or loans to bodies or authorities shall furnish to the audit office by end of July every year a statement of such bodies and authorities to which grants and/or loans aggregating rupees ten lakh or more were paid during the preceding year indicating (a)

the amount of assistance; (b) the purpose for which the assistance was sanctioned; and (c) the total expenditure of the body or authority.

85. Computation of quantum of Government assistance

For arriving at the quantum of Government assistance for the purpose of ascertaining auditability under Section 14 of the Act:

(1) the aggregate of the amounts of grant(s) and loan(s) paid to a body or authority shall be reckoned together;

(2) the amounts of grant(s) and loan(s) paid to a body or authority by the Union Government, the State Government(s) and the Union Territory Government(s) shall be aggregated; and

(3) the amounts of grant(s) and loan(s) paid during a year shall include any amounts remaining unspent out of grant(s) and loan(s) paid to the body or authority during preceding year(s) but not refunded to the Government.

86. Audit of receipts and expenditure and review of internal controls and financial records

Audit of the receipts and expenditure of a substantially financed body or authority shall be conducted in accordance with the Regulations prescribed in Chapters 6 and 7 to the extent relevant. The Comptroller and Auditor General may also conduct a critical review of its system of internal controls and financial records as well as the tests performed by its auditor for expression of an opinion on its accounts.

87. Communication of results of audit and their inclusion in audit report

The audit office shall communicate the results of audit to the chief executive officer of the body or authority and shall also forward a copy of the inspection report to the department(s) of the Government(s) that paid the grant(s) or loan(s) to the body or authority. Important points noticed in audit that need to be brought to the notice of the legislature may also be included in the audit report of the Comptroller and Auditor General submitted to the President or the Governor of a State or the Administrator of a Union Territory having a legislative assembly, as the case may be, for being laid before the appropriate legislature.

(c) Scrutiny in case of grants and loans given to bodies and authorities for specific purpose

88. Audit of bodies and authorities under Section 15 of the Act

(1) Under Section 15 of the Act, where any grant or loan is given for any specific purpose from the Consolidated Fund of India or of any State or of any Union Territory having a legislative assembly to any authority or body, not being a foreign state or international organisation, the Comptroller and Auditor General is authorised to scrutinise the procedures by which the sanctioning authority satisfies itself as to the fulfillment of the conditions subject to which such grants or loans were given.

(2) The President or the Governor of a State or the Administrator of a Union Territory having a legislative assembly, as the case may be, if he is of the opinion that it is necessary to do so in public interest and after consultation with the Comptroller and Auditor General, may relieve the Comptroller and Auditor General from making any such scrutiny in respect of any body or authority receiving such grant or loan.

89. Access to books and accounts of grantee body or authority

(1) Under sub-section (1) of Section 15, the Comptroller and Auditor General is authorised to have access, with reasonable previous notice, to the books and accounts of the grantee body or authority for the purpose of scrutinising the procedures by which the sanctioning authority satisfies itself as to the fulfillment of the conditions attached to the Government assistance.

(2) Under sub-section (2) of Section 15, except where he is authorised so to do by the President, the Governor of a State or the Administrator of a Union Territory, as the case may be, the Comptroller and Auditor General shall not have, while exercising the powers conferred on him by Section 15(1), right of access to the books and accounts of any corporation to which any such grant or loan as is referred to in Section 15(1) is given if the law by or under which such corporation has been established provides for the audit of the accounts of such corporation by an agency other than the Comptroller and Auditor General. No

such authorisation shall be made except after consultation with the Comptroller and Auditor General and after giving the concerned corporation a reasonable opportunity of making a representation in this regard.

90. Communication of results of audit and their inclusion in audit reports

The audit office shall communicate the results of scrutiny of the procedures conducted in terms of Section 15 of the Act to the department(s) of the Government(s) that paid the grant(s) and/or loan(s) to the body or authority. Important points that need to be brought to the notice of the legislature may also be included in the audit report of the Comptroller and Auditor General submitted to the President or the Governor of a State or the Administrator of a Union Territory having a legislative assembly, as the case may be, for being laid before the appropriate legislature.

(d) Audit of corporations set up by or under law made by Parliament

91. Audit of corporations under Section 19(2) of the Act

As per Section 19(2) of the Act, the duties and powers of the Comptroller and Auditor General in relation to audit of accounts of corporations established by or under law made by Parliament are performed and exercised in accordance with the provisions of the respective legislations.

92. Conduct of audit of corporations

Subject to the provisions of the respective legislations, the conduct of audit of corporations established by or under any law made by Parliament shall be governed by the provisions of these Regulations.

93. Copies of agenda notes and minutes of meetings of board of directors and audit committees to be furnished to Audit

Every corporation that is subject to audit by the Comptroller and Auditor General shall send copies of the agenda notes and minutes of the meetings of its governing body, by whatever name called, and the audit committee, if formed, to the Accountant General (Audit).

94. Applicable standards and verifications required in audit of accounts

Where the Comptroller and Auditor General is the sole auditor of a corporation, the financial audit is conducted in accordance with the auditing standards issued by the Comptroller and Auditor General. Audit shall verify whether systems and procedures are in place and implemented to ensure that the accounts:

- (1) comply with the requirements of the applicable law(s), rules and administrative instructions;
- (2) comply with the accounting standards prescribed by the Institute of Chartered Accountants of India;
- (3) contain adequate disclosures in respect of financial transactions; and
- (4) present a true and fair view of the corporation's financial position.

95. Audits other than financial audit of accounts by the C & AG

(1) In addition to the financial audit of accounts of a corporation, the Comptroller and Auditor General may conduct any other type of audit including the following:

(a) test check of transactions entered into by the corporation with a view to examining their legality, competence and propriety and report on cases of infraction, waste, mismanagement, frauds and other irregularities; and

(b) performance audit with a view to ascertaining the extent to which the corporation operates economically, efficiently and effectively for the achievement of the stated objectives.

(2) The scope of above audits may extend to more than one financial year.

(3) The Regulations contained in Chapters 6 and 7 shall apply to the compliance and performance audits conducted under sub-Regulations (1) and (2) to the extent relevant.

96. Audit certificate as warranted by circumstances

The audit certificate may be subject to such observations and qualifications as the circumstances may warrant. An adverse certificate may be given if the observations and qualifications are of such nature

as may not warrant certification of accounts as presenting a true and fair view of the financial position of the corporation.

97. Forwarding of draft separate audit report

On the completion of financial audit, the audit office shall send to the chief executive officer a draft separate audit report that will form part of the audit certificate on the accounts. A copy of the same shall also be sent to the Government in case it contains any observation on which reply of the Government is necessary.

98. Reply to draft separate audit report

The chief executive officer of the corporation (and the Government, where a copy of the draft separate audit report is sent to it) shall communicate reply to the draft separate audit report within two weeks from the date of its issue or such other period as prescribed.

99. Finalisation of audit certificate and separate audit report

The audit office shall consider the reply received from the corporation (and the Government if a copy is sent to it) before finalising the audit certificate and the separate audit report. In case a reply is not received within the specified period or any extended period agreed to, the audit officer may proceed on the assumption that the corporation (and the Government where a copy of the draft separate audit report is sent to it) has no comments, observation and explanation in the matter.

100. Forwarding of audit certificate and separate audit report to Government

The Accountant General (Audit) shall send the audit certificate and the separate audit report which will form part of the audit certificate on the accounts of the corporation to the Secretary to Government of the concerned department with a copy to the chief executive officer of the corporation.

101. Placement of audit certificate and separate audit report before governing body and concerned legislature

The chief executive officer shall place the audit certificate and the separate audit report before the governing body and intimate to the Accountant General (Audit) the date on which these are presented to the governing body. The Government shall cause every audit certificate and separate audit report to be laid before appropriate legislature(s) in accordance with Section 19A of the Act. The Secretary shall intimate to the Accountant General (Audit) the date of presentation of the audit certificate and the separate audit report to the legislature.

102. Reporting of results of audits other than financial audit of accounts

The results of other audits including compliance and performance audits of a Government corporation are reported through audit notes, inspection reports and audit reports. Audit reports of the Comptroller and Auditor General are laid before the respective legislature. No comments shall, however, be included in the inspection reports and audit reports except after giving due opportunity to the corporation and the Government to offer their explanation on the matters proposed to be commented upon. The Regulations in Chapters 12 to 15 shall apply to the extent relevant.

103. Responsibility for settlement of audit observations and constitution of 'audit arrears committee'

The responsibility for settlement of audit observations is that of the management of the corporation. In case a large number of audit observations included in the inspection reports remain outstanding for more than two years, each such corporation shall constitute an 'audit arrears committee' consisting of sufficiently senior officers of the corporation for speedy settlement and clearance of outstanding audit observations.

The concerned Government may take steps to ensure constitution of these committees and their effective functioning.

104. Corporations where Audit Board or Audit Review Committee is constituted or where primary auditor is appointed

In case of central corporations where Audit Board is constituted by the Comptroller and Auditor General, Regulations in Section (g) of Chapter 9 shall apply to the extent relevant. In case of State corporations where Audit Review Committee is constituted, Regulations in Section (h) of Chapter 9 shall

apply to the extent relevant. Further, in case of corporations where primary auditor is appointed under the relevant Act, Regulations in Section (d) to (f) of Chapter 9 shall apply to the extent relevant.

**(e) Audit of State Corporations and other bodies
and authorities entrusted to the C & AG**

105. Audit under Section 19(3) of the Act

As per Section 19(3) of the Act, the Governor of a State or the Administrator of a Union Territory having a legislative assembly may, where he is of the opinion that it is necessary in the public interest so to do, request the Comptroller and Auditor General to audit the accounts of a corporation established by law made by the legislature of the State or of the Union Territory, as the case may be, and where such request has been made, the Comptroller and Auditor General shall audit the accounts of such corporation and shall have, for the purposes of such audit, right of access to the books and accounts of such corporation. No such request shall be made except after consultation with the Comptroller and Auditor General and after giving reasonable opportunity to the corporation to make representation with regard to the proposal for such audit.

106. Audit under Section 20 of the Act

(1) Under sub-section (1) of Section 20 of the Act, the audit of accounts of any body or authority, the audit of which has not been entrusted to the Comptroller and Auditor General by or under any law made by Parliament may, subject to the proviso contained in Section 20(3), also be entrusted by the President or the Governor of a State or the Administrator of a Union Territory having a legislative assembly, as the case may be, to the Comptroller and Auditor General after consultation with him and on such terms and conditions as may be agreed to between him and the concerned Government.

(2) As per sub-section (2) of Section 20 of the Act, the Comptroller and Auditor General may propose to the President or the Governor of a State or the Administrator of a Union Territory having a legislative assembly, as the case may be, that he may be authorised to undertake the audit of accounts of a body or authority, the audit of which has not been entrusted to him by law, if he is of the opinion that such audit is necessary because a substantial amount has been invested in or advanced to that body or authority by Government, and the President or the Governor or the Administrator, as the case may be, may, subject to proviso contained in sub-section (3), empower the Comptroller and Auditor General to undertake the audit of accounts of that body or authority.

(3) Under Section 20(3) of the Act, audit under Section 20(1) or 20(2) shall be entrusted to the Comptroller and Auditor General only if the President or the Governor of a State or the Administrator of a Union Territory having a legislative assembly is satisfied that it is expedient to do so in the public interest and after giving reasonable opportunity to the concerned body or authority to make representation with regard to the proposal for such audit.

107. Conditions for undertaking audit under Section 20(1)

The conditions for undertaking audit of a body or authority at the request of the President or the Governor of a State or the Administrator of a Union Territory having a legislative assembly under Section 20(1) are the following:

(1) Audit shall be entrusted to the Comptroller and Auditor General preferably for a period of five accounts years. The arrangement will be reviewed after the expiry of this period.

(2) The scope, extent and manner of audit shall be decided by the Comptroller and Auditor General.

(3) The Comptroller and Auditor General may appoint a primary auditor to conduct audit on his behalf and in accordance with the directions or guidelines issued by him.

(4) The Comptroller and Auditor General or any other person so authorised in connection with the audit of accounts of the body or authority shall have the same rights, privileges and authority as the Comptroller and Auditor General has in connection with the audit of accounts of Government.

(5) The Comptroller and Auditor General, or an officer so authorised in this regard, will communicate the results of audit to the governing body of the body or the authority. The governing body shall submit a copy of the report to the concerned Government along with its observations. The Comptroller

and Auditor General, or an officer so authorised in this regard, will also forward a copy of the report to the concerned Government.

(6) The Comptroller and Auditor General shall have the right to report the results of audit to Parliament or the State legislature or Union Territory legislature.

(7) Any expenditure incurred by the Comptroller and Auditor General in connection with the audit of the body or authority, including the expenditure incurred for the services of the primary auditor, if any, shall be paid by the body or the authority to the Comptroller and Auditor General.

108. Proposal for entrustment of audit from Union Government

The proposal from Union Government including Union Territory without legislative assembly to entrust audit of a body or authority to the Comptroller and Auditor General shall be sent to the office of the Comptroller and Auditor General.

109. Proposal for entrustment of audit from State or Union Territory Government

The proposal from State Government or Union Territory Government having a legislative assembly to entrust audit of a body or authority to the Comptroller and Auditor General shall be sent to the concerned Accountant General (Audit).

110. Letter of entrustment of audit

The letter of entrustment of audit of a body or authority to the Comptroller and Auditor General shall be issued in the name of the President or the Governor of a State or the Administrator of a Union Territory having a legislative assembly. The letter shall inter alia indicate that the prescribed requirements, including the requirement relating to giving reasonable opportunity to the body or authority, where applicable, have been satisfied.

111. Audit as per provisions of laws and agreed terms and conditions

The audit under Section 19(3) or under Section 20 of the Act shall be conducted in accordance with the provisions of relevant laws and terms and conditions agreed upon between the Comptroller and Auditor General and the concerned Government, wherever applicable. Subject to the above, the audit of such corporations and the bodies or authorities shall be conducted in accordance with these Regulations.

112. Audit of corporations set up by State and UT legislatures and other entrustment audits

The provisions contained in Section (d) of this Chapter shall apply mutatis mutandis to the extent relevant to corporations set up by law made by State legislature and Union Territory legislature and other bodies and authorities, audit of which has been entrusted to the Comptroller and Auditor General under Section 19(3) and Section 20 of the Act.

CHAPTER 9

Audit of Government Companies

(a) Mandate

113. Mandate of the C & AG in regard to audit of Government companies

As per Section 19 of the Act, the duties and powers of the Comptroller and Auditor General in relation to the audit of accounts of Government companies shall be performed and exercised by him in accordance with the provisions of the Companies Act, 1956.

(b) General Provisions

114. Application of ICAI standards for public sector enterprises

The accounting standards and standard audit practices issued by the Institute of Chartered Accountants of India (ICAI) should be kept in view while carrying out the audit of Government companies or deemed Government companies.

115. Supply of copies of agenda notes and minutes of meetings of the board and other committees

Every company that is subject to audit by the Comptroller and Auditor General shall send copies of the agenda notes and minutes of the meetings of its board of directors, board level committees and the audit committee, if formed, to the Accountant General (Audit).

116. Intimation of formation and closure of a Government company or a deemed Government company by the Government

The administrative ministry/department concerned shall intimate the Comptroller and Auditor General in writing about the formation of a new Government company or a deemed Government company and forward a copy of its certificate of incorporation within one month of its incorporation. The administrative ministry/department concerned shall also intimate to the Comptroller and Auditor General if a Government company or a deemed Government company ceases to be so, within one month of such an occurrence. The administrative ministry/department shall also intimate to the Comptroller and Auditor General about a company becoming a Government company or a deemed Government company within one month of such an occurrence.

117. Intimation by Government company or deemed Government company of its formation

A Government company or a deemed Government company shall also intimate to the Comptroller and Auditor General about its formation along with the shareholding pattern, details of the management and a copy of the memorandum of association and articles of association within one month of its incorporation. Similarly, in the case of an existing company, the intimation about becoming a Government company or a deemed Government company under the Companies Act, 1956 and other details and documents shall be sent by the company within one month of such an occurrence.

(c) Appointment of Statutory Auditor

118. Appointment of statutory auditor

The statutory auditor of a Government company or a deemed Government company shall be appointed by the Comptroller and Auditor General from amongst persons qualified to act as auditors under the Companies Act, 1956. The Comptroller and Auditor General shall appoint the statutory auditor for a financial year through a process of selection as may be prescribed and thereafter, subject to the following Regulation, re-appoint him on year to year basis unless special circumstances warrant appointment for a longer period. The total period of appointment including the initial appointment should not ordinarily exceed four financial years. The appointment shall be subject to such terms and conditions as may be prescribed from time to time by the Comptroller and Auditor General.

119. Re-appointment of statutory auditor subject to satisfactory performance

The re-appointment of a statutory auditor shall be subject to satisfactory performance of the audit assignment in earlier year(s) assessed in terms of the criteria prescribed by the Comptroller and Auditor General including the extent of compliance of directions issued to him by the Comptroller and Auditor General relating to the audit.

120. Communication of acceptance by statutory auditor

The statutory auditor shall send acceptance of the audit assignment in writing to the Comptroller and Auditor General within three weeks of the date of issue of communication of appointment, failing which the offer of appointment is liable to be cancelled without any notice.

121. Termination of appointment before expiry of normal tenure

The Comptroller and Auditor General may terminate the appointment of a statutory auditor before the expiry of the normal tenure of appointment for reasonable and sufficient grounds after following the due administrative process, including giving an opportunity to the statutory auditor to make representation against the premature termination of appointment.

122. Debar from further appointment in case of serious irregularities

In case serious irregularities are noticed in the discharge of professional duties by the statutory auditor, the Comptroller and Auditor General may, if considered necessary, on the recommendation of a committee appointed by him and after giving due opportunity to the statutory auditor to represent, debar him from further appointment as auditor of a Government company or a deemed Government company for such

period as may be considered fit and also refer the case to the Institute of Chartered Accountants of India for taking disciplinary action against the statutory auditor.

