

1.35. Submission of returns to the Department of Finance in connection with the preparation of the Budget Estimates for the year 1990-91.

A reference is invited to the subject cited above and to communicate to you the guidelines for the preparation of the Budget Estimates, 1990-91, in the succeeding paragraphs of this letter.

(a) GENERAL BUDGETARY CONTROL

2. It has been noticed that in the preparation of the Budget Estimates, the Departments do not always subject the requirements of non-plan expenditure in case of schemes/projects to detailed examination. Sometimes token provisions are included in the Budget for the schemes, which are yet to be formulated or considered in detail, to provide for an entry for the schemes in the Budget pending detailed thinking and formulation thereof. This practice leads to large provision of funds to be asked for during the course of the year.

3. This shortcoming in the process of preparing the Budget results in inadequate provisions being made at the time of preparing the annual Budget and year after year Supplementary Demands for large amounts become necessary. The Administrative Departments have come to consider the annual Budget as the first projection of the requirements of funds to be supplemented later by Supplementary Demands. Such proposals are made shortly after the budget is passed by the State Assembly. This practice makes it difficult to make a reasonably correct assessment of the expenditure requirements for the year, keeping in view the available resources. It also militates against the Budget being treated as an instrument of control and regulation of expenditure.

4. The annual Budget is prepared and allocation made taking into account the available resources and the extent to which the Government is prepared to make good the deficit. The Supplementary Demands go to add to the deficit and may be considered as an indicator of the Budget not having been framed, carefully. Therefore, once the Budget is framed, the Departments should regard the provision in the Budget, whether Plan or Non-Plan, as the maximum amount of resources available to them and manage their affairs within those limits. In cases where owing to the constraint of resources reduced allocations are made in the Budget, the Administrative Departments should critically examine the programmes, contents and activities and reorder priorities to manage within the allocations rather than come up with proposals for Supplementary Demands. Hard decisions in this regard need to

be taken rather than adopting the soft option of going in for the Supplementary Demands.

5. Another area of concern has been large time and cost over-runs in the implementation of the schemes/projects. The preparation of estimates of the schemes/projects does not always get the attention it should. Preliminary details like investigation of soil conditions, precise know-how needs, technical and design requirements, provision of all the necessary facilities including plant and machinery to achieve the targetted capacities are not fully worked out. Detailed planning is not carried out to finalise the design, civil structural and plants and machinery requirements. Changes in the various parameters of the project are continued along with progress of the implementation of the project. The estimates are also sometimes deliberately kept at reduced levels to obtain an investment decision and proposals are made for increase in the estimates after having obtained commitments, leaving no option to the sanctioning authorities. This tendency needs to be curbed.

(b) EXPENDITURE BUDGET (ORDINARY)

6. The instructions for the preparation and submission of the departmental estimates to the Department of Finance are contained in Chapters 3, 4 and 5 of the Punjab Budget Manual. The Department of Finance is required to supply form BM-2 to the Departments and the Departments are, in turn, required to return the forms to the Department of Finance duly completed in all respects in accordance with programme drawn up for the year. It has been observed that the Departments have not been observing the guidelines contained in the Punjab Budget Manual and the instructions issued by the Department of Finance from time to time in regard to the preparation of the Budget. The salient points are, therefore, explained in the succeeding paragraphs.

7. According to paragraph 3.1 of the Punjab Budget Manual the following columns appear every year in the Budget Estimates to facilitate the preparation of the Revised Estimates for the current financial year and the Budget Estimates for the next financial year:--

- (a) Actuals of the previous financial year;
- (b) Original Estimates of the current year;
- (c) Revised Estimates of the current year; and
- (d) Budget Estimates proposed for the coming year.

Along with these columns in Form BM-2 the following additional columns are also provided:--

- (i) Actuals for the last six months of the last financial year;
- (ii) Actuals for the first six months of the current financial year; and
- (iii) Budget Estimates for the new year.

The figures in the columns mentioned at (i) and (ii) above provide the basis for the proposal for the next financial year. It has been observed that the Departments generally do not give the figures of the accounts asked for specially at (a), (i) and (ii) mentioned above. If for any reason the figures for the first six months of the current year are not available, at least the figures for the first five months which should in any case be available, should be incorporated in the respective column prescribed in the extended portion of Form BM-2. In case the figures for the first five months of the current year are indicated then the Actuals for seven months of the last financial year may be incorporated so as to give a complete picture for twelve months. It is emphasised here once again that the above data are specifically needed and must be supplied. All efforts should be made to collect the information and it should be ensured that the forms are not sent incomplete. The Department of Finance will be constrained to return incomplete Budget proposals received from the Departments and for this the responsibility shall devolve on the Departments. Complete Budget proposals are necessary to enable the Department of Finance to arrive at accurate estimates.

8. It has further been observed in the past that the figures for the accounts relating to the previous year are generally not filled in. This wastes considerable time in the Department of Finance. The figures of the reconciled accounts for 1988-89 may invariably be filled in Form BM-2.

9. Attention is invited to Punjab Government, Department of Finance circular letters--

- (1) No. 4/12/82-FBII/17434, dated the 18th September, 1986;
- (2) No. 4/12/82-FBII/13382, dated the 12th September, 1986; and
- (3) No. 4/12/82-FBII/1484, dated the 5th February, 1987;

containing revised structure of classification of transactions in Government accounts with effect from 1st April, 1987. Accordingly

corresponding digit code numbers guide letters and guide numbers in respect of Major, Sub-Major, Minor and Sub-Heads of Accounts may be used in the preparation of Budget Estimates for the year 1990-91. The new classification of standard objects of expenditure will be circulated as soon as it is received from the Government of India. Where it is necessary to open a new sub-head, the prior approval of the Department of Finance may be obtained.

9.1. As regards making provision for grants-in-aid under various Major Heads of Accounts, the instructions contained in paragraph 4 of letter No. 3408-B&C-73/25723, dated the 23rd October, 1973 should be followed. It may be ensured that the *pro forma* added at Annexure 'A' to this letter duly filled in is invariably attached to the Budget for the provision of grants-in-aid.

10. In paragraph 5.6 of the Punjab Budget Manual guidelines have been given for framing estimates for sanctioned establishments, whether permanent or temporary. It is provided that the pay including increment which is likely to be drawn by employees on duty during the year should be provided for and that no provision should be made for the posts held or to be held in abeyance. This estimate, should, in fact, represent the minimum of the actual amount to be paid to the Government employees whether on duty or on leave. If it appears after providing for the entire establishment that some of the expenditure will not be incurred, an entry to the effect "deduct-probable savings" may be provided for. This should be done after comparison of previous Budget and the past and progressive Actuals. The estimates for the pay of the officers and non-gazetted establishment on time scale should, according to the said provision, be accompanied by a nominal roll in Form BM-10 showing the pay to be drawn by each officer during the year for which the estimates are made. The nominal rolls are required to be prepared separately for the gazetted and the non-gazetted officers and submitted in duplicate. It is requested that the Budget Estimates for 'Salaries and Wages' should be prepared accordingly. A copy of Form BM-10 is appended as Annexure-B.

It has been experienced that the Departments of Government while sending the proposals for expenditure on establishment do not supply information in Form BM-10 added at Appendix 'B'. It may be ensured that information in Form 'BM-10' duly completed is invariably sent with the requisite proposal. In the absence of the same, the Department of Finance would be constrained to return the proposal of the department. The non-provisions of the funds for such expenditure would, therefore, be the responsibility of the Department concerned.

11. Paragraph 3.6 read with paragraphs 5.7 and 5.9 of Budget Manual prescribes an abstract statement in Form BM-3 which should accompany the Budget Estimates of Department. This form, as it stands, indicates that the provision should be shown by primary units of appropriation like pay of officers, pay of establishment and contingencies. Since the primary units of appropriation have been replaced by the standard objects of classifications, the Form BM-3 should be prepared according to the new objects of classification. A copy of the Form BM-3 to be used by the Departments for the preparation of the Budget Estimates, 1990-91 is appended as Annexure "C". In the past some of the Departments did not prepare the abstract in Form BM-3 which is required to accompany the Budget documents. It is requested that when preparing the Budget Estimates, Form BM-3 should be prepared first and the figures carried over to Form BM-2 only thereafter.

12. In accordance with clause (3) (e) of article 202 of the Constitution of India, any expenditure required to satisfy any judgement, decree or award of any Court or Arbitral Tribunal is to be charged on the Consolidated Fund of the State. With a view to avoiding advances from the State Contingency Fund to the extent possible, a charged provision should be made in all the Demands (under respective sub-head/minor head) for satisfying such decretal charges. The provision will have to be made under the Standard Objects of Expenditure "Decretal Amount" subordinate to respective minor head/sub-head with adequate caution and reasonable basis of estimates to avoid unnecessary provision and lapse of funds at the close of the year.