123. Responsibility with reference to annual accounts

While the statutory auditor is responsible for forming and expressing an opinion on the annual accounts of the Government company or the deemed Government company, the responsibility for their proper preparation is that of the management of the company. The audit of the annual accounts does not relieve the management of its responsibilities relating to the maintenance of adequate accounting records, internal controls and safeguarding the assets of the company.

(d) Audit by Statutory Auditor

124. Role of the C & AG with regard to audit by statutory auditor

The Comptroller and Auditor General is authorised to:

(1) direct the manner in which the statutory auditor shall audit the accounts of the company and to give to such auditor instructions in regard to any matter relating to the performance of his functions as such; and

(2) conduct a supplementary or test audit of the accounts of the company.

125. Preparation of programme of audit by statutory auditor

To conduct an effective audit in an efficient and timely manner, the statutory auditor should prepare the programme of audit in consultation with the company and the Accountant General (Audit) and plan his work to:

(1) obtain an understanding of the activities, accounting and internal control systems to plan the audit and develop an effective audit approach; and assess audit risk and design audit procedures to reduce the risk to an acceptable low level;

(2) obtain an understanding of the information technology systems and data available for use in audit;

(3) develop an overall plan for the expected scope and conduct of audit and prepare a written audit programme showing the nature, timing and extent of audit procedures based on the understanding of the nature, functions and operations of the company and the directions of the Comptroller and Auditor General with regard to the audit;

(4) discuss important elements of the overall plan and audit procedures with the management of the company and the Accountant General (Audit);

(5) ensure that the audit programme contains sufficient details to serve as a set of instructions to the staff involved in the audit and as a means to control the proper execution of work;

(6) revise and develop the audit plan further, as considered necessary, during the course of audit with due intimation to the management of the company and Accountant General (Audit);

(7) communicate the quality control policies and procedures to the staff in a manner that provides reasonable assurance that these policies and procedures are understood and implemented;

(8) implement quality control policies and procedures designed to ensure that the audit is conducted in accordance with auditing and assurance standards prescribed by the Institute of Chartered Accountants of India; and

(9) supervise and review the work of audit at all levels to provide reasonable assurance that the work performed meets appropriate standards of quality.

126. Documentation by statutory auditor

The statutory auditor shall document, in the form of working papers, matters which are important in providing evidence that the audit has been carried out in accordance with the auditing and assurance standards prescribed by the Institute of Chartered Accountants of India and the directions of the

Comptroller and Auditor General. The working papers shall include record of audit plan, the nature, timing and extent of auditing procedures performed, audit evidence and the conclusions drawn from the evidence obtained. All significant matters which require the exercise of judgment, together with the statutory auditor's conclusions thereon, may be included in the working papers. In an audit in an information technology environment, some of the audit evidence may be in electronic form. In such case, the statutory auditor shall satisfy himself that such evidence is adequately and safely stored and is retrievable in its entirety as and when required.

127. Preparation of audit report by the statutory auditor

On completion of audit, the statutory auditor shall prepare his audit report under the Companies Act, 1956 and submit a copy to the Accountant General (Audit).

128. Communication of matters of governance to Audit

The statutory auditor, at the time of submission of his report under the Companies Act, 1956, shall also forward to the Accountant General (Audit) a copy of any communication containing matters of governance issued by him to the management of the company in compliance with the relevant auditing and assurance standards of the Institute of Chartered Accountants of India.

129. Responsibilities of statutory auditor vis-à-vis Accountant General (Audit)

The statutory auditor shall also:

(1) make himself available for discussions with the office of the Comptroller and Auditor General and the Accountant General (Audit) as and when required;

(2) furnish reply to the provisional comments of the Accountant General (Audit) within three days of issue and, if required, attend the meeting called by the Accountant General (Audit) with the management of the company to discuss the provisional comments;

(3) attend the meetings of the audit committee, if formed, held in pursuance of the Companies Act, 1956;

(4) retain the record of work done by him in the form of working papers with sufficient details so as to support his observations and conclusions for a period of five years unless required for a longer period;

(5) make portions of or extracts from his working papers available to the Accountant General (Audit) in cases where it is considered necessary by Audit to verify the authenticity and correctness of the conclusions drawn in his audit report; and

(6) submit to the Comptroller and Auditor General through the Accountant General (Audit), a report under the Companies Act, 1956 in compliance with the directions issued to him.

(e) Supplementary Audit by the C & AG

130. Duly adopted and audited accounts to be made available to Audit

The company shall make available the balance sheet and the profit and loss account and any other statements or documents declared under the Companies Act, 1956 to be part of or annexed to the balance sheet and the profit and loss account (called annual accounts) duly adopted by the board of directors and audited by the statutory auditor to the Accountant General (Audit) within three months after the close of the year of accounts for timely finalisation and issue of comments of the Comptroller and Auditor General, and for consequently holding the annual general meeting of the company within the time stipulated in the Companies Act, 1956. In the case of companies not listed on the stock exchange, the Accountant General (Audit) may extend the said date by one month.

131. Records of the company to be made available to audit

The company shall expeditiously provide the required books of accounts, vouchers, data, information and other documents to the officers of the Accountant General (Audit) to discharge their duties and functions under the Companies Act, 1956.

132. Scope of supplementary audit

It is the statutory auditor who is primarily responsible for expressing an opinion on the accounts of the company. Supplementary audit of the accounts by the Comptroller and Auditor General is, by its very definition, mainly an instrument of quality control of financial audit of accounts that begins with careful selection of the statutory auditor and continues with the ongoing oversight of his work including review of the conclusions drawn in his audit report. The scope of supplementary audit of annual accounts of a Government company and a deemed Government company by the Comptroller and Auditor General shall include an examination of selected accounting records and a review of the audit report of the statutory auditor including the opinion expressed by him on the annual accounts of the company.

133. Comments of the C & AG under Companies Act, 1956

The significant and material observations made in supplementary audit shall be issued as comments of the Comptroller and Auditor General under the Companies Act, 1956 after due consideration of the views, if any, of the statutory auditor and the management of the company.

134. Placing of comments before the annual general meeting

Any comments made by the Comptroller and Auditor General upon or supplement to the audit report on the accounts of the company shall be signed by the Accountant General (Audit) and shall be placed by the management before the annual general meeting of the company at the same time and in the same manner as the audit report of the statutory auditor.

135. Authority of the C & AG to dispense with supplementary audit

The Comptroller and Auditor General may, at his discretion, dispense with supplementary audit of the accounts of a company for any particular year.

(f) Test Audit by the C & AG

136. Scope of test audit by the C & AG

In addition to the supplementary audit of annual accounts of a Government company or a deemed Government company, the Comptroller and Auditor General may conduct test audits during the year. This audit shall cover transactions entered into by the company with a view to examining their regularity, propriety, probity, economy, efficiency and effectiveness and report on cases of failure of compliance with laws, rules and regulations, waste, mismanagement, other irregularities and frauds and corruption. The scope of test audit may extend to more than one financial year.

The audit shall be conducted in accordance with the Regulations in the relevant chapters.

(g) Audit Board for Central Public Sector Undertakings

137. Establishment of Audit Board for central public sector undertakings

With a view to ascertaining the extent to which an activity, programme or organisation operates economically, efficiently and effectively for the achievement of the designated objectives, the Comptroller and Auditor General has, in consultation with the Government of India, established an Audit Board for central public sector undertakings. The Audit Board is a permanent body for performance audits of the central public sector undertakings conducted at periodic intervals focusing on critical areas of their performance. The Audit Board is responsible for reviewing the performance of the central public sector undertakings on thematic issues. The issues may relate to a particular entity or cut horizontally across several entities. The scope of performance audit may extend to more than one financial year.

138. Constitution of Audit Board

The Deputy Comptroller and Auditor General (Commercial) shall be the chairperson of the Audit Board, which shall include, as members, senior officers of the Indian Audit and Accounts Department as notified from time to time. One or two technical experts in the related field appointed by the administrative ministry in consultation with the Comptroller and Auditor General may be co-opted as special invitees. An officer shall be appointed to act as Secretary to the Audit Board.

139. Role of Audit Board

The Audit Board shall function in an advisory and recommendatory capacity.

140. Meetings of Audit Board

The meetings of the Audit Board shall be held with the available members and there shall be no requirement of a quorum. The Secretary to the Audit Board shall keep the minutes of the meetings of the Audit Board.

141. Discretion of Audit Board to confine itself to selection of topics

The Audit Board may at its discretion confine itself to making recommendations for the selection of topics for performance audit and the audit may, thereafter, be conducted by the Accountant General (Audit) without any further reference to the Audit Board. The Regulations prescribed in Chapter 7 shall apply in such cases.

142. Subsequent meetings of Audit Board

Where the Audit Board decides to guide a performance audit, it shall meet:

- (1) to consider and make recommendations on the audit objectives, criteria, guidelines, and methodology; and
- (2) to consider the draft audit report and make recommendations for its finalisation.

143. Requirement of the representatives of the company and the department to attend the meeting of the Audit Board

The Audit Board shall invite the representatives of the company and the Government department to attend the meeting referred to at clause (2) of the preceding Regulation. The chief executive of the company and the Secretary to Government of the concerned department shall attend such meeting and there shall be no separate exit conference. Subject to the provisions in this Section, Regulations in Chapter 7 shall apply.

(h) Audit Review Committee for Performance Audit of State PSEs

144. Establishment of audit review committee for performance audit of State PSEs

The Comptroller and Auditor General has established a system for finalisation of performance audit reports of selected entities, programmes or activities of state public sector enterprises (PSEs) through the mechanism of a committee called the Audit Review Committee for Performance Audit of State Public Sector Enterprises for each State with the following constitution:

(1) The Accountant General (Audit) concerned shall be the chairperson of the committee. Accountant General (Audit) or Accountant General (Accounts and Entitlement) in a neighboring State will be another member. The chairperson may, at his discretion, call a special invitee for seeking opinion on technical issues.

(2) The Secretary to Government of the concerned department and the chief executive of the concerned public sector enterprise shall be the Government and public sector enterprise nominees on the committee. In case some technical issues are involved, the State Government has the option to nominate a technical member for expert opinion.

(3) Deputy Comptroller and Auditor General or Additional Deputy Comptroller and Auditor General (State Commercial) may nominate an officer for attending the meeting of the committee as a representative of the Comptroller and Auditor General.

145. Processing of audit results under audit review committee

Immediately after the selection of a public sector enterprise for performance audit, the Accountant General (Audit) concerned shall inform the State Government of the formation of audit review committee so that the Government may issue instructions to the departmental heads and the chief executive of the concerned public sector enterprise. The committee shall discuss the draft report prepared by the office of the Accountant General (Audit) before the same is finalised and issued to the State Government. In case of disagreement on any issue raised in the draft report, the management and the Government shall communicate their views in writing and the Accountant General (Audit) concerned shall consider their views and incorporate the same in the report with suitable remarks, after due verification. The Regulations prescribed in Chapter 7 shall apply to performance audit of state public sector enterprises except that there will be no separate exit conference.

(i) Results of Audit

146. Inclusion of results of audit in the audit report

The results of audit of Government companies or deemed Government companies may also be included in the audit report of the Comptroller and Auditor General. No comments shall, however, be included in the audit report except after giving due opportunity to the Government company or the deemed Government company and the Government to offer their explanation on the matters proposed to be included in the audit report.

147. Submission of audit reports to the Government and legislature

The reports of the Comptroller and Auditor General in relation to the accounts of a Government company or a deemed Government company shall be submitted to the Government concerned under Section 19A of the Act. The Government shall cause every report so received to be laid before each House of Parliament/State legislature, as the case may be. Subject to this, the provisions of Chapter 15 shall apply.

148. Responsibility for settlement of audit observations and constitution of 'audit arrears committee'

In case of both Central and State public sector enterprises, the responsibility for settlement of audit observations lies with the management of the company. In case a large number of audit observations included in inspection reports remain outstanding for more than two years, each such company shall constitute an 'audit arrears committee' consisting of sufficiently senior officers of the company for speedy settlement and clearance of outstanding audit observations. The concerned Government may take steps to ensure constitution of these committees and their effective functioning.

CHAPTER 10

Role of the C & AG in audit of

Panchayati Raj Institutions and Urban Local Bodies

149. Arrangements for maintenance of accounts and audit

Under Articles 243 J and Z of the Constitution, the legislature of a State may, by law, make provisions with respect to the maintenance of accounts and the auditing of such accounts of panchayati raj institutions and urban local bodies. The local fund auditor, who is generally an officer of the State Government, is responsible for audit of panchayati raj institutions and urban local bodies. In the states of Bihar, Jharkhand and West Bengal, the Examiner of Local Fund Accounts, who is an officer of the Comptroller and Auditor General, is responsible for the audit of accounts of panchayati raj institutions and urban local bodies.

150. Audit under Section 14 of the Act where applicable

The Comptroller and Auditor General may undertake the audit of panchayati raj institutions and urban local bodies under Section 14 of the Act where such bodies are financed by grants or loans from the Consolidated Fund of India or of any State or Union Territory having a legislative assembly and are auditable under the provisions of this Section of the Act. In such cases, the Regulations for such audits as contained in Chapter 8 shall apply. These Regulations, to the extent relevant, shall also apply in cases where audit of panchayati raj institutions and urban local bodies is entrusted to the Comptroller and Auditor General under Section 19 or Section 20 of the Act.

151. Model forms of accounts and budget

The model forms in which the accounts of panchayati raj institutions and urban local bodies may be kept and the forms in which their budgets may be prepared and presented, have been prescribed by the Comptroller and Auditor General.

152. Arrangements regarding technical guidance and support

The functions of technical guidance and support to audit of panchayati raj institutions and urban local bodies have been entrusted to the Comptroller and Auditor General under Section 20(1) of the Act in many States.

The salient features of the collaborative arrangement between the Comptroller and Auditor General and the local fund auditor under technical guidance and support as incorporated in various Government orders of State Governments are as follows:

(1) The local fund auditor will prepare by the end of March every year, an annual audit plan for audit of panchayati raj institutions and urban local bodies in the next financial year and forward it to the Accountant General (Audit) of the State;

(2) The audit methodology and procedures for audit of panchayati raj institutions and urban local bodies by the local fund auditor will be as per various Acts and statutes enacted by the State Government and guidelines prescribed by the Comptroller and Auditor General.

(3) Copies of inspection reports in respect of selected local bodies shall be forwarded by the local fund auditor to the Accountant General (Audit) for advice on system improvements and the Accountant General (Audit) shall review the same with a view to make suggestions for improvement of existing systems being followed by the local fund audit department. The Accountant General (Audit) will also monitor the quality of the inspection reports issued by the local fund auditor by scrutinising such inspection reports.

(4) The local fund auditor will furnish returns in such format as may be prescribed by the Comptroller and Auditor General for advice and monitoring.

(5) The Accountant General (Audit) would conduct test check of some of panchayati raj institutions and urban local bodies in order to provide technical guidance. The report of the test check would be sent to the local fund auditor for pursuance of action to be taken by panchayati raj institutions and urban local bodies. The local fund auditor will pursue the compliance of such paragraphs in the inspection reports of the Accountant General (Audit) in the same manner as if these are his own reports.

(6) Irrespective of the money value of the objections, any serious irregularities such as system deficiencies, serious violation of rules and fraud noticed by local fund auditor will be intimated to the Accountant General (Audit).

(7) The local fund auditor shall develop, in consultation with Accountant General (Audit), a system of internal control in his organisation.

(8) The Accountant General (Audit) shall also undertake training and capacity building of the local fund audit staff.

153. Audit not to include certification of accounts

Unless specifically provided, audit by the Accountant General (Audit) in terms of paragraph (5) of the preceding Regulation does not include the certification of accounts of panchayati raj institutions or urban local bodies.

154. Role of Accountant General (Audit) in pursuance of inspection reports

Notwithstanding anything contained in the Regulations of this chapter regarding pursuance of paragraphs in the inspection reports of the Accountant General (Audit) by the local fund auditor, the Accountant General (Audit) will also ensure their regular pursuance.

155. Forwarding of results of audit to the Government

The Accountant General (Audit) will send to the concerned Secretary or Secretaries to the Government by the end of June every year an annual technical inspection report based on the results of audit of panchayati raj institutions and urban local bodies conducted by his office during the preceding year. The Secretary or Secretaries may ensure that appropriate remedial action is taken expeditiously and the Accountant General (Audit) is informed of the action taken. In the States of Bihar, Jharkhand and West Bengal, the technical inspection report shall be prepared by the Examiner of Local Fund Accounts and countersigned by Accountant General (Audit).

156. Inclusion of results of audit in audit report

Where the results of audit of panchayati raj institutions and urban local bodies are included in the audit report of the Comptroller and Auditor General and placed before the legislature, the Regulations prescribed in Chapter 15 shall apply as relevant.

CHAPTER 11

Auditing in Information Technology Environment

157. Scope of auditing in IT environment

The term 'auditing in IT environment' encompasses auditing IT systems including those under development, and IT-assisted audits. Auditing in IT environment is a methodology of audit and can be applied to all types of audit, namely, financial audit, compliance audit and performance audit.

158. Applicability of broad principles of audit

The broad principles of audit as contained in these Regulations shall apply to auditing in IT environment.

159. Audit of economy, efficiency and effectiveness of IT systems

Audit examines the economy, efficiency and effectiveness of the IT systems in the utilisation of resources to achieve the organisational goals.

160. Audit examination of IT systems at various stages

Audit may examine the IT systems at various stages such as feasibility study, system development, implementation and maintenance. This is to ensure that IT assets are safeguarded and that appropriate controls are in place to ensure (a) integrity of the system, (b) reliability, availability and confidentiality of the data and information and (c) compliance of the system with rules and procedures.