12.1. It has been experienced that the provisions of paragraph 12 above are not being strictly complied with by the Departments of Government while sending Budget proposals for providing funds in the Budget Estimates of the year. In the absence of any provision regarding "Decretal Amount", in the Budget Estimates, financial difficulties arise to meet the expenditure on Decretal Charges. It is, therefore, stressed that in each Demand for Grant suitable provision for "Decretal Amount" should be got made each year.

(c) RECEIPT BUDGET

13. As in the case of Expenditure Budget, the following columns, namely:--

- (a) Actuals of the previous financial year;
- (b) Original Estimates of the current financial year;
- (c) Revised Estimates of the current financial year; and

(d) Budget Estimates proposed for the coming year, appear under the Receipt Budget also. Alongwith these columns the extended portion of Form BM-2 provides for the following additional columns, namely :--

- (i) Actuals for the last six months of the last financial year;
- (ii) Actuals for the first six months of the current financial year;
- (iii) Revised Estimates proposed by the Head of Department; and
- (iv) New Budget proposed by the Head of Department.

If, however, actuals for the first six months of the current year are not available, then the Department should give Actuals for the current year for as many months as it is possible with Actuals for as many months of the proceeding year, so that when taken for together figures are available for one complete year, that is, for twelve months. The headings of the columns may be modified to the extent the figures for the current year and last year are available and incorporated in the Form.

14. As per new structure of classification effective from the 1st April, 1987, circulated by the department of Finance,--*vide* letters mentioned in paragraph 9 above, the Departments concerned would forward to the Head of Finance reassessed Revised Estimates for the current financial year and also for the New Budget under the following Heads of Account, namely :--

- 0030--Stamps and Registration;
- 0039--State Excise;
- 0040--Sales Tax;
- 0042--Taxes on Goods and Passengers;
- 0043--Taxes and Duties on Electricity; and
- 0045--Other Taxes and Duties on Commodities and Services;

so as to reach the Department of Finance by the 15th January, at the latest.

These estimates are required to be based on four months Actuals of the last year and eight months Actuals of the current financial year. These estimates have been prescribed to enable the Department of Finance to prepare the financial positions of

the State for the current financial year, as accurately as possible. It is, therefore, to request that the revised estimates due on the 15th January, 1990 in respect of the heads mentioned above should be furnished to the Department of Finance as early as possible, but in any case not later than the 15th January, 1990.

15. According to paragraph 3.5 of the Punjab Budget Manual the Head of Department is required to prepare a Budget note on half margin on one side of the paper containing his own proposals with reasons, arranged by Minor heads, Sub-Heads, Standard Objects of Classification in respect of expenditure and detailed head of account in respect of Receipt Budget should be explained adequately. The Budget note should contain an explanation of differences between the figures proposed for the next year and the figures for the current financial year. It is important to explain the causes of increases in 'Salaries' and 'Wages'. Under other objects of classification, satisfactory explanation should be given to avoid cuts having to be made by the Department of Finance.

The Budget note should also contain a concluding paragraph comparing the current year's Budget with the Revised Estimates and the Revised Estimates with the new Budget for the receipt side and current years' Budget with the Budget for the next financial year on expenditure side. The important variations in each case should be summed up, as these are required by the Department of Finance for submission to the State Legislature.

(d) SCHEDULE OF DATES--BUDGET 1990-91

16. It will be observed from Annexure 'D' to this letter that the Budget should reach the Department of Finance during the period from the 3rd October to the 21st November, 1989 in case of Receipts and during the period from the 10th October to the 25th October, 1989 in the case of Expenditure Budget. It is requested that these dates should be strictly adhered to as the Department of Finance has to work according to a prescribed programme for presentation of the Budget proposals to the State Legislature.

(e) CONTINUANCE OF POSTS

17. The proposals for the continuance of posts should be forwarded to the Department of Finance through the Administration Department concerned so as to reach the Department of Finance by the 31st December, 1989. After clearance by the Department of Finance sanctions should be issued by the 28th February, 1990 so that the employees do not face any difficulty in the matter of drawal of salary in the next financial year.