161. Documentation of all the stages of IT system by the auditable entity

An auditable entity is required to maintain complete documentation related to all the stages of development of an IT system. The documentation shall also include user requirement specifications, system requirement specifications and system design and development details.

162. Documentation of changes made

The auditable entity is required to document all changes made in its IT systems.

163. Requirements of Audit to be incorporated in the IT system

The auditable entity is required to ensure that all requirements for the purpose of facilitation of audit are incorporated in the IT system.

164. Right of access to Audit

The auditable entity shall ensure that Audit has the right of access to the IT systems, irrespective of the fact whether the systems are owned, maintained and operated by the auditable entity or by any other agency on behalf of the auditable entity.

165. Information on IT systems

Audit may, at periodic intervals, call for information from the auditable entity about various IT systems in use or being developed.

166. Methods and techniques for evidence

Depending upon the audit task, the audit officer may use IT tools as appropriate for collection and evaluation of evidence.

CHAPTER 12

Audit Evidence

167. Meaning of audit evidence and sharing the same with auditable entity

Audit evidence refers to the data, information and documents relied upon to arrive at the audit findings and conclusions. While reporting the results of audit, the Comptroller and Auditor General may include such audit evidence in support of audit findings and conclusions as considered necessary. However, the audit evidence retained as working papers and not included explicitly in the final report of audit, viz. audit notes, inspection reports, audit reports, etc. may be shared with the auditable entity at various stages of audit.

168. Evidence to support audit conclusions required to be obtained

The audit officer shall obtain competent, relevant and reliable evidence to support his conclusions.

169. Requirement of and access to data, information and documents

The form, type and extent of data, information and documents required for audit tests and evidence shall be determined by the audit officer. Audit shall have access to such data, information and documents subject to any law in force at the time. Data, information and documents would also include those obtained by the auditable entity from a third party and relied upon by it in performance of its functions. If such third party evidence as relied upon by auditable entity is found to be insufficient in Audit, additional information may be requisitioned by Audit from the auditable entity with prior approval of the Accountant General (Audit). On receipt of such requisition, the same shall be obtained by the auditable entity from the third party and provided to Audit.

170. Types of evidence to be used by the audit officer

The evidence used by the audit officer shall normally and as far as possible be documentary including electronic records, photographs, results of any study or survey, etc. The audit officers may rely upon evidence from internal sources of the auditable entity as well as from external sources.

171. Attestation of data, information and documents forming evidence

Where required by the audit officer, the auditable entity shall attest the data, information and documents forming the evidence.

172. Conduct of physical verification on request of Audit

Where required by Audit in special circumstances, the auditable entity shall conduct physical verification of stores, stocks, assets, services and deliverables in any form in the presence of the audit officer. Any such request shall be made with the approval of the Accountant General (Audit).

173. Engagement of external agency or expert

Where external agency or expert is engaged, the following will apply:

(a) The engagement letter appointing an agency or expert shall clearly specify the terms of reference including the duties, obligations and powers of the agency or expert so associated.

(b) The audit office shall inform the concerned Government department and the auditable entity regarding the association of the external agency or expert as soon as the engagement letter is issued and before the external agency or expert commences work, including the terms of reference containing the duties, obligations and powers of the agency or expert so associated.

(c) The audit office shall be responsible for the opinions formed, or the conclusions reached, or the recommendations made in its report on the basis of the work of the external agency or expert.

CHAPTER 13

Conduct of Audit

174. Authority of the C & AG to inspect offices and to conduct audit

The Comptroller and Auditor General is authorised under the Act to inspect offices and to conduct audit in the offices that attract his audit jurisdiction in connection with the performance of duties under the Act. For this purpose, audit teams shall be deputed to the offices of the auditable entities from time to time. An inspecting officer shall lead each such team. The team can also visit places where relevant records of the auditable entity are kept.

175. Provision of facilities for conduct of audit

It shall be the duty of the head of the office of the auditable entity to provide appropriate and reasonable office accommodation and other office amenities to the audit team for official use and at par with facilities available in the auditable entity.

176. Supply of list of offices under each head of department to Audit

Heads of departments shall supply to the audit office a list of the offices under them as at the end of December so as to reach the audit office before the end of January of the following year.

177. Advance intimation for audit

The audit office shall as far as possible give advance intimation of a minimum period of three weeks to the officer in charge of the office to be audited. The intimation for audit shall state the likely duration of audit and also provide a list of the basic records that should be kept ready before the arrival of the audit team. In cases where the audit involves an element of surprise check, no advance intimation need be given.

178. Acknowledgement of intimation by the auditable entity

The officer in charge of the office shall acknowledge the receipt of such intimation and shall make best efforts to be available in headquarters during the period of audit. The officer in charge shall also ensure that the basic records as stated in the list sent to him by the audit office are kept ready before the arrival of the audit team.

179. Requisition for data, information and documents

The requisition for data, information or documents shall be made in writing or during the course of recorded meetings and may be addressed to the persons in charge of various functions in the auditable entity or to the officer in charge of the auditable entity.

180. Reasonable time for supply of data, information and documents

The time within which data, information and documents are to be furnished to Audit will be indicated in the requisition. The time allowed will be determined considering the nature and quantum of the data, information and documents requisitioned and the urgency of the matter.

181. Mechanism for timely supply of data, information and documents to Audit

Every department or entity shall establish and implement a mechanism to ensure that data, information and documents that are required by Audit are made available to it in time.

182. Confidentiality of information acquired during audit

(1) Information about an auditable entity acquired in the course of the auditor's work shall not be used for purposes outside the scope of audit. However, this does not preclude Audit from reporting offences against the law to appropriate prosecuting authorities wherever necessary.

(2) The documents classified as 'confidential' or 'secret' or 'top secret' made available to Audit shall be dealt with by Audit in accordance with the standing instructions of the Government for handling and custody of such documents.

(3) If certain privileged or confidential information prohibited from general disclosure by law is obtained in course of an audit, the auditor should maintain confidentiality of that information and ensure that the audit notes, the inspection reports or the audit reports do not become a means of compromising such privilege or confidentiality of the information.

183. Meeting with officer in charge of the auditable entity at the commencement of audit

The inspecting officer may hold a meeting with the officer in charge as soon as the work of audit commences. In the meeting, the audit objectives and criteria, general state of internal controls and areas of focus, concern or high risk identified by Audit may be discussed.

184. Nomination of an officer for liaison with Audit

The officer in charge may nominate a sufficiently senior officer of his office for liaison with Audit. The officer in charge will, however, continue to be responsible for ensuring adherence to these Regulations in so far as they relate to facilitation of audit.

185. Compliance with requests of Audit for records and information

The officer in charge shall comply with requests for information and records in as complete a form as possible and within the specified time.

186. Failure to provide data, information and documents

Cases of failure to provide data, information and documents shall be reported by the audit office to the controlling officer and, if considered necessary, the concerned Government for appropriate action and these authorities shall inform the audit office about the action taken within three months of such report(s).

187. Issue of audit memos

All audit memos, other than those requiring supply of documents and records, shall be issued over the signature of the inspecting officer or carry an indication of his approval. The audit memos shall be serially numbered.

188. Replies to audit memos

The officer in charge shall ensure that to-the-point replies are rendered to the audit observations communicated through the audit memos. It will be the duty of the officer in charge to ensure that the particulars given in the replies to the audit memos are correct with reference to the records so that the accuracy of the facts and figures of such cases as are included in the inspection report is not disputed. All such replies shall be signed by the officer in charge or carry an indication of his approval.

189. Immediate steps for remedial action on audit observations

The officer in charge shall take immediate steps for appropriate remedial action, wherever possible, on the observations made by the audit team so that as many audit points as possible are settled during the course of audit.

190. Preparation of draft inspection report

On the completion of audit, the inspecting officer shall prepare a draft inspection report.

191. Meeting with officer in charge of auditable entity at the close of audit

The inspecting officer and the officer in charge shall discuss the draft inspection report at the close of audit. The officer in charge shall confirm the facts and figures included in the draft inspection report. Any point of disagreement may be brought out and discussed with the inspecting officer during the meeting with a view to resolve the same. The officer in charge shall also offer his observations on the audit conclusions and recommendations, if not already done in response to the audit memos, and the inspecting officer shall reflect such observations in the inspection report. Where necessary and appropriate, the inspection report may make recommendations for remedying systemic deficiencies and improving control.

A written record of the proceedings of the meeting duly signed by both the parties shall be kept.

192. Conduct of audit using information available in audit office or accounts office

The audit may also be conducted with reference to data, information and documents of any auditable entity that are available in an audit office or an accounts office. Results of such audit will be communicated to the auditable entity in the form of audit notes.

CHAPTER 14

Audit Notes and Inspection Reports

193. Communication of results of audit

The audit office shall communicate the results of audit to the auditable entities through audit notes or inspection reports.

194. Issue of inspection reports and audit notes

The audit office shall as far as possible issue the inspection report or audit notes within six weeks from the date of completion of audit or such other period as prescribed in this regard.

195. Maintenance of record of audit observations by auditable entity

Each auditable entity shall maintain proper record relating to the receipt of audit notes and inspection reports and the progress of their settlement.

196. Initiation of action for settlement of audit observations not to wait for receipt of inspection report

The auditable entity may initiate action for the settlement of audit observations with reference to the audit memos and draft inspection report received during audit without waiting for the formal receipt of the inspection report from the audit office.

197. Reply to audit observations

The officer in charge of the auditable entity shall send the reply to an audit note or inspection report within four weeks of its receipt. Even if it is not feasible to furnish the final replies to some of the observations in the audit note or inspection report within the aforesaid time limit, the first reply shall not be delayed on that account and an interim reply may be given indicating the likely date by which the final reply shall be furnished.

198. Reply to audit observations of PWD to be sent through next higher authority

In the case of an inspection report that relates to the public works department, the reply shall be sent through the next higher authority along with the observations of that authority.

199. Important audit observations to be sent to head of department for follow up

The audit office may send copies of important audit observations included in an audit note or an inspection report to the head of the department. It shall be the duty of the head of the department to follow up all such cases for appropriate remedial and corrective action and report compliance to the audit office.

200. Intimation of major irregularities to the Government and the head of department and furnishing of reports therefrom

(1) The Accountant General (Audit) shall intimate every instance of major irregularity detected in Audit through a special management letter to the Secretary to Government of the concerned department with a copy to the Head of the Department within six weeks of the instance coming to notice in audit. The Accountant General (Audit) shall also intimate every such instance to the Comptroller and Auditor General in the manner prescribed.

(2) On intimation of the major irregularity by Accountant General (Audit), the Government shall undertake prima facie verification of facts and send to Accountant General (Audit) a preliminary report confirming or denying the facts within six weeks of receipt of intimation from him.

(3) Where the fact of major irregularity is not denied by the Government in the preliminary report, the Government shall further send a detailed report to the Accountant General (Audit) within three months of preliminary report inter alia indicating the remedial action taken to prevent recurrence and action taken against those responsible for the lapse.

(4) While the reporting of major irregularities to Government need not wait for inclusion of the matter in the inspection report or audit note or the audit report of the Comptroller and Auditor General, the same should be done only after due verification with reference to supporting evidence and as far as possible after considering the views of the auditable entity. Care needs to be taken to ensure that only major irregularities are reported in this manner.

201. Significant audit observations to be communicated to Secretary

The Accountant General (Audit) may write a management letter to the Secretary to Government of the concerned department by the end of April every year communicating significant observations and conclusions emerging out of audit during the preceding year. The management letter shall inter alia mention the systemic and other deficiencies noticed during the period, the extent of control compliance, cases of persistent irregularities and the level of adequacy of response to audit observations, besides the more important individual cases that merit attention and action, with appropriate recommendations where necessary. The Secretary shall inform the Accountant General (Audit) of the action taken within a period of three months.

202. Establishment of systems and procedures to ensure action on audit observations

The Government shall establish and implement systems and procedures that ensure adequate, constructive and timely action on observations contained in inspection reports and audit notes.

203. Establishment of audit committees and their constitution

(1) Government may establish audit committees for the purpose of monitoring and ensuring compliance and settlement of pending audit observations. Each committee to established shall comprise of a representative each from the administrative department, Audit and a nominee from the Finance Department besides the head of the department of the auditable entity. Minutes of the meetings of the audit committee shall be recorded.

(2) In the case of Central Government establishments located in the States, the Ministry may nominate a State level audit committee in consultation with Accountant General (Audit) for settlement of audit observations.

204. Annual public statement regarding pending audit observations

Each Head of Department shall in the first quarter of each year make an annual public statement regarding pending audit observations relating to his department. Such statement shall inter alia include the following:

(a) Number and gist of audit paras included in the Audit Report(s) of the Comptroller and Auditor General for the previous year;

(b) Number and gist of major irregularities intimated by Accountant General (Audit) during the previous year;

(c) Action taken by the Department on (a) and (b) above; and

(d) Number of audit paras included in the inspection reports issued during the previous year and gist of paras with substantial money value;

CHAPTER 15

Audit Reports

205. Form, content and time of submission of audit reports to be decided by the C & AG

The form, content and time of submission of audit reports shall be decided by the Comptroller and Auditor General.

206. Opportunity to be provided to Government before including any matter in an audit report

Adequate opportunity shall be provided to Government to offer its comments, observations and explanation before including any matter in an audit report.

207. Communication of draft paragraph to Government and discussion thereon

(1) The Accountant General (Audit) shall send a copy of the proposed audit observations in the form of a draft paragraph to the concerned Secretary to Government by name for communicating the comments, observations and explanation of the Government within a period of six weeks from the date of the letter or within such other period of time as may be specified. The Accountant General (Audit) shall also offer to discuss the draft paragraph with the Secretary at mutual convenience within the aforesaid period. A discussion may not be necessary in the case of a draft performance audit report that has been separately discussed with the Secretary at an exit conference in terms of these Regulations.

(2) The Accountant General (Audit) shall simultaneously send one copy of the draft paragraph to the Secretary to the Government, Ministry of Finance or Finance Department, by name.

(3) The draft paragraph shall be annotated with reference to the supporting audit evidence. The Accountant General (Audit) shall provide copies of any relevant documents and evidence in his possession that may be required by the Government department.

208. Reply to draft paragraph by Government

(1) The Secretary to Government of the concerned department shall (a) confirm or cause to be confirmed, the receipt of the draft paragraph to the Accountant General (Audit) as soon as it is received,

and (b) communicate the comments, observations and explanation of the Government on the draft paragraph in writing to the Accountant General (Audit) by name within the specified period. The reply shall be signed by the Secretary or carry an indication of approval by the Secretary.

(2) The reply of the Secretary to Government shall state:

(a) whether the department accepts the facts and figures mentioned in the draft paragraph; if not, the reasons supported by the relevant documents and evidence duly authenticated;

(b) comments, observations and explanation of the Government on matters included in the draft paragraph;

(c) Government's response to suggestions and recommendations made in the draft paragraph;

(d) remedial action taken or proposed to be taken; and

(e) any other observations or remarks of the department.

(3) Consistent with the schedule of preparation, finalisation and presentation of the audit report in the legislature, the Accountant General (Audit) may consider a request made by the concerned Secretary to Government for extension of time for sending the reply to the draft paragraph. Every such request shall (i) specify the reasons for seeking extension beyond the time stipulated, and (ii) state the date by which the final reply to the draft paragraph shall be sent to the Accountant General (Audit).

(4) The Accountant General (Audit) will proceed on the assumption that the Government has no comments, observation and explanation in the matter in case a final reply is not received within the specified period or the extended period agreed to. The Government shall bear responsibility for the accuracy of the facts, figures and the related audit evidence mentioned in the draft paragraph in such cases.

(5) The Accountant General (Audit) shall give full consideration to the reply of the Government. The draft paragraph may be modified or settled or may not be included in the audit report in the light of the reply.

209. Communication of finalised paragraphs for inclusion in audit report

In case of a State Government or a Union Territory Government, after the draft paragraph has been finalised for inclusion in the audit report, the Accountant General (Audit) shall send copies of the finalised paragraph by name to the Secretary to Government of the concerned department and the Secretary, Finance Department. In case of the Union Government, a copy of the finalised paragraph will be sent to the Secretary to the Ministry concerned.

210. Forwarding copies of audit report for laying before legislature

(1) An officer authorised by the Comptroller and Auditor General shall send copies of the audit report duly signed by the Comptroller and Auditor General to the Secretary to the Government, Ministry of Finance or Finance Department as the case may be, who shall take prompt action for the submission of the audit report to the President or the Governor or the Administrator for further action and for the presentation of the report in Parliament or the State or Union Territory legislature. Copies of the audit reports under Section 19A of the Act shall be sent to the Secretary of the Ministry or department concerned or the Administrator of a Union Territory having legislative assembly, who shall take prompt action for laying the same in the Parliament or the legislature of the State or Union Territory.

(2) An unsigned copy of the audit report shall simultaneously be sent to the Secretary to the President or the Governor or the Administrator.

211. Forwarding copies of audit report to Secretary to Government after presentation

The Accountant General (Audit) shall send copies of the audit report to the Secretary to Government of concerned department after the presentation of the report in Parliament or the legislature, as the case may be.

212. Preparation of action taken note for submission to PAC or COPU

The Secretary to Government of the concerned department shall cause preparation of self-explanatory action taken note(s) on the audit paragraph(s) relating to his department, that are included in the audit report, for submission to the Public Accounts Committee/Committee on Public Undertakings. In each case, the self explanatory action taken note shall carry the approval of the Secretary and state:

(1) whether a written reply on the draft audit paragraph was sent to the Accountant General (Audit) and if not, the reasons for not doing so;

(2) whether the facts and figures stated in the audit paragraph are acceptable and if not, the reasons for not pointing this out when the draft paragraph was received by the Secretary;

(3) the circumstances in which the loss, failure, infructuous expenditure, etc. as pointed out in the audit paragraph occurred; whether due to (a) deficiency in the existing system including the system of internal control, (b) failure to follow the systems and procedures, or (c) failure of individuals including individuals at supervisory levels;

(4) the action taken to fix responsibility on the individual(s) responsible for the loss, failure, infructuous expenditure, etc; and the likely time frame within which such action is expected to be completed;

(5) the current status of recovery of any amount due to Government as pointed out in the audit paragraph;

(6) the action taken or proposed to be taken on the suggestions and recommendations made in the audit paragraph;

(7) the result of review of similar other cases, and the action taken;

(8) the remedial action taken or proposed to be taken to avoid occurrence of similar cases in future, to streamline the systems and to remove system deficiencies, if any; and

(9) such other information as may have been prescribed by the Public Accounts Committee/Committee on Public Undertakings.