(f) SCHEDULE OF NEW EXPENDITURE--TECHNICALLY NEW SCHEMES

18. According to the programme laid down in the Punjab Budget Manual the proposals are required to be sent to the Department of Finance by the first of August each year and the Department of Finance will issue advice, after examination by 31st of August. This time schedule applied to the Technically New Schemes which were included in the current year's Budget and which need to be continued next year. It is to request you to send the proposals to the Department of Finance, immediately in any case by the 1st August, 1989. It should be ensured that the schedule and memoranda (in duplicate) in respect of these schemes is also supplied to the Department of Finance by the 3rd October, 1989.

18.1 Some of the Technically New Schemes (Non-Plan) are continuing for the last more than seven years. It is suggested that provision in respect of these Schemes may be got made in the Ordinary Budget provided these are not likely to be discontinued, after the posts, if any, sanctioned for these schemes are made permanent in accordance with the policy of the State Government and with the approval of the Department of Finance.

The proposals for transferring these schemes from Technically New Schemes (Non-Plan) to Ordinary Budget should be routed through the Administrative Department concerned, alongwith the information in the *pro forma* at Annexure "E" so as to reach the Department of Finance by the 1st August, 1989.

(g) NEW SCHEMES

19. The proposals for New Schemes of Non-Plan Expenditure, if any, should be forwarded to the Department of Finance through the Administrative Department concerned, by the 3rd October, 1989 and got cleared by the 16th October, 1989. It is requested that these dates should be strictly adhered to, so that the general programme for the preparation of the Budget is not upset.

20. It has generally been observed in the past that the explanatory Memoranda of the Schedule of New Expenditure either are not prepared or are not properly scrutinised by the Department in most of the cases with the result that these have to be recast in the Department of Finance. In some cases the Memoranda are sketchy and do not properly convey or explain the scheme proposed to be included in the Budget. It may kindly be ensured that the material for the Budget documents is properly prepared and edited after giving full facts and justification for the demand in each case.

(h) SUPPLEMENTARY ESTIMATES

21. Paragraphs 14.16 to 14.24 of the Budget Manual deal with the Supplementary Appropriation/Estimates. Having regard to the guidelines contained in these paragraphs, Supplementary Estimates 1989-90 may be prepared in the *pro forma* at Annexure "F".

The Supplementary Demand should be based on the following items :--

- (a) Items for which advances have been drawn from the Punjab Contingency Fund; and
- (b) Any other item of expenditure which is required to be provided in the Supplementary Estimates.

The provision allowed in respect of any new scheme adopted during the course of the year or additional funds provided over and above the budget provision should be included in the Supplementary Estimates.

21.1. In the case of excesses to be covered by Supplementary Demands or items of expenditure which required the approval of the Legislature, necessary schedule and memoranda shall be forwarded by the Heads of Department to the Department of Finance through the Administrative Secretary concerned, as soon as after the orders of the Department of Finance are received by Heads of Departments on the Statement of Excesses and Surrenders, as provided in paragraph 13.7 of the Budget Manual.

21.2. Before submitting proposals for Supplementary Appropriation. Heads of Departments should carefully examine whether the additional expenditure cannot be met from normal saving or by special economy or curtailment of expenditure under other heads of the Grants. They should also keep in view in this connection that if after the close of the year any Supplementary Appropriation Grant obtained is found to be unnecessary it will be regarded as a financial irregularity and the Accountant General will draw attention to it in his Audit Report on the Appropriation Accounts and the Head of Department concerned will have to explain the matter before the Committee on Public Accounts.

21.3. Each proposal for the Supplementary Estimates should accompany the following certificate :--

"It is certified that the amount of _____ proposed to be adopted by the Department _____ of Finance in

the Supplementary Estimates for 198— as communicated by the Department of Finance shall alongwith the funds already provided in Grant/Appropriation (Number and title be specified) for the year be fully utilised during the current financial year that is not later than the 31st March." It may be authenticated by the Administrative Secretary or an officer authorised to sign on his behalf.

21.4. Confirmation of utilisation of funds for the purpose for which they have been provided be sent to the Department of Finance within a period of fifteen days from the date of communication of the grant by the Department of Finance or by the 31st March, 1990 whichever is earlier.

(i) STATEMENT OF EXCESSES AND SURRENDERS

22. The statement of Excesses and Surrenders is intended solely for the purpose of fixing the Revised Estimates of Expenditure of the year after examination of the actual expenditure to date and for indicating what the surrenders or excesses are likely to be. It is not intended to be a means of making provisions for additional funds the need for which may arise subsequent to the framing of the Budget Estimates, if additional funds