213. Vetting of action taken notes and responses on the recommendations of PAC/COPU by Accountant General (Audit)

In the Union, the States and the Union Territories having legislative assembly where legislative committees or the Government desire the Comptroller and Auditor General to vet the action taken notes and the responses of the Government on the recommendations of the Public Accounts Committee/Committee on Public Undertakings, the following procedure will apply:

(1) The Secretary to Government of the concerned department shall send two copies of the draft self-explanatory action taken note to the Accountant General (Audit) for vetting along with the relevant files and documents on which the explanatory note has been formulated, properly referenced and linked. This shall be done within such period of time as may be decided consistent with the requirements of the time-schedule for the submission of the self-explanatory action taken notes prescribed by the Public Accounts Committee/Committee on Public Undertakings.

(2) The Accountant General (Audit) shall return the self-explanatory action taken note to the Secretary duly vetted as soon as possible but not later than one month. Subject to any requirements that may have been prescribed by the Public Accounts Committee / Committee on Public Undertakings, the vetting comments of the Accountant General (Audit) may include suggestions for further course of action.

(3) The Secretary shall send the requisite number of copies of the vetted note, as prescribed by the Public Accounts Committee / Committee on Public Undertakings, to the secretariat of the Public Accounts Committee/Committee on Public Undertakings in accordance with the time schedule prescribed by the latter and also forward a copy each to Ministry of Finance or Finance Department as the case may be, and the Accountant General (Audit).

(4) On receipt of the recommendations of the Public Accounts Committee/Committee on Public Undertakings, the Secretary shall initiate action to prepare the Government's response by way of action taken note for submission to the respective Committee within such period and in such form as the Public Accounts Committee/Committee on Public Undertakings may prescribe.

(5) The Government's response on the recommendations of the Public Accounts Committee/Committee on Public Undertakings shall be sent to the Accountant General (Audit) for vetting before its submission to the respective Committee with the relevant files and documents properly referenced and linked. The vetting comments of the Accountant General (Audit) shall be duly reflected in the response that may be sent to the Public Accounts Committee/Committee on Public Undertakings.

214. Duty of Government for systems and procedures to ensure timely response

It shall be the duty of the Government to establish and enforce adequate and reliable systems and procedures, clearly defining inter alia the roles and responsibilities at all levels that ensure that (i) the replies to the draft paragraphs, (ii) the self-explanatory action taken notes on matters included in the audit reports and (iii) the action taken notes on the recommendations of the Public Accounts Committee/Committee on Public Undertakings are sent to the appropriate authorities within the time limit prescribed in each case.

215. Reporting of cases of delay to Government

The Accountant General (Audit) will report cases of delay to Secretary (Expenditure), Ministry of Finance in the case of the Union Government and to the Chief Secretary in the case of a State Government and to the Administrator in case of a Union Territory having a legislative assembly. Cases of delay may also be appropriately commented in the audit report.

CHAPTER 16

General Principles of Government Accounting

216. Duties and powers of the C & AG in regard to accounts

The duties and powers of the Comptroller and Auditor General in regard to the accounts of the Union and State Governments are laid down under Articles 149 and 150 of the Constitution of India and Sections 10 to 12 and 23 of the Act.

217. Provisions of the Constitution regarding accounts

(1) Under Article 149 of the Constitution, the Comptroller and Auditor General shall perform such duties and exercise such powers in relation to the accounts of the Union and of the States and of any other authority or body as may be prescribed by or under any law made by Parliament.

(2) By virtue of the provisions of Article 150 of the Constitution, the accounts of the Union and the States shall be kept in such form as the President may, on the advice of the Comptroller and Auditor General, prescribe. The word "form" used in Article 150 has a comprehensive meaning so as to include the prescription not merely of the broad form in which the accounts are to be kept, but also the basis for selecting the appropriate heads under which the transactions are to be classified.

218. Provisions of the Act regarding accounts

(1) Under Section 10 read with Section 2(e) of the Act, the Comptroller and Auditor General shall be responsible for compiling the accounts and for keeping related accounts of the Union and of each State and Union Territory having a legislative assembly from the initial and subsidiary accounts rendered to offices under his control by treasuries, offices or departments responsible for keeping of such accounts. The President in the case of the Union including Union Territories and the Governor with the previous approval of the President in the case of a State, may after consultation with the Comptroller and Auditor General, by order, relieve him from the responsibility of compiling or keeping the accounts of the Union including Union Territory or of the State or of any particular services or departments of the Union including Union Territory or the State.

(2) Under Section 11 of the Act, the Comptroller and Auditor General shall submit these accounts, wherever these responsibilities continue with him, to the President or the Governor of a State or Administrator of the Union Territory having a legislative assembly, as the case may be.

(3) Under Section 12 of the Act, the Comptroller and Auditor General shall in so far as the accounts, for the compilation or keeping of which he is responsible, enable him so to do, give information and render assistance to the Union Government or the State Government or the Government of Union Territory having a legislative assembly, as they may from time to time require.

(4) Section 23 of the Act authorises the Comptroller and Auditor General to lay down general principles of Government accounting.

219. General principles of Government accounting

(1) For the purpose of Section 23 of the Act, the Government Accounting Rules, 1990 shall be deemed to be the general principles of Government accounting.

(2) All Government departments are required to comply with the general principles of Government accounting. It is the duty of auditors to examine during audit whether these principles are being complied with by all Government departments.

220. Form of accounts

(1) Detailed rules relating to maintenance and rendition of accounts by treasuries and public works divisions are contained in Accounting Rules for Treasuries and the Account Code, Volume III issued by or with the approval of the Comptroller and Auditor General. Detailed rules and instructions relating to the forms in which the initial and subsidiary accounts shall be kept and rendered by the Department of Posts and other technical departments are laid down in the respective accounts manuals or departmental regulations relating to the department concerned.

(2) The format of accounts in respect of autonomous bodies and authorities other than Government establishments and companies is prescribed by the concerned Government in consultation with the Comptroller and Auditor General. In case of autonomous bodies and authorities of Union Government, a common format has been prescribed by the Government with the concurrence of the Comptroller and Auditor General. This common format is applicable to all autonomous bodies and authorities except a few such as Port Trusts for which separate formats are applicable. The State Governments may also adopt the common format applicable to the autonomous bodies of the Union Government, for the autonomous bodies of the States.

(3) The format of accounts of panchayati raj institutions and urban local bodies recommended by the Comptroller and Auditor General has been accepted by the Union Government and has been adopted by many State Governments.

221. Role of the C & AG in accounting standards for Government

(1) Government Accounting Standards Advisory Board set up in the office of the Comptroller and Auditor General with the support of the Government of India is responsible for making recommendations regarding accounting standards to be observed in Government departments and organisations. The Board is chaired by the Deputy Comptroller and Auditor General and has various stakeholders including the Controller General of Accounts, the Controller General of Defence Accounts, the Financial Commissioner (Railways) as members.

(2) The Government Accounting Standards Advisory Board is entrusted with the responsibility of formulating and proposing standards with a view to improve the usefulness of the financial reports based on the needs of the users of these reports. The Board also seeks to keep the standards current and provide guidance on implementation of the same.

(3) The Government Accounting Standards Advisory Board is entrusted with the responsibility of preparing a framework and a roadmap for shift to accrual accounting.

222. Timeliness, correctness and completeness of accounting information to be ensured

In order to enable the Comptroller and Auditor General to discharge accounting functions effectively, the Government needs to establish and enforce systems including internal controls to ensure that all primary accounting units render necessary information in the time schedule prescribed by the accounts office and that the information rendered is correct and complete.

223. Timeliness, correctness and completeness of information for entitlement functions to be ensured

To enable the Comptroller and Auditor General to discharge entitlement functions effectively, the Government needs to establish and enforce systems including internal controls to ensure that the departments of the State Government provide the required information within the time schedule prescribed by the accounts office and that the information rendered is correct and complete.

CHAPTER 17

Special Provisions

224. Exercise of authority of Accountant General (Audit) or Accountant General (Accounts and Entitlement) by other officers

Any authority exercised by the Accountant General (Audit) or Accountant General (Accounts and Entitlement) under these Regulations shall be exercisable by any of his superior officers or any other officer so authorised by the Comptroller and Auditor General.

225. Regulations not to apply to international assignments

These Regulations shall not apply to any international assignment relating to audit or accounts taken up or being taken up by the Comptroller and Auditor General.

226. Powers to issue general or special orders and guidelines

The Comptroller and Auditor General may issue any general or special orders and guidelines to carry into effect the provisions of these Regulations.

227. Inter-relationship of various orders

In fulfillment of the mandate, the Comptroller and Auditor General issues various types of orders and guidelines. These are classified as standing orders, guidelines and practice notes as defined in Regulation 2. The hierarchy of instructions of the Comptroller and Auditor General shall be Regulations, standing orders/guidelines and practice notes in this order. Standing orders, guidelines and practice notes need to be consistent with these Regulations.

228. Removal of doubt

Where a doubt arises as to the interpretation of any of these Regulations, the decision of the Comptroller and Auditor General shall be final.

229. Powers to modify or relax

The whole or part of these Regulations may be modified under the orders of the Comptroller and Auditor General. Any provisions of these Regulations may also be relaxed by a general or special order of the Comptroller and Auditor General.

230. Continuance of existing orders

The standing orders, guidelines and practice notes shall in future be issued under these Regulations and be consistent with these Regulations. However, the standing orders, the guidelines and the practice notes already issued by the Comptroller and Auditor General or on his behalf shall continue to apply as immediately before the date of issue of these Regulations till the same are revised, revoked or modified.

No.1/Vidhayee-2000-1 (KA)-1-2000
Dated, Dehradun, December 08, 2000

In pursuance of the provisions of clause (3) of Article-348 of the constitution, the Governor is pleased to order the publication of the following English translation of the Uttaranchal Contingency Fund Ordinance, 2000, promulgated by the Governor.

THE UTTARANCHAL CONTIENGENCY FUND ORDINANCE, 2000
(UTTARANCHAL ORDINANCE NO. 01 OF 2000)

AN
ORDINANCE

To provide for the establishment of a Contingency Fund for the State of Uttaranchal.

WHEREAS clause (2) of the Article 267 of the Constitution of India provides, inter alia, that the Legislature of a State may by law establish a Contingency Fund for the state;

And WHEREAS a provisional Legislative Assembly of the State has been constituted under section 14 of the Uttar Pradesh Reorganization Act, 2000 to exercise all the powers and perform all the duties conferred by the provisions of the Constitution of India on the Legislative Assembly of the State;

AND WHEREAS the provisional Legislative Assembly of the State is not in session and the Governor is satisfied that circumstances exist which render it necessary for him to take immediate action;

NOW THEREFORE in exercise of the powers conferred by clause (1) of Article 213 of the Constitution of India, the Governor is pleased to promulgate the following Ordinance :-

1-This Ordinance may be called the Uttaranchal Contingency Fund Ordinance, 2000. short title and commencement

2-In this Ordinance :-
(a) "the Fund" means the Uttaranchal Contingency Fund established under section-3 ;
(b) "Governor" means the Governor of Uttaranchal;
(c) "the State" means the State of Uttaranchal;
(d)"State Government" means the State Government of Uttaranchal. Defination

3-On the commencement of this Ordinance, the State Government shall establish in and for the State a fund called the Uttaranchal Contingency Fund. Establishment of the Fund

4-The State Government shall, on the commencement of this Ordinance, withdraw a sum of fifteen crores of rupees out of Consolidated Fund of the State and place it to the credit of this Fund.

Withdrawal of sums out of the Consolidated Fund of the State and credit thereof to the Fund

5-The Fund shall be placed at the disposal of the Governor of Uttaranchal, who shall not expend it except for the purpose of making advances from time to time for meeting unforeseen expenditure of the State, pending authorization of such expenditure by the Legislature of the State under appropriations made by law and, immediately after the coming into operation of such law, an amount equal to the amount or amounts advanced by the Governor for the purposes aforesaid shall be deemed to have been placed to the credit of the Fund and the amount so transferred shall for all purposes be deemed to be a part of the Fund.

Purpose for which the Fund may be utilized

6-The State Government may, by notification, make rules to carry out all or any of the purposes of the Ordinance.

Power to make rules

SURJIT SINGH BARNALA,
Governor, Uttaranchal.

By order,
Irshad Hussain,
Sachiv
Vidhayee and Parliament Affairs
Govt. of Uttaranchal

No.12(i)/Vidhayee and Sansadiya Karya/2001

Dated, Dehradun, January 20, 2001

IN pursuance of the provisions of Clause (3) of Article-348 of the Constitution of India, the Governor is pleased to order the publication of the following English translation of the Uttaranchal Contingency Fund Act, 2001 (Uttaranchal Adhiniyam Sankhya 2 of 2001).

As passed by the Uttaranchal Legislative Assembly and assented to by the Governor on January 18, 2001.

THE UTTARANCHAL CONTIENGENCY FUND ACT, 2001

(UTTARANCHAL ACT NO. 02 OF 2001)

AN

ACT

to provide for the establishment of a Contingency Fund for the State of Uttaranchal.

WHEREAS Clause (2) of the Article 267 of the Constitution of India provides, inter alia, that the Legislature of a State may by law establish a Contingency Fund for the State;

IT IS HEREBY enacted as follows:

1.(1) This Act may be called the Uttaranchal Contingency Fund Act, 2001.

short title and commencement

(2) It shall be deemed to have come into force on December, 08, 2000.

2. In this Act--

Defination

(a) "the Fund" means the Uttaranchal Contingency Fund established under section-3 ;

(b) "Governor" means the Governor of Uttaranchal;

(c) "the State" means the State of Uttaranchal;

(d)"State Government" means the State Government of Uttaranchal.

3. On the commencement of this Act, the State Government shall establish in and for the State a fund called the Uttaranchal Contingency Fund.

Establishment of the Fund

4. The State Government shall, on the commencement of this Act, withdraw a sum of Fifteen crores of rupees out of Consolidated Fund of the State and place it to the credit of this Fund.

Withdrawal of sums out of the Consolidated Fund of the State and credit thereof to the Fund

5. The Fund shall be placed at the disposal of the Governor of Uttaranchal, who shall not expend it except for the purpose of making advances from time to time for meeting unforeseen expenditure of the State, pending authorization of such expenditure

Purpose for which the Fund may be utilized

by the Legislature of the State under appropriations made by law and, immediately after the coming into operation of such law, an amount equal to the amount or amounts advanced by the Governor for the purposes aforesaid shall be deemed to have been placed to the credit of the Fund and the amount so transferred shall for all purposes be deemed to be a part of the Fund.

6. The State Government may, by notification, make rules to carry out all or any of the purposes of the Act. Power to make rules

7. (1) The Uttaranchal Contingency Fund Ordinance, 2000 is hereby repealed. Repeal and savings

(2) Notwithstanding such repeal anything done or any action taken under the provisions of the Ordinance referred to in sub-section (1) shall be deemed to have been done or taken under corresponding provisions of this Act, as if the provision of this Act were in force at all material times.

By order,
IRSHAD HUSSAIN,
Sachiv

No.03/Vidhayee Evam SansadiyaKarya/2001

Dated, Dehradun, April 28, 2001

In pursuance of the provisions of clause (3) of Article 348 of the Constitution of India, the Governor is pleased to order the publication of the following English translation of the Uttaranchal Contingency Fund Act (Amendment) Ordinance, 2001 (Uttaranchal Ordinance No. 03 of 2001) as promulgated by the Governor on April 28, 2001 :

**THE UTTARANCHAL CONTINGENCY FUND ACT (AMENDMENT)
ORDINANCE, 2001
(UTTARANCHAL ORDINANCE NO. 03 OF 2001)**

to provide for the increase in the credit of the Contingency Fund for the State of Uttaranchal;

**AN
ORDINANCE**

WHEREAS clause (2) of Article 267 of the Constitution of India provides, inter alia, that the Legislature of a State may by law establish a Contingency Fund for the State;

AND WHEREAS a provisional Legislative Assembly of the State has been constituted under section 14 of the Uttar Pradesh Reorganization Act, 2000 to exercise all the powers and perform all the duties conferred by the provisions of the Constitution of India on the Legislative Assembly of the State;

AND WHEREAS the provisional Legislative Assembly of the State is not in session and the Governor is satisfied that circumstances exist which render it necessary for him to take immediate action;

Now, THEREFORE, in exercise of the powers conferred by clause (1) of Article 213 of the Constitution of India, the Governor is pleased to promulgate the following Ordinance:-

1. This Ordinance may be called the Uttaranchal Contingency Fund Act (Amendment) Ordinance, 2001. Short title and commencement
2. In section 4 of Uttaranchal Contingency Fund Act, 2001 (Act no. 2 of 2001), word "thirty" is substituted for the word "fifteen".

SURJIT SINGH BARNALA,
Governor,
Uttaranchal.

By Order,
(P.C. PANT)
Secretary,
Judicial, Legislative and
Parliamentary Affairs.

No. 5/Vidhayee And SansadiyaKarya/2001

Dated, Dehradun, May 05, 2001

IN pursuance of the provisions of clause (3) of Article 348 of the Constitution of India, the Governor is pleased to order the publication of the following English translation of the Uttaranchal Contingency Fund Act (Amendment) Bill, 2001 (Uttatanchal Adhiniyam Sankhya 5 of 2001).

As passed by the Uttaranchal Legislative Assembly and assented to by the Governor on May 05, 2001.

**THE UTTARANCHAL CONTINGENCY FUND ACT (AMENDMENT)
ACT, 2001**

to provide for the increase in the credit of the Contingency Fund for the State of Uttaranchal.

**AN
ACT**

WHEREAS clause (2) of Article 267 of the Constitution of India provides, inter alia, that the Legislature of a State may by law establish a Contingency Fund for the State;

In the fifty second year of Republic of India, Uttaranchal Vidhan Sabha hereby enacts as follows:--

Short title and commencement

1. The Act may be called the Uttaranchal Contingency Fund Act (Amendment) Act, 2001.
2. In section 4 of Uttaranchal Contingency Fund Act, 2001 (Act no. 2 of 2001), word “thirty” is substituted for the word “fifteen”.
3. The Uttaranchal Contingency Fund (Amendment) Ordinance (No. 03 of 2001) is hereby repealed.

By Order,
(P.C. PANT)
Sachiv.

No. 186/Vitta Anu-1/2001
Dated Dehradun, November 19, 2001

UTTARANCHAL CONTINGENCY FUND RULES

In exercise of the powers conferred by section-6 of the Uttaranchal Contingency Fund Act, 2001 (Uttaranchal Act no.II of 2001), the Governor of Uttaranchal is pleased to make the following rules :

1. (i) These rules may be called the Uttaranchal contingency Fund Rules, 2001.
(ii) They shall come into force on November 1, 2001.
2. The Uttaranchal Contingency Fund shall be administered by the Secretary to Government, Uttaranchal, Finance Department, on behalf of and in the name of the governor.
3. Advances from the Fund shall be made only to meet unforeseen expenditure for such services, the expenditure on which, as authorized by the Annual Appropriation Act, is found to be insufficient or where a need has arisen during the current financial year for supplementary or additional new expenditure or the annual financial statement for that year. The unforeseen expenditure to be sanctioned pending its authorization by the Legislature under appropriation made by law must be of such an emergent character that its postponement would either be not administratively possible or would involve serious inconvenience or serious loss or damage to public service.
4. A proposal for an advance from the Fund shall be submitted to the Secretary to government, Uttaranchal, in the Administrative Department concerned and on approval by the Administrative Department shall be scrutinized by the Finance Department with a view to ensuring that the conditions contained in rule 3 are fully satisfied. The Administrative Department shall, while referring such a proposal to the Finance Department, prepare a self contained note indicating-
 - (i) brief particular of the expenditure involved,
 - (ii) the circumstances in which provision for the expenditure could not be made in the annual budget, or adequate provision could not be made in the vote on Account.
 - (iii) why postponement of expenditure till its authorization by the Legislature through an Appropriation Act is not administratively possible,
 - (iv) The amount required to be advanced from the Fund with full cost of the proposal for the year of part of the year, as the case may be, and
 - (v) The grant or appropriation under which any supplementary provision will eventually have to be obtained.

After the Finance Department has agreed to the proposal, the Administrative Department has agreed to the proposal, the Administrative Department shall obtain the approval of the minister concerned and thereafter the approval of the Minister in the finance Department and of the Chief Minister shall be necessary before issuing the order sanctioning the advance:

Provided that where the advance is required for payment of a decretal amount not exceeding Rs. 25000, the approval of the Minister of Finance and the Chief Minister shall not be necessary. Any individual case involving such advance

- may, however, be submitted by the Finance Department to the Minister of Finance and the Chief Minister, if it discloses any unusual feature which, in its opinion, deserves to be brought to their notice.
5. A copy of the order sanctioning the advance, which shall specify the amount, the grant or appropriation to which it relates and particulars by Major head, sub major head, minor heads, sub-heads and units of appropriation of the expenditure (15 digit Heads of Account code) shall be forwarded by the Finance Department to the Accountant General, Uttaranchal.
 6. Actual expenditure incurred against advances from the Fund shall be recorded by the Accountant General, Uttaranchal, in the Account relating to the fund, which shall be maintained by him with the same details, which would have been shown if it had been incurred out of the Consolidated Fund.
 7. All bills for such expenditure shall conspicuously be labeled as pertaining to the Contingency Fund, quoting the order sanctioning the advance from the Fund, and the usual classification of expenditure on the bills shall also invariably be given by the disbursing officers.
 8. Except as provided under rule 10, supplementary estimates for all expenditure financed from the Fund shall be presented to the Legislature at the earliest opportunity. Such an estimate can either be for the amount equal to the full estimated expenditure for which an advance has been made from the Fund or for a reduced sum owing to certain savings being available within the grant or charged appropriation concerned or because of the estimate of expenditure at the time of sanctioning an advance having been subsequently found to be in excess of requirements or for a token sum only where expenditure involved can be met entirely by savings in the grant or charged appropriation concerned.
- Notes:-(i) While presenting to the State Legislature, supplementary estimates for expenditure financed from the Fund, a note to the following effect shall be made in the explanatory memoranda relating to such estimates:
 “A sum of Rs.....has been advanced from the Uttaranchal Contingency Fund and an equivalent amount is required to enable repayment to be made to that Fund.”
- (ii) If any new expenditure or expenditure on a new service or scheme not contemplated in the annual financial statement for which an advance from the Contingency Fund has been sanctioned can be met wholly or partly from saving available within the authorized appropriation, the note appended to the estimate submitted shall be in the following form:
 “The expenditure is on a new item/service or scheme. A sum of Rs.....has been advance from the Contingency Fund and an equivalent amount is required to enable repayment to be made to the Fund. The amount, namely Rs.....can be found by re-appropriation of savings within the grant/charged appropriation and a token vote only is now required/vote is required provision has only been made/provision has been made for the balance, that is Rs.....only,”
9. If, in any case, after the order sanctioning an advance from the Contingency Fund has been issued in accordance with rule 5 and before action is taken in accordance with rule 8, it is found that the advance sanctioned will remain wholly or partly unutilised, an application shall be made to the sanctioning authority for cancelling or modifying the sanction, as the case may be.

10. All advances sanctioned from the Fund to meet the excess of the provision for any service included in an Appropriation (Vote on Account) Act shall be recouped to the Fund as soon as the Appropriation Act is respect of the expenditure on the services for the whole year, including the excess met from the advances from the Fund, has been passed.
11. As soon as the State Legislature has authorised the expenditure by including it in a Supplementary Appropriation Act, the advance made from the Fund shall be recouped to the Fund and necessary adjustment made in the accounts by the Accountant General, Uttaranchal.
12. As soon as the advance made from the Fund has been recouped to the Fund, consequent on the enactment of the Appropriation Act, the Administrative Department, shall inform the Accountant General, Uttaranchal, through the Finance Department, about it, indicating the number and date of the order which the original advance was made. A copy of the Appropriation Act shall be forwarded to the Accountant General by the Finance Department.
13. The Controlling/Disbursing Officers shall maintain a separate record of all transactions connected with the expenditure out of the advances from the Contingency Fund in the same form or forms as are used for the maintenance of records of expenditure out of the Consolidated Fund and in similar details in respect of major and minor heads and units of appropriation as would have been operated upon had the expenditure been incurred out of the Consolidated Fund. The form or forms referred to above may, however be so amplified as to enable the controlling officers to keep a close watch on the progress of expenditure from and out of individual advances from the Fund as also to keep a record of the details in respect of recoupment, when made, of those advances to the Fund.
14. Where an advance from the Contingency Fund is recouped to that Fund in a year subsequent to the one in which the advance was taken, the actual debit in respect of the expenditure incurred out of that advance will fall on the Consolidated Fund in the year in which such recoupment is made. The controlling officers shall accordingly make necessary adjustment entries between the account relating to the expenditure incurred from the Contingency Fund and that in respect of expenditure from the Consolidated Fund.
15. Except as provided under rule 10, supplementary estimates shall be presented to the Legislature for the recoupment of advances, as far as possible, before the close of the financial year concerned. But if for any reason it does not become possible to recoup the expenditure financed from the Fund before the end of the financial year, necessary provision for expenditure remaining unrecouped should be made through a supplementary estimate for a substantive or a token sum, as the case may be, in the subsequent year.
16. Where the Savings of the year are utilized for the recoupment of advance from the contingency Fund taken in a previous year the controlling officer shall ensure that necessary re-appropriation is sanctioned by such authority as may be competent to do so under the relevant rules.
17. For purpose of Appropriation Account, the total expenditure in the financial year will be the expenditure met from the consolidated Fund plus the expenditure met out of the advance (S) from the Contingency Fund remaining unrecouped to that Fund at the close of the financial year.

Notes-(i) The Accountant General, Uttaranchal, will furnish the Finance Department as early as possible after the close of each financial year, with a statement showing expenditure incurred out of advances from the Contingency Fund remaining unrecouped on March 31.

(ii) With a view to ensuring that the total amount of advances sanctioned out of the Contingency Fund does not, at any time exceed the amount placed at the credit of the Fund, a list of the advances sanctioned out of the Fund shall be maintained by the Finance Department in a separate register in the Form annexed to these rules. Copies of all orders sanctioning advances from the Fund shall be endorsed by the administrative departments concerned to the Finance Department. No order sanctioning the advance shall issue unless the Finance Department is satisfied that balance in the fund is sufficient for the advance to be made.

FORM
 [See note (ii) below rule 17]
 UTTARANCHAL CONTIGENCY FUND
 Amount of the Fund Rs.....

S.No	Number and name of grant and Head of Account of appropriation	Number and date of order	Purpose	Amount Advanced	Supplementary Appropriation Act providing for additional expenditure	Amount resum-ed	Balance after each transaction	Initials of officer in charge	Remarks
1	2	3	4	5	6	7	8	9	10
				Rs		Rs	Rs		

Note – The balance should be struck after each transaction.

INDU KUMAR PANDE,
 Secretary, Finance

In pursuance of the provisions of clause (3) of Article 348 of the Constitution of India, the Governor is pleased to order the publication of the following English translation of the Uttaranchal Contingency Fund Act (Amendment) Ordinance, 2003 Uttaranchal Adhyadesh Sankhya 09 of 2003

As promulgated by the Governor of Uttaranchal and assented on November 21, 2003

No. 409/Vidhayee and Sansadiya Karya/2003

Dated Dehradun, November 22, 2003

NOTIFICATION

Miscellaneous

**THE UTTARANCHAL CONTIENGENCY FUND ACT (AMENDMENT)
ORDINANCE, 2003**

(UTTARANCHAL ORDINANCE NO. 09 OF 2003)

[Promulgated in the Fifty-fourth year of the Republic of India]

to provide for the increase in the credit of the Contingency Fund of the State of Uttaranchal;

AN

ORDIANANCE

WHEAREAS, clause (2) of Article 267 of the Constitution of India provides, inter alia, that the Legislature of the State may, by law, establish a Contingency Fund of the State;

AND WHEREAS, it has become expedient to provide for the increase in the credit of the Contingency Fund of the State of Uttaranchal;

AND WHEAREAS, the Legislative Assembly of the State is not in session and the Governor is satisfied that circumstances exist which render it necessary for him to take immediate action;

Now, THEREFORE, in exercise of the powers conferred by clause (1) of Article 213 of the Constitution of India, the Governor is pleased to promulgate the following Ordinance :-

1. This Ordinance may be called The Utaranchal Contingency Fund Act (Amendment) Ordinance, 2003.

2. In section 4 of the Uttaranchal Contingency Fund Act, 2001 (Act no. 02 of 2001), the word "Thirty" is substituted by the word "Eighty five"

Short title and
Commencement

SUDARSHAN AGARWAL,
Governor, Uttaranchal

By Order,
B. LAL,
Sachiv.

In pursuance of the provisions of clause (3) of Article 348 of the Constitution of India, the Governor is pleased to order the publication of the following English translation of The Uttaranchal Contingency Fund Act (Amendment) Bill, 2003, Uttaranchal Adhiniyam Sankhya 22 of 2003.

As passed by the Uttaranchal Legislative Assembly and assented to by the Governor on 06 January, 2004.

No. 490/Vidhayee and Sansadiya Karya/2003

Dated Dehradun, January 08, 2004

NOTIFICATION

Miscellaneous

THE UTTARANCHAL CONTINGENCY FUND ACT (AMENDMENT)

ACT, 2003

(UTTARANCHAL ACT NO. 18 OF 2003)

to provide for the increase in the credit of the Contingency Fund for the State of the Uttaranchal

AN
ACT

Short title and
Commencement

WHEREAS, clause (2) of Article 267 of the Constitution of India provides, inter alia, that the Legislature of a State may, by law, establish a Contingency Fund for the State;

AND WHEREAS, It has become expedient to provide for the increase in the credit of the Contingency Fund of the State of Uttaranchal:

THEREFORE it is hereby enacted by the Uttaranchal Assembly in the Fifty-fourth Year of Republic of India as follows :-

1(1) This Act may be called The Uttaranchal Contingency Fund (Amendment) Act, 2003

(2) It shall be deemed to have come into force from the date of promulgation of the ordinance.

2. In section 4 of The Uttaranchal Contingency Fund Act, 2001 (Act no. 02 of 2001), the word "Thirty" is substituted by the word "Eighty five"

Amendment in
section 4 of the
principal Act
Repeal and
Savings

3(1) The Uttaranchal Contingency Fund Act (Amendment) Ordinance, 2003 (Ordinance no. 9 of 2003) is hereby repealed;

(2) Notwithstanding such repeal anything done or any action taken under the ordinance referred to in sub-section (1) shall be deemed to have been done or taken under this Act were in force at all material times.

By Order,
BHAROSI LAL,
Secretary.

In pursuance of the provisions of Clause (3) of Article 348 of the Constitution of India, the Governor is pleased to order the publication of the following English translation of notification no. 1104/XXVII(1)/2007, dated December 31, 2007 for general information

No. 1104/XXVII(1)/2007
Dated Dehradun, December 31, 2007

NOTIFICATION

WHEREAS, under section 6 of the Uttaranchal (Alteration of Name) Act, 2006 (Act No. 52 of 2006), the Uttarakhand Government may, by order make such adaptation and modification of the law by way of repeal or amendment, as necessary or expedient;

AND, WHEREAS, The Uttaranchal Contingency Fund Rules, 2001, are in force in the State of Uttarakhand;

NOW, THEREFORE, In exercise of the powers conferred by section 6 of the Uttaranchal (Alteration of Name) Act, 2006 (Act No. 52 of 2006), the Governor is pleased to direct that The Uttaranchal Contingency Fund Rules, 2001 shall have applicability to the State of Uttarakhand, subject to the provisions of the following order :--

**THE UTTARAKHAND (THE UTTARANCHAL CONTINGENCY FUND
RULES, 2001) ADAPTATION AND MODIFICATION ORDER, 2007**

1-- Short title and commencement—

(1) This order may be called The Uttarakhand (The Uttaranchal Contingency Fund Rules, 2001) Adaptation and Modification order, 2007.

(2) It shall come into force at once.

2—“Uttarakhand” to be read instead of “Uttaranchal” –

In The Uttaranchal Contingency Fund Rules, 2001, wherever the expression “Uttaranchal”, occurs, it shall be read as, “Uttarakhand”.

By Order,
ALOK KUMAR JAIN,
Principal Secretary.

NO. 356/XXXVI(3)/2010/62(1)/2010

Dated Dehradun, October 14, 2010

NOTIFICATION

Miscellaneous

In pursuance of the provisions of Clause (3) of Article 348 of the Constitution of India, the Governor is pleased to order the publication of the following English translation of **'The Uttarakhand Contingency fund (Amendment) Ordinance, 2010'** for general information.

As promulgated by the Governor of Uttarakhand and assented on 13 October, 2010

**THE UTTARAKHAND CONTINGENCY FUND (AMENDMENT)
ORDINANCE, 2010**

[UTTARAKHAND ORDINANCE NO. 01 OF 2010]

**AN
ORDINANCE**

to provide for the increase in the credit of Contingency Fund of the State of Uttarakhand;

WHEREAS, clause (2) of Article 267 of the "Constitution of India" provides, *inter alia*, that the Legislature of the State may be law establish a Contingency Fund of the State;

AND WHEREAS, it has become expedient to provide for the increase in the credit of the Contingency Fund of the State of Uttarakhand;

AND WHEREAS, the Legislative Assembly of the State is not in session and the Governor is satisfied that circumstances exist which render it necessary for her to take immediate action;

NOW, THEREFORE, in exercise of the powers conferred by clause (1) of Article 213 of the "Constitution of India," the Governor is pleased to promulgate the following Ordinance :-

Short title and commencement

1. (1) This Ordinance may be called the Uttarakhand Contingency Fund (Amendment) Ordinance, 2010.

(2) It shall come into force at once.

Substituted of Section 4

2. In section 4 of the Uttarakhand Contingency Fund Act, 2001 (Act No. 02 of 2001), the word "**Eighty Five**" shall be substituted by the word "**Six Hundred**"

MARGRATE ALVA
Governor,
Uttarakhand

By Order,
RAM SINGH
Principal Secretary.

In pursuance of the provision of Clause (3) of Article 348 of the Constitution of India, the Governor is pleased to order the publication of the following English translation of “**The Uttarakhand Contingency fund (Amendment) Act, 2011**” (Adhiniyam Sankhya 15 of 2001).

As Passed by the Uttarakhand Legislative Assembly and assented to by the Governor on April 25, 2011.

NO. 180/XXXVI(3)/2011/25(1)/2011

Dated Dehradun, April 29, 2011

NOTIFICATION

Miscellaneous

THE UTTARAKHAND CONTINGENCY FUND (AMENDMENT) ACT, 2011

[Uttarakhand Act No. 15 of 2011]

AN
ACT

to further amend the Uttarakhand Contingency Fund Act, 2001

Enacted by the Uttarakhand State Legislative Assembly in the 62nd year of the Republic of India, as follows :-

Short title and commencement	1 (1) This Act may be called the Uttarakhand Contingency Fund (Amendment) Act, 2011 (2) It shall come into force at once.
Amendment of section 4	2 In section 4 of the Uttarakhand Contingency Fund Act, 2001 (Act No 02 of 2001), the word “Six Hundred” Shall be substituted by the word “Two Hundred”
Repeal and savings	3(1) The Uttarakhand Contingency Fund Act (Amendment) Ordinance, 2010 (Ordinance No. 01 of 2010) is hereby repealed. (2) Notwithstanding such repeal anything done or any action taken under Ordinance referred to in sub-section (1) shall be deemed to have been done or taken under this Act were in force at all material times.

By Order,
RAM SINGH
Principal Secretary.

APPENDIX V

In Pursuance of the provisions of Clause (3) of Article 348 of the Constitution of India, the Governor is pleased to order the publication of The Uttaranchal Fiscal Responsibility and Budget Management Bill, 2005 (Uttaranchal Adhiniyam Sankhya 22 of 2005).

As passed by the Uttaranchal Legislative Assembly and assented to by the Governor on October 27, 2005.

No. 607/Vidhayee and Sansadiya Karya/2005

Dated Dehradun, October 31, 2005

NOTIFICATION

Miscellaneous

**THE UTTARANCHAL FISCAL RESPONSIBILITY AND BUDGET
MANAGEMENT ACT, 2005
(UTTARANCHAL ACT NO. 22 OF 2005)**

To provide for the responsibility of the State Government to ensure fiscal stability and sustainability, and to enhance the scope for improving social and physical infrastructure and human development by achieving sufficient revenue surplus, reducing fiscal deficit and removing impediments to the effective conduct of fiscal policy and prudent debt management through limits on State Government borrowings, Government guarantees, debt and deficits, greater transparency in fiscal operations of the State Government and use of a medium term fiscal framework and for matters connected therewith or incidental thereto.

AN

ACT

Be it enacted in the Fifty-sixth year of the Republic of India as follows :-

1.(1) This Act may be called the Uttaranchal Fiscal Responsibility and Budget Management Act, 2005.

Short Title and commencement

(2) It shall come into force on such date as the State Government may, by notification in this behalf, appoint.

2. In this Act, unless the context otherwise requires—

(a) “annual budget” means the annual financial statement laid before the house of State Assembly under Article 202 of the Constitution;

Definitions

(b) “current year” means the year preceding the year for which budget is being presented;

(c) “fiscal deficit” means the excess of –

(i) total disbursements from the Consolidated Fund of the State (excluding repayment of debt) over total receipts into the Fund (excluding the debt receipts) during a financial year, or

(ii) total expenditure from the Consolidated Fund of the State (including loans but excluding repayment of debt) over own tax and non-tax

revenue receipts devolution and other grants from Government of India to the State, and non-debt capital receipts during a financial year which represents the borrowing requirements, net of repayment of debt, of the State Government during the financial year;

(d) “Fiscal Indicators” means the measures such as numerical ceilings and proportions to gross State domestic product or any other ratios, as may be prescribed, for evaluation of the fiscal position of the State Government;

(e) “previous year” means the year preceding the current year;

(f) “revenue deficit” means the difference between revenue expenditure and revenue receipts;

(g) “total liabilities” means the liabilities under the Consolidated Fund of the State and the public account of the State.

3(1) The State Government shall in each financial year lay before the State Assembly a Medium Term Fiscal Policy along with the annual budget.

Medium
Term Fiscal
Policy to be
laid before
the State
Assembly

(2) The Medium Term Fiscal Policy shall set forth a three year rolling targets for the prescribed fiscal indicators with specification of underlying assumptions.

(3) In particular and without prejudice to the provisions contained in subsection (2), the Medium Term Fiscal Policy shall include an assessment of sustainability relating to—

(i) the balance between revenue receipts and revenue expenditure;

(ii) the use of capital receipts including borrowings for generating productive assets.

(4) The Medium Term Fiscal Policy shall, inter-alia contain-

(a) the medium term fiscal objectives of the State Government;

(b) an evaluation of performance on the basis of the prescribed fiscal indicators vis-a-vis the targets set out in the budget and the likely performance in the current year as per revised estimates;

(c) a statement on recent economic trends and future prospects for growth and development affecting fiscal position of the State Government;

(d) the strategic priorities of the State Government in the fiscal areas for the ensuing financial year;

(e) the policies of the State Government for the ensuing financial year relating to taxation, expenditure, borrowings and other liabilities, lending and investments, pricing of administered goods and services, guarantees and activities of Public Sector Undertakings which have potential budgetary implications; and the key fiscal measures and targets pertaining to each of these;

(f) an evaluation as to how current policies of the State Government

are in conformity with the fiscal management principles set out in section 4 and the fiscal objectives set out in the Medium Term Fiscal Policy.

(5) The Medium Term Fiscal Policy shall be in such form as may be prescribed.

4(1) The State Government shall be guided by the following fiscal management principles :-

- (a) To maintain Government debt at prudent levels;
- (b) To manage guarantees and other contingent liabilities prudently, with particular reference to the quality and level of such liabilities;
- (c) To ensure that policy decisions of the Government have due regard to their financial implication on future generation;
- (d) To ensure that borrowings are used on development activities, which are evaluated to become self-sustained, and creation or augmentation of capital assets, and are not applied to finance current expenditure.
- (e) To ensure a reasonable degree of stability and predictability in the level of tax burden;
- (f) To maintain the integrity of the tax system by minimising special incentives, concessions and exemptions;
- (g) To pursue tax policies with due regard to economic efficiency and compliance costs;
- (h) To pursue non-tax revenue policies with due regard to cost recovery and equity;
- (i) To pursue expenditure policies that would provide impetus to economic growth, poverty reduction and improvement in human welfare;
- (j) To build up a revenue surplus for use in capital formation and productive expenditure;
- (k) To ensure that physical assets of the Government are properly maintained;
- (l) To disclose sufficient information to allow the public to scrutinise the conduct of fiscal policy and the state of public finance;
- (m) To ensure that Government uses resources in ways that give best value for money and also ensure that public assets are put to best possible use;
- (n) To minimize fiscal risks associated with running of public sector undertakings and utilities providing public goods and services;
- (o) To manage expenditure consistent with the level of revenue generated;
- (p) To formulate budget in realistic and objective manner with due regard to the general economic outlook and revenue prospects and minimise deviations during the course of the year;

(q) To ensure discharge of current liabilities in a timely manner.

(2) The State Government shall take appropriate measures to eliminate the revenue deficit and control the fiscal deficit at sustainable level and built up adequate revenue surplus.

(3) In particular, and without prejudice to the generality of the foregoing provisions, the State Government shall—

(a) reduce revenue deficit to nil within a period of four financial year beginning from the 1st day of April, 2005 and ending on the 31st day of March, 2009;

(b) reduce revenue deficit as percentage of Gross State Domestic Product in each of the financial year referred to a clause (a) in a manner consistent with the goal set out in clause (a);

(c) reduce fiscal deficit to not more than three percent of the estimated Gross State Domestic Product within the period referred to in clause (a);

(d) reduce fiscal deficit as percentage of Gross State Domestic product in each of the financial years referred to in clause (a) in a manner consistent with the goal set out in clause (c);

(e) not to give guarantee for any amount exceeding the limit stipulated under any rule or law of the State Government existing at the time of the coming into force of this Act or any rule or law to be made by the State Government subsequent to coming into force of this Act;

(f) ensure within a period of ten financial years; beginning from the initial financial year on the 1st day of April, 2005 and ending on the 31st day of March, 2015 that the total liabilities at the end of the last financial year, do not exceed twenty-five percent of the estimated gross State domestic product for that year:

Provided that revenue deficit and fiscal deficit may exceed the limits specified under this sub-section due to ground or grounds of unforeseen demands on the finance of the State Government due to internal security or natural calamity, subject to the condition that the excess beyond limits arising due to natural calamities does not exceed the actual fiscal cost that can be attributed to the calamities;

Provided further that the ground or grounds specified in the first proviso shall be placed before the State Legislature, as soon as possible, after it becomes likely that such deficit amount may exceed the aforesaid limits, with accompanying report stating the likely extent of excess, and reasons therefor.

Measures for
Fiscal
Transparency

5(1) The State Government shall take suitable measures to ensure greater transparency in its fiscal operations in public interest and minimise as far as practicable in public interest, secrecy in the preparation of the annual budget.

(2) In particular and without prejudice to the generality of the foregoing provisions, the State Government shall, at the time of presentation of the annual budget, disclose in a statement in the form as may be prescribed :--

(a) The significant changes in the accounting standards, policies and practices affecting or likely to effect the computation of prescribed fiscal indicators;

(b) As far as practicable, and consistent with protection of public interest, the contingent liabilities created by way of guarantees; the actual liabilities arising out of borrowings by Public Sector Undertaking and Special Purpose Vehicles and other equivalent instruments where liability for repayment is on the State Government, allocation and commitments made by the State Government having potential budgetary allocations, including revenue demand raised but not realised, tax expenditure; losses incurred in providing public goods, and services through public utilities and undertaking, liability in respect of major works and contracts; and subsidy payments and impact of the same on the fiscal position of the State including in relation to the targets referred to in sub-section (3) of section 4.

Measures to
enforce
compliance

6(1) The Annual Budget and policies announced at the time of the budget, shall be consistent with the objectives and targets specified in the Medium Term Fiscal Policy for the coming and future years.

(2) The Minister In-Charge of the Department of Finance, shall review, every half yearly, the trend in receipts and expenditure in relation to the budget, remedial measures to be taken to achieve the budget targets, and place before the State Legislature the outcome of such reviews. The review report shall be in such form as may be prescribed.

(3) The review shall explain –

(a) any deviation or likely deviation in meeting the obligations cast on the State Government under this Act;

(b) whether such deviation is substantial and relates to the actual or the potential budgetary outcomes, and how much of the deviation can be attributed to general economic environment and to policy changes by the State Government; and

(c) the remedial measures the State Government proposes to take.

(4) Wherever there is a prospect of either shortfall in revenue or

excess of expenditure over pre-specified level for a given year on account of any new policy decision of the State Government that affects either the State Government or its public sector undertakings, State Government, prior to taking such policy decision, shall take measures to fully offset the fiscal impact for the current and future years by curtailing the sums authorized to be paid and applied from and out of the Consolidated Fund of the State under any Act to provide for the appropriation of such sums, or by taking interim measures for revenue augmentation, or by taking up a combination of both;

Provided that nothing in this sub-section shall apply to the expenditure charged on the Consolidated Fund of the State under Clause (3) of Article 202 of the Constitution:

Provided further that, while adhering to the fiscal years, the State Government will give priority to protect certain expenditure defined in the Medium Term Fiscal Restructuring Policy as “High Priority Development Expenditure” (including, inter alia) from curtailment or may impose a recede or partial curtailment.

(5) Whenever one or more supplementary estimates are presented to the State Assembly, the State Government shall also present an accompanying Statement indicating the corresponding curtailment of expenditure and/or augmentation of revenue to fully offset the fiscal impact of the supplementary estimates in relation to the budget targets of the current year and the Medium Term Fiscal Policy objectives and targets for the future year.

7(1) The State Government may, by notification, make rules for carrying out the provision of this Act.

Power to make rules

(2) In particular, and without prejudice to the generality of the foregoing powers such rules may provide for all or any of the following matters, namely :--

(a) The fiscal indicator to be prescribed for the purpose of sub-section (2) of section 3 and clause (a) of sub-section (2) of section 5;

(b) The term of the Medium Term Fiscal Policy referred to in section 3;

(c) Any other matter which is required to be, or may be prescribed.

8. No suit or prosecution or other legal proceedings shall be against the State Government or any officer of the State Government for anything which is in good faith done or intended to be done under this Act or the rules made thereunder.

Protection of action taken in good faith

9. The Provisions of this Act shall be in addition to, and not in derogation of the provision of any other law for the time being in force.

Application of other laws not barred.

10(1) If any difficulty arises in giving effect to the provisions of this Act, the State Government may, be order published in the Gazette make such provisions not inconsistent with the provisions of this Act as it may deem necessary for removing the difficulty:

Power to remove difficulties

Provided that no order shall be made under this section after the expiry of two years from the commencement of this Act.

(2) Every order made under this section shall be laid as soon as may be after it is made, before the State Assembly.

By Order,
U.C.DHYANI,
Secretary.

No. 703/XXVII(1)/2007
Dated Dehradun, August 29, 2007

NOTIFICATION
Miscellaneous

In exercise of the powers conferred by the proviso to Article 309 of the Constitution of India, the Governor is pleased to make the following rules with a view to amending The Uttaranchal Budget Fiscal Planning and Resource Directorate Service Rules, 2006 :--

**THE UTTARAKHAND BUDGET, FISCAL PLANNING AND RESOURCE
DIRECTORATE SERVICE (AMENDMENT) RULES, 2007**

1. Short title and Commencement --

- (1) These rules may be called The Uttarakhand Budget, Fincal Planning and Resource Directorate Service (Amendment) Rules, 2007.
- (2) They shall come into force at once.

2. Substitution of rule 15 and Appendix "B" –

In the Uttaranchal Budget, Fiscal Planning and Resource Directorate Service Rules, 2006 for the existing rule 15 and Appendix "B" as set out in column-1 below, the rule 15 and Appendix "B" as set out in column-2, shall be substituted, namely—

Column-1	Column-2
Existing rule	Hereby substituted rule
Procedure for direct recruitment	Procedure for direct recruitment
15. (1) The Appointing Authority shall invite applications in the prescribed form by issuing advertisement in two daily newspapers having wide circulation.	15 (A) (1) The Appointing Authority shall invite applications in the prescribed form by issuing advertisement in minimum two such daily newspapers having wide circulation. (2) The appointing authority shall invite applications for direct recruitment on formate published under Sub-rule(1) and will advertise vacancies in following manner— (i) by issuing advertisement in such newspapers having wide circulation; (ii) by pasting notice on office notice board or by publicity on Radio/T.V. and by advertising in other employment newspapers; and

(iii) by notifying vacancies to employment office.

(3) An application form will not be published again on notifying vacancies under rule (2).

15 (B) Constitution of Selection Committee

For the purpose of recruitment, a selection committee shall be constituted, comprising—

(i) Director or Additional Director nominated by him Chairman

(ii) Gazetted Officer belonging to reserved category, holding a post not below group “A” Member

(iii) An expert from the State Unit of the National Informatics Centre or nominee of any other institution specializing in computer science Member

For the purpose of recruitment, a selection committee comprising the following shall be constituted—

(i) Director or Additional Director nominated by him Chairman

(ii) Gazetted Officer belonging to reserved category, holding a post not below group “A” Member

(iii) An expert from the State Unit of the National Informatics Centre or nominee of any other institution specializing in computer science Member

15(2) The selection committee shall scrutinize the applications and require the eligible candidates to appear in a competitive examination and or in interview.

The syllabus and procedure for competitive examination is given in Appendix “B”

(3) After the marks obtained by the candidates in the written/practical test have tabulated, the Selection Committee shall, having regard to the need for securing due representation of the candidates belonging to Scheduled Castes, Scheduled Tribes and other categories in accordance with rule 6, call for interview such number of candidates as, on the result of the written/practical examination, have come up to the standard fixed by the Selection Committee in this respect. The marks awarded to each candidate in the interview shall be added to the marks obtained by him in the written/practical test and the marks obtained on the basis of certificates of educational qualifications as provided in Appendix “B”.

(4) The Selection Committee shall prepare a list of candidates in order of merit as disclosed by aggregate of marks obtained

15(C) Syllabus of competitive examination and selection procedure is given in **Appendix “B”**

by them in the written test and interview as disclosed by the marks obtained. If two and more candidates obtain equal marks in the aggregate the name of candidate obtaining higher marks in the written examination shall be placed higher in the list. The Selection Committee shall arrange their names in order of merit on the basis of their general suitability for the post. The number of the names in the list shall be more (but not more than 25%) than the number of the vacancies.

Appendix “B”

Examination for Direct Recruitment

(to the post of Research Assistant, Cum-Data Entry Operator)

Column-1

Existing Appendix

1. 30 percent marks shall be accorded to each candidate on the basis of the class mentioned in the certificate/certificates of the minimum qualifications, prescribed under rule 8.
2. 50 marks shall be accorded for practical examination which comprises computer operation, work on word, excel and on power point and test of minimum speed of 4000 key depressions per hour.
3. Interview of 20 marks.
 - i.

Column-2

Hereby substituted Appendix

- 1.(i) A written examination of 100 marks shall be held 05 marks for complete one full year and maximum 15 marks will be awarded to retrenched employees. Merit list will be prepared on the basis of marks, obtained in written examination and total of other evaluations.
- (ii) (a) Objective type written examination of 100 marks will be held, in which there will be one paper of General Hindi, General Knowledge and General Studies. In evaluation of question paper, one full mark will be awarded for each correct answer and ¼ negative mark for wrong answer.
- (b) After examination, candidates will be allowed to take away the question booklet.
- (c) Answer sheet of written examination will be in duplicate with carbon copy and candidates will be allowed to take away the duplicate copy.
- (d) After examination, the answer key of written examination will be published on Uttarakhand web site www.ua.nic.in or by publication in daily newspaper, having wide circulation.
- (e) For this post, a practical computer examination of 50 marks will be held, which comprises computer operation, work on word, excel and on power point and a test of minimum speed of 4000

KDPH (key depression per hour) is essential. The marks will be awarded only to those candidates who obtain prescribed minimum speed. The candidates will be called for computer examination on the basis of total marks, obtained in written examination and other evaluations. Number of candidates called for computer examination will be four times of the vacancies.

2. A merit list (final selection list) will be prepared on the basis of total marks, obtained in written examination and other evaluations which include marks accorded for retrenched employees and marks of computer test. If two or more candidates obtain equal marks in the aggregate, the name of the candidate obtaining higher marks in the written examination shall be placed higher in the list. If two or more candidates obtain equal marks even in the written examination then candidate senior in age will be placed higher in the merit list. The number of the names in the list shall be more (but not more than 25 percent) than the number of the vacancies.

3. For the appointment on the post of Research Assistant-Cum-Data Entry Operator the examination marks will be as follows—

Research Assistant-Cum-Data Entry Operator—

Total marks of examination	150
(1) Objective test	100 marks
(2) Computer test	50 marks.

By Order,

RADHA RATURI,
Secretary, Finance.

In pursuance of the provisions of Clause (3) of Article 348 of the Constitution of India, the Governor is pleased to order the publication of the following English translation of notification no. 1103/XXXVII(1)/2007, dated December 28, 2007 for general information:

No. 1103/XXVII(1)/2007
Dated Dehradun, December 28, 2007

NOTIFICATION

WHEREAS, under section 6 of the Uttaranchal (Alteration of Name) Act, 2006 the Uttarakhand Government may, by order, make such adaptation and modification of the law by way of repeal or amendment, as necessary or expedient;

NOW, THEREFORE, in exercise of the powers conferred by section 6 of the Uttaranchal (Alteration of Name) Act, 2006 (Act No. 52 of 2006), the Governor is pleased to direct that the Uttaranchal Fiscal Responsibility and Budget Management Act, 2005 shall have applicability to the State of Uttarakhand, subject to the provisions of the following order :--

THE UTTARAKHAND (THE UTTARANCHAL FISCAL RESPONSIBILITY AND BUDGET
MANAGEMENT ACT, 2005) ADAPTATION AND MODIFICATION ORDER, 2007

1.-- Short title and commencement—

(1) This order may be called the Uttarakhand (The Uttaranchal Fiscal Responsibility and Budget Management Act, 2005) Adaptation and Modification Order, 2007.

(2) It shall come into force at once.

2—The expression Uttaranchal shall be read as, Uttarakhand –

In the Uttaranchal Fiscal Responsibility and Budget Management Act, 2005, wherever the expression “Uttaranchal”, occurs, it shall be read as, “Uttarakhand”.

By Order,

ALOK KUMAR JAIN,
Principal Secretary.

In pursuance of the provision of Clause (3) of Article 348 of the Constitution of India, the Governor is pleased to order the publication of the following English translation of ‘**The Uttarakhand Fiscal Responsibility and Budget Management (Amendment) Act, 2011**’ (Adhiniyam Sankhya 07 of 2011)-

As passed by the Uttarakhand Legislative Assembly and assented to by the Governor on April 04, 2011.

No. 118/XXXVI(3)/2010/20(1)/2011
Dated Dehradun, April 08, 2011

NOTIFICATION

Miscellaneous

**THE UTTARAKHAND FISCAL RESPONSIBILITY AND BUDGET
MANAGEMENT (AMENDMENT) ACT, 2011**

(UTTARAKHAND ACT NO 07 OF 2011)

Further to amend The Uttarakhand Fiscal Responsibility and Budget Management Act, 2005.

AN

ACT

Be it enacted by the Uttarakhand Legislative Assembly in the Sixty-second Year of the Republic of India as follows :-

1. (1) This Act may be called The Uttarakhand Fiscal Responsibility and Budget Management (Amendment) Act, 2011. Short title and commencement

(2) It shall come into force on such date as the State Government may, appoint by notification in this behalf.

2. In section 4 of the Uttarakhand Fiscal Responsibility and Budget Management Act, 2005:

Amendment of section 4

(i) clause (a) of sub-section (3) shall be substituted as follows; namely—

“(a) reduce the revenue deficit to nil in the four years starting from 1st April, 2011 and ending on 31st March, 2015;”

(ii) clause (c) of sub-section (3) shall be substituted as follows; namely –

“(c) reduce the fiscal deficit in financial year 2011-12 and 2012-13 to not more than 3.5 percent of gross state domestic product (GSDP) and 3 percent in financial year 2013-14 and 2014-15;”

(iii) clause (f) of sub-section (3) shall be substituted as follows; namely—

“(f) ensure that during the period of four financial years starting from 1st April, 2011 and ending on 31st March, 2015 the total estimated debt liability does not exceed 41.10, 40.00, 38.50 and 37.20 percent

respectively of its estimated gross state domestic product.

Provided that revenue deficit and fiscal deficit may exceed the limits specified under this sub-section due to ground or grounds of unforeseen demands on the finance of the State Government due to internal security or natural calamity, subject to the condition that the excess beyond limits arising due to natural calamities does not exceed the actual fiscal cost that can be attributed to the calamities.

Provided further that the ground or grounds specified in the first proviso shall be placed before the State Legislature, as soon as possible, after it becomes likely that such deficit amount may exceed the aforesaid limits, with accompanying report stating the likely extent of excess, and reasons therefor.”

(iv) after sub-clause (f) of sub-section (3), a new sub-clause (g) shall be inserted follows; namely –

“(g) The State Government shall constitute a committee under the chairmanship of the Chief Secretary, to review the progress against above targets at least once every six months.”

By Order,

RAM SINGH,
Principal Secretary

(Referred to in para 210)

CALENDAR SHOWING THE DATES OF THE BUDGET PROGRAMME**Explanatory Note**

This is a calendar of the Finance Department's operations in connection with the annual budget, supplementary estimates, re-appropriations and resumption of savings. The dates, where mentioned in column 4, are meant to draw the attention of all concerned : (i) to the last date by which any item of work should be completed and (ii) in the case of statements, applications, etc. to last date by which they should reach the authority concerned :

Serial No.	Item of work	Reference to paragraphs in this Manual	Date
1.	Submission by the Accountant-General of preliminary actuals of receipts and outgoings of each month.	88	15 th of the following month.
2.	Grants to be communicated by the Finance Department to the administrative Departments of the Secretariat.	75	As soon as possible after the passing of the Appropriation Act.
3.	Proposals or schemes of "new expenditure" to be submitted to Government in the administrative departments concerned by Heads of Departments.	48	October 15.
4.	Accountant-General to send the March Final Accounts.	..	June 25.
5.	Accountant-General to send corrections to March Final Accounts.	...	July 15.
6.	Receipt from the Heads of Departments, other estimating officers of the budget estimate by the Accountant General and administrative departments of the Secretariat.	8 and 19	October 30.
7.	Receipt from the administrative departments of the Secretariat and the Accountant General of various budget estimates by the Finance Department.	19, 43, 43(b), 43(d) and 45	October 15 to December 05.
8.	Administrative departments to forward to the Finance Department	48	November 30.

	from time to time proposals and schemes of "new expenditure" administratively approved by them.		
9.	Preliminary Statement of anticipated excesses and savings in expenditure to be submitted by the controlling officers and administrative department to the Finance Department.	42	November 30.
10.	Revised estimate of revenue receipts under various heads to be submitted by various controlling officers and administrative departments to the Finance Department.	44	November 30.
11.	Administrative departments and the Public Works Department to submit to the Finance Department complete lists of items of "new expenditure", arranged in order of urgency, finally approved for inclusion in the budget for the forthcoming year.	57 read with 48	Within a week of the last date prescribed for accepting such items.
12.	Scrutiny of departmental estimates by the Finance Department.	61-67	October-January
13.	Revised estimates to be prepared by primary units by the Finance Department.	43	December-January
14.	Consideration of the budget and the schedule of new expenditure by the council of Ministers.	66	January.
15.	Receipt in the Finance Department of any appreciable variations in the revised figures of expenditure and receipts subsequent to the communication to the Finance Department under items 9 and 10 above.	45	January 15.
16.	(a) Receipt in the Finance Department from Secretaries to Government of final statements of excesses and savings.	124	January 15.
	(b) Receipt in the Finance Department from controlling officers, other than secretaries to Government, of final statements of excesses and savings.	124	January 25.
17	Applications for supplementary	...	By dates as may

	grants to be entertained by the Finance Department.		be prescribed by the Finance Department each year.
18.	Preparation by the Finance Department of supplementary estimates.	...	Dates to be decided by the Finance Department themselves
19.	(a) Presentation of the budget to the Legislature.	71	February-March
	(b) Disposal of the budget by the Legislature.	73-74	Within March (except when a 'vote on Account' is obtained).
20.	Final date for the receipt in Finance Department of applications for sanctioning of re-appropriations.	140	March 20.
21.	Surrender of savings ascertained after the submission of the final statements of excesses and savings.	125	March 25.

Standard object of expenditure- Appendices-VII.

1. Pay
2. Wages
3. Dearness Allowance (D.A.)
4. Travelling Allowance (T.A.)
5. Transfer Travelling Allowance (T.T.A.)
6. Other Allowance (Part of Salary like House Rent City compensatory allowance etc.
7. Honorarium
8. Office Expenses
9. Electric Dues
10. Water Taxes/ Water Charges
11. Printing & Stationery
12. Office Furniture & Equipments
13. Telephone Expenses
14. Purchase of Staff Car
15. Petrol & Oil/ Maintenance of Vehicles
16. Professional & Special Services Expenses
17. Rent, Rates and Taxes
18. Publications
19. Advertisement, Trade & Taxes
20. Grant-in-Aid/Contribution/State Assistance
21. Scholarship/ Stipend
22. Hospitality Expenses & Allowances
23. Secret Fund
24. Major Construction Work
25. Minor Construction Work
26. Machines, its Allied Work and Allowances
27. Reimbursement of Medical Expenses
28. Maintenance & POL for Vehicles (Other than Staff Car)
29. Maintenance
30. Investment/Loan
31. Materials & Supplies
32. Interest/Dividend
33. Pension/Gratuity
34. Depreciation
35. Grant-in-aid for establishing Capital Assets

36. Losses and Defalcation
37. Suspense
38. Interim Relief
39. Medicines & Chemicals
40. Hospital Equipments
41. Diet Expenses
42. Other Expenses
43. Grant-in-aid for pay and allowance
44. Training
45. Leave Travel Concession
46. Purchase of Computer Hardware/Software
47. Computer Maintenance/ Purchase of Stationary
48. Inter account adjustment
49. Dearness/Pension
50. Subsidy
51. Dearness Pay

Form B.M. - 1 (Part - I)

(See paragraphs 19, 24 & 43 (b))

Abstract of the estimates for the Budget Year

Grant No. & Name Plan / Non Plan

(Rs. in Thousand)

Major Head (Revenue & Capital separately)	Voted or Charged	Actual expenditure of the previous year		Budget provision of the current year	Expenditure of the current year		Revised estimates of expenditure for the current year	Estimates of the budget year	Budget estimates as finalized by Finance Department
		1st April to 30th September	1st October to 31st March		1st April to 30th September (Actual)	1st October to 31st March (Anticipated)			
1	2	3	4	5	6	7	8	9	10
Total :									

Note : The statement for Plan and Non Plan should be prepared separately.

Form B.M. - 1 (Part - II)

(See paragraphs 19, 24 & 43 (b))

Statement of the detailed estimates for the Budget Year

Grant No. & Name Plan / Non Plan

Head of Account (For each Scheme)

Major Head.....

Sub Major Head.....

Minor Head.....

Sub Head

Detailed Head.....

13 Digit Code

--	--	--	--	--	--	--	--	--	--	--	--	--	--	--

(Rs. in thousand)

Standard object (01-Pay, 03-D.A. etc.)	Voted or Charged	Actual Expenditure of the previous year		Budget provision of the current year	Expenditure of the current year		Revised estimates of expenditure for the current year	Estimates of the budget year	Budget estimates as finalized by the Finance Department
		1st April to 30th September	1st October to 31st March		1st April to 30th September (Actual)	1st October to 31st March (Anticipated)			
1	2	3	4	5	6	7	8	9	10
Total :									

Note : The statement for Plan and Non Plan should be prepared separately.

Form B.M. - 2 (Part - I)

(See Paragraphs 42, 124)

Statement of anticipated excesses and savings for the financial year

Grant No. & Name **Plan / Non Plan**

Head of Account (For each Scheme)

Major Head

Sub Major Head

Minor Head

Sub Head

Detailed Head

13 Digit Code

--	--	--	--	--	--	--	--	--	--	--	--	--	--

(Rs. in thousand)

Standard object (01-Pay, 03-D.A. etc.)	Voted or Charged	Budget Provision	Actual Expenditure upto the month (April to September) and final (from April to December)	Estimated Expenditure from the month (October to March) and final (from January to March)	Revised estimates of expenditure for the year	Excess (+) (6-3)	Saving (-) (6-3)	Remarks / Re-appropriation or surrender with reference
1	2	3	4	5	6	7	8	9
Total :								

Note : The statement for Plan and Non Plan should be prepared separately.

Form B.M. - 2 (Part - II)

(See Para -130)

Form of Register for Maintaining Information Regarding Final Savings Under Grants

Grant No. & Name

Financial Year

Head of Account (For each Scheme)

Major Head

Sub Major Head

Minor Head

13 Digit Code

Sub Head.....

--	--	--	--	--	--	--	--	--	--	--	--	--	--

Detailed Head

(Rs. In thousand)

Sl. No.	Name of the Administrative Department / Section	File No.	No. and date of Order of Resumption	Standard object (01, 02	Grant / Appropriation for the Year (Including Supplementary Budget and Reappropriations)	
					Plan	Non Plan
1	2	3	4	5	6	7

Expenditure upto March 31.		Final Savings		Signature of the Officer
Plan	Non Plan	Plan	Non Plan	
8	9	10	11	12

Form B.M. - 3

(See Paragraph 85)

Statement of Receipts for the Month Year

Head of Department Administrative Department Financial Year

(Rupees inThousand)

Sl. No.	13 digit code (Major Head to Detailed Head)	Budget estimates	Target for the month	Receipt for the month	Target upto the month	Receipt upto the month	%age of Progressive receipt to budget estimates	Budget estimates of the previous year	Receipt of the month in the previous year	Receipt upto the month in the previous year	%age of receipt during same period in the previous year	Remarks (indicating reasons for shortfall etc.)
1	2	3	4	5	6	7	8	9	10	11	12	13
1												
2												
3												
4												
--												
Total												
:												

Note

- : (i) Head of Department should compile the receipts of different units / schemes under his control.
- (ii) Statement of Tax Revenue and Non Tax Revenue should be prepared separately.

Form B.M. - 4

(See paragraphs 97, 111 & 103)

Monthly Expenditure for the Month of Year

Grant No. & Name **Plan / Non Plan**

Name of Treasury

Head of Account (For each Scheme)

Major Head

Sub Major Head

Minor Head

Sub Head

Detailed Head

13 Digit Code

--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--

(Amount In Rupees)

Sl. No.	Voucher No.	Date	Standard Object (01-Pay, 02-Wages and 03-D.A. etc.)														Total	
			Pay	Wages	D.A.													
			01	02	03	04	06	08	09	11	12	13	15	17	49	50		51
			Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.		Rs.
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19
1																		
2																		
3																		
--																		
Total Expenditure of the Month																		
Expenditure upto the previous month																		
Progressive Exp. upto the current month																		
Upto-date allotment of budget																		
Balance amount of the budget allotted																		

Note : 1- The divisional expenditures against Cash Credit Limit of remittance departments may follow the provision of Para - 113

2- The statement for Plan and Non Plan should be prepared separately.

Signature & Seal of
D.D.O.

Form B.M. - 5

(See paragraphs 97 to 101 & 114)

D.D.O. Reconciliation Statement for the Month Year

Name of D.D.O.

(Amount In Rupees)

Sl.No .	Bill No.	Voucher Number	Voucher Date	Grant No.	15 digit code (Major head to standard object)	Plan / Non Plan and Voted / Charged	Gross amount of Voucher	Total Deductions	Net Amount	Cheque No.	Date of cheque	Amount of the Cheque	Remark of DDO for correction
1		2	3	4	5	6	7	8	9	10	11	12	13
1													
2													
3													
4													
--													

Please treat this matter important & urgent.

To Treasury Officer

1. Certified that all the drawls shown in the statement are correct except the following which have not been made by me.
 - (1)
 - (2)
2. Besides the above, the following drawls made by me during the month have not been shown in the statement :-
 - (1)
 - (2)

D.D.O.
 Name
 Designation
 Office
 Place

Form B.M. - 6

(See paragraph 103)

Scheme-wise Monthly Expenditure Register of Controlling Officer for the Month of Year

Head of Account (For each Scheme)

Grant No. Plan / Non Plan

Major Head

Sub Major Head

Minor Head

13 Digit Code

Sub Head

--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--

Detailed Head

(Amount In Rupees)

Sl.No.	Designation of D.D.O.	Standard Object (01-Pay, 02-Wages and 03-D.A. etc.)															Total
		Pay	Wages	D.A.													
		01	02	03	04	06	08	09	11	12	13	15	17	49	50	51	
		Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18
1																	
2																	
3																	
4																	
--																	
Total Expenditure of the Month																	
Expenditure upto previous month																	
Progressive Exp. upto current month																	
Upto-date allotment of budget																	
Balance amount of the budget allotted																	

Note : The register for Plan and Non Plan should be maintained separately.

Form B.M. - 8

(See paragraphs 107)

Monthly Expenditure Statement to Administrative Department by Controlling Officer / Head of Department

Controlling officer / Head of department Month Year

Grant No. Financial Year

Head of Account (For each Scheme)

Major Head

Sub Major Head

Minor Head

13 Digit Code

Sub Head

--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--

Detailed Head

(Rs. in thousand)

Sl. No.	Standard object (01-Pay, 03-D.A. etc.)	Budget Provision		Budget Allotted		Expenditure upto the Month		%age Expenditure				expenditure of the previous year for the same period				Remarks		
		Plan	Non Plan	Plan	Non Plan	Plan	Non Plan	of total Budget		Allotted Budget		Budget Allotted		Actual Expenditure			%age Expenditure	
								Plan	Non Plan	Plan	Non Plan	Plan	Non Plan	Plan	Non Plan		Plan	Non Plan
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	21
1																		
2																		
3																		
4																		
--																		
Total :																		

Note : "Budget allotted" means the grants placed at the disposal of Controlling Officers / Head of Department.

Form B.M. - 9 (Part - I)

Application for Sanction of re-appropriation

(See paragraph 139)

(Please see carefully the instructions overleaf before filling in this Form)

Grant No. & Name

Financial Year

(Rupees in Thousand)

Transfer proposed from the following funds				To be filled in by the Finance Department	
Head of Account (In 15 digit code) Plan/ Non Plan	Grant / Appropriation Available on the date of Application	Savings available on the date of Application	Sum to be transferred	Amount for Transfer as approved by the Finance Department	Balance Grant / Appropriation after Transfer (2-5)
1	2	3	4	5	6

Transfer proposed to the following funds				To be filled in by the Finance Department	
Head of Account (In 15 digit code) Plan/ Non Plan	Grant / Appropriation Available for the Financial Year	Total Expenditure Estimated during the Year	Sum proposed to be transferred (9-8)	Amount for Transfer as approved by the Finance Department	Grant / Appropriation Available after Transfer (8+11)
7	8	9	10	11	12

Certified that the conditions/ limits prescribed in para-133 and 134 are not violated in this re-appropriation.

No.: R.E.-_____/E-_____/X-_____, Date : _____

To,
Accountant General (A & E)
Uttarakhand
Dehradun

No:-----, Date : -----

Copy to the following for information and necessary action –

- 1- Concerned Head of Department (Controlling Officer)
- 2- Director Treasury, 23 Laxhmi Road, Dalanwala, Dehradun.
- 3- Chief/ Senior Treasury Officer, -----
- 4- Finance (Expenditure Control) Section -

Signature -----
Name and Designation -----
Administrative Department -----

INSTRUCTIONS

- (1) Separate applications should be submitted for re-appropriations relating to *charged* and *voted* expenditure under each Grant or Appropriation. In the proposals relating to *charged* expenditure, the word '*charged*' may be noted in bracket alongside the head of account.
- (2) The description of the heads of account affected should be in conformity with that given in the Detailed Estimates and Grants or Appropriations.
- (3) The figure to be entered in columns 2 and 8 should take into account the budget grant, the supplementary grant and re-appropriations, if any, duly sanctioned under the heads concerned upto the date of proposed re-appropriation.
- (4) The re-appropriation sanctioned by the Finance Department shall be entered in columns 5,6 and 11,12.

Form B.M. - 9 (Part - II)

Form of Register for Maintaining Information Regarding Re-appropriations

(See paragraph 139)

Administrative Department / Finance (Expenditure Control) Section

Grant No. & Name

Financial Year

(Rupees in Thousand)

Sl. No.	Administrative Department / Section	File No.	Order No. And Date	Head of Account From which sum is being transferred (in15 digit code)	Grant / Appropriation for the year (Original Budget + Supplementaries - Sums transferred earlier)		Sum being transferred		Balance Sum	
					Plan	Non Plan	Plan	Non Plan	Plan	Non Plan
1	2	3	4	5	6	7	8	9	10	11

Head of Account to which sum is being transferred (in15 digit code)	Grant / Appropriation for the year (Original Budget + Supplementaries + Sums transferred earlier)		Sum Received From the Present Transfer		Sum Available after the Transfer		Re-appropriation Index number allotted by the Finance (Budget) Section	Signature of Section Officer / Officer In-charge
	Plan	Non Plan	Plan	Non Plan	Plan	Non Plan		
12	13	14	15	16	17	18	19	20

Form B.M. 10

(See paragraph 77)

Budget Control Register by Head of Department / Controlling Officer

Grant No. & Name Plan / Non Plan

Financial Year

Head of Account (For each Scheme)

Major Head

Sub Major Head

Minor Head

Sub Head

Detailed Head

13 Digit Code

--	--	--	--	--	--	--	--	--	--	--	--	--	--	--

G.O.No. & Date of the Budget Allotment to Head of Department / Controlling Officer

Date and number of allotment order by Controlling officer / Head of Department to sub-ordinate offices

- 1-
- 2-
- 3-
- 4-

- 1-
- 2-
- 3-
- 4-

(Amount in Rupees)

Budget allotted to the Controlling Officer / Head of Department							Standard Object	Budget allotted by Controlling Officer/Head of Department to sub-ordinate offices						
Amt.1	Amt.2	Progressive Amount	Amt.3	Progressive Amount	Amt.4	Progressive Amount		Amt.1	Amt.2	Progressive Allotment	Amt.3	Progressive Allotment	Amt.4	Progressive Allotment
							01-Pay							
							02-Wages							
							03-DA							
													
													
							51- Livery							
							Total :							

Note : The register for Plan and Non Plan should be kept separately.

Form B.M. - 11 (Part - I)

(See paragraph 97)

Budget Control Register by Drawing & Disbursing Officer (D.D.O.)

Financial Year Grant No. Plan / Non Plan

Head of Account (For each Scheme)

Major Head

Sub-Major Head

Minor Head

Sub-Head

Detailed Head

13 Digit Code

--	--	--	--	--	--	--	--	--	--	--	--	--

Details of allotments by Controlling officer / Head of Department

Sl. No.	Numbers & Date of Allotment order	Amount	Progressive Amount	Signature of D.D.O.
1.				
2.				
3.				
4.				

Note : The register for Plan and Non Plan should be kept separately.

Form B.M. - 11 (Part - II)

(See paragraph 97)

**Standard Object wise Allotment and Expenditure Register
maintained by Drawing & Disbursing Officer (DDO)**

01-Pay

(Amount in Rupees)

Amt. 1	Amt. 2	Progressive Allotment	Amt. 3	Progressive Allotment	Amt. 4	Progressive Allotment

Sign. DDO

Sign. DDO

Sign. DDO

Sign. DDO

(Amount in Rupees)

Sl.No.	Date of Bill	Bill No.	Amt. of the object	Progressive Expenditure	Balance Amt.	Signature of D.D.O.
1						
2						
3						
4						
..						

Note : Adequate number of pages of the register should be allotted for each Standard Object.

Form B.M. - 12
Statement of Liabilities in Respect of Works / Schemes
(See paragraph 89)

Financial Year :

Grant No. & Name :
Name of Officer :

(Amount in thousand rupees)

Sl. No.	Description of work / contract / Scheme and Head of Account (in 15 digit code)	Date of commencement and target date for completion of work / contract / scheme	Cost and year wise phasing of estimated expenditure					Total liability of the State Government and year wise phasing					Expenditure					Outstanding liability of the Government as on 31st March
			Year1	Year2	Year3	Year ...	Total	Year1	Year2	Year3	Year ...	Total	Year1	Year2	Year3	Year ...	Total	
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19
1																		
2																		
3																		
--																		

Signature of Drawing and Disbursing Officer.....

Signature of the Head of Office.....

Note: 1- Expenditure on land-building, furnishing, machines, equipment, vehicle etc is included in the cost of balance works on the capital side of various programs / projects / schemes.
2- In the case of the original estimates being revised, 'cost' means revised cost.

Form B.M. - 12 A
Statement of Consolidated Liabilities in Respect of Works / Schemes costing upto Rs. 5.00 crore
(See paragraph 89)

Grant No. & Name :

Financial Year :

Department :

(Amount in thousand rupees)

Sl. No.	Description of works / contracts / Schemes	Outstanding Liabilities at the beginning of the Financial Year	Expenditure / Estimated Expenditure During the year	Outstanding Liabilities at the end of the Financial Year	Remarks
1	2	3	4	5	6
1					
2					
3					
--					

Signature of Controlling Officer / Head of Department

- Note:
- 1- Expenditure on land-building, furnishing, machines, equipment, vehicle etc. is included in the cost of balance works on the capital side of various programs/ projects/ schemes.
 - 2- In the case of the original estimates being revised, 'cost' means revised cost.
 - 3- For works of cost / revised cost of upto Rs. 5.00 crore, the consolidated information should be given on the basis of information received from subordinate offices on Form B.M.12.

Form B.M. - 12 B
Statement of Liabilities in Respect of Works / Schemes costing more than Rs. 5.00 crore
(See paragraph 89)

Grant No. & Name :

Financial Year :

Department :
.....

(Amount in thousand rupees)

Sl. No.	Description of work / contract / Scheme and Head of Account (in 15 digit code)	Date of commencement and target date for completion of work / contract / scheme	Cost and year wise phasing of estimated expenditure					Total liability of the State Government and year wise phasing					Expenditure					Outstanding liability of the Government as on 31st March
			Year1	Year2	Year3	Year	Total	Year1	Year2	Year3	Year	Total	Year1	Year2	Year3	Year	Total	
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19
1																		
2																		
3																		
--																		

Signature of Controlling Officer

Signature of the Principal Secretary / Secretary of
the Administrative Department

Note: 1- Expenditure on land-building, furnishing, machines, equipment, vehicle etc is included in the cost of balance works on the capital side of various programs / projects / schemes.

2- In the case of the original estimates being revised, 'cost' means revised cost.

3- Each individual work costing more than Rs. 5.00 crore should be shown separately.

4- Entries in this Form shall be made on the basis of information received from sub-ordinate offices in Form B.M. 12.

Form B.M. - 13

Check list of returns to be maintained by Controlling Officer / Head of Department

(See paragraph 102)

Designation of the return Submitting Officer :

Financial Year :

(Rupees in Thousand)

Sl. No.	Description of return	April	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	March
1	2	3	4	5	6	7	8	9	10	11	12	13	14
1													
2													
3													
--													

Note: Controlling Officer / Head of Department must watch the receipt of returns every month as per para 117.

**Form B.M. 14
(See Para 88)**

Monthly Account of Government Transactions for the Month of

Part - 1) Consolidated Fund

(Amount In Rupees)

Head of Account	Current Month	Progressive	Budget / Revised Estimates	Progressive Last Year
Revenue Receipts				
A) Tax Revenue				
(a) Taxes on Income & Expenditure				
0020--Corporation Tax				
.....				
(b) Taxes on Property & Capital Transactions				
0029--Land Revenue				
.....				
(c) Taxes on Commodities & Services				
0037--Customs				
.....				
B) Non Tax Revenue				
(a) Fiscal Services				
0047--Other Fiscal Services				
.....				
(b) Interests Receipts, Dividends & Profits				
0049--Interests Receipts				
.....				
(c) Other Non Tax Revenue				
(i) General Services				
0071-- Contribution & Recoveries towards Pension & Other Retirement Benefits				
.....				
(ii) Social Services				
0202--Education, Sport, Art & Culture				
.....				
(iii) Economic Services				
0403--Animal Husbandry				

C) Grants-In-Aid and Contributions				
1601--Grant-in-aid from Central Government				
.....				
Total Revenue Receipts				

Part - 1) Consolidated Fund

(Amount In Rupees)

Head of Account	Current Month			Progressive			Budget/Revised Estimates			Progressive Last Year		
	Non Plan	Plan	Total	Non Plan	Plan	Total	Non Plan	Plan	Total	Non Plan	Plan	Total
Revenue Expenditure												
A) General Services												
(a) Organs of State												
2011-- Parliament/ State/ Union Territory Legislatures												
.....												
(b) Fiscal Services												
(i) Collection of Taxes on Income & Expenditure												
2020--Collection of Taxes on Income & Expenditure												
.....												
(ii) Collection of Taxes on Property & Capital Transactions												
2029--land Revenue												
.....												
(iii) Collection of Taxes on Commodities & Services												
2039--State Excise												
.....												
(iv) Other Fiscal Services												
2047--Other Fiscal Services												
.....												
B) Social Services												
(a) Education, Sports , Art & Culture												
2202--General Education												
.....												

.....													
(e) Energy													
2801--Power													
.....													
(f) Industry & Minerals													
2851--Village & Small Industries													
.....													
(g) Transport													
3053--Civil Aviation													
.....													
(h) Communications													
3275--Other Communication Services													
.....													
(i) Science, Technology & Environment													
3425-- Other Scientific Research													
.....													
(j) General Economic Services													
3451-- Secretariat Economic Services													
.....													
Total Revenue Expenditure													

Capital Expenditure													
(A) Capital Account of General Services													
4047--Capital Outlay on Other Fiscal Services													
.....													
(B) Capital Account of Social Services													
(a) Education, Sports, Art & Culture													
4202--Capital Outlay on Education, Sports, Art & Culture													
.....													
(b) Capital Account of Health & Family welfare													
4210--Capital Outlay on Medical and Public Health													

.....													
(c) Capital Account of Water Supply , Housing, Sanitation and Urban Development													
4216-- Capital Outlay on Water Supply and Sanitation													
.....													
(d) Capital Account of Information & Broadcasting													
4220--Capital Outlay on Information and Publicity													
.....													
(e) Capital Account of Welfare of Scheduled Castes, Scheduled Tribes & Other Backward Classes													
4225-- Capital Outlay on Welfare of Scheduled Castes, Scheduled Tribes & Other Backward Classes													
.....													
(g) Capital Account of Social Welfare & Nutrition													
4235-- Capital Outlay on Social Security & Welfare													
.....													
(h) Others													
4250--Capital Outlay on Other Social Services													
.....													
(C)Capital Account of Economic Services													
(a) Capital Account of Agriculture & Allied Activities													
4401--Capital Outlay on Animal husbandry													
.....													
(b) Capital Account of Rural development													
4515-- Capital outlay on Other Rural Development Programmes													

.....													
(c) Capital Account of Other Rural Development Programmes													
4551-- Capital outlay on Hill Areas													
.....													
(d) Capital Account of Irrigation & Flood Control													
4700--Capital Outlay on Major Irrigation													
.....													
(e) Capital Account of Energy													
4801--Capital Outlay on Power projects													
.....													
(f) Capital Account of Industry & Minerals													
4851--Capital Outlay on Village and Small Industries													
.....													
(g) Capital Account of Transport													
5052--Capital Outlay on Shipping													
.....													
(h) Capital Account of Communication													
5275-- Capital Outlay on Other Communication Services													
.....													
(i) Capital Account of Science Technology and Environment													
5425--Capital Outlay on Scientific and Environmental Research													
.....													
(j) Capital Account of General Economic Services													
5452-- Capital Outlay on Tourism													
.....													
Total Capital Expenditure													

Part - I) Consolidated Fund

(Amount In Rupees)

Head of Account	Receipts		Disbursement		Net Receipts Plus or Minus		Budget / Revised Estimates
	Current	Progressive	Current	Progressive	Current	Progressive	Total
E) Public Debt							
6003--Internal Debt of the State Government							
101-Market Loans bearing Interests (a)							
.....							
6004- Loans & Advances From Central Government							
01--Non Plan loans							
.....							
Total Public Debt							

Part - I) Consolidated Fund

(Amount In Rupees)

Head of Account	Receipts		Disbursement Current			Disbursement progressive			Net Receipts Plus or Minus		Net Budget / Net Revised
	Current	Progressive	Non Plan	Plan	Total	Non Plan	Plan	Total	Current	Progressive	Total
F) Loans and Advances											
6075-- Loans for Miscellaneous General Services											
.....											
Total Loans and Advances											
H) Transfer to Contingency Fund											
7999-- Appropriation to the Contingency Fund											
.....											
Total (Part - I) Consolidated Fund											

Part - I) Consolidated Fund

(Amount In Rupees)

Head of Account	Receipts		Disbursement		Net Receipts Plus or Minus		Budget / Revised Estimates
	Current	Progressive	Current	Progressive	Current	Progressive	Total
(Part - II) Contingency Fund							
8000- Contingency Fund							
.....							
Total (Part - II) Contingency Fund							
(Part - 3) Public Account							
(I) Small Savings, Provident Funds, etc.							
(a) National Small Savings Fund							
8001-- Saving Deposits							
.....							
(b) State Provident Funds							
8005--State Provident Funds							
.....							
(c) Other Accounts							
.....							
Total (I) Small Savings, Provident Funds, etc.							
(J) Reserve Fund							
(a) Reserve Funds bearing Interests							
8115--Depreciation/ Renewal Reserve Fund							
.....							
(b) Reserve Funds not bearing Interests							
8222--Sinking Funds							
.....							

Total (J) Reserve Fund							
(K) Deposits And Advances							
(a) Deposits bearing Interests							
8336--Civil Deposits							
.....							
(b) Deposits not bearing Interests							
8443-- Civil Deposits							
.....							
(c) Advances							
8550-- Civil Advances							
.....							
Total (K) Deposits And Advances							
(L) Suspense and Miscellaneous							
(b) Suspense							
8658-- Suspense Accounts(1)							
.....							
(c) Other Accounts							
8670--Cheques and Bills							
.....							
(d) Accounts with Governments of Foreign Countries							
8679--Accounts with Government of Other Countries							
.....							
(e) Miscellaneous							
8680--Miscellaneous Government Accounts							
.....							
Total (L) Suspense and Miscellaneous							
(M) Remittances							
(a) Money Orders and Other Remittances							

8782-- Cash Remittances & Adjustments between Officers rendering accounts to the same Accounts Officer							
.....							
(b) Inter Government Adjustment Account							
8786-- Adjusting Accounts between Central & State Governments							
.....							
Total (M) Remittances							
Total (Part - III) Public Account							
Total Parts I,II & III							

Form B.M. - 15
Work wise Detailed Annual Report of Lump Provisions
(See paragraph 80)

Grant No. & Head of Account :

Last Financial Year :

Name of Department :

(Amount in thousand rupees)

Sl. No.	Description of work / contract / Scheme	Approved project cost	Total amount sancanted in the financial year	Expenditure	Physical Progress	Financial Progress
1	2	3	4	5	6	7
1						
2						
3						
--						

Signature of the Head of department

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

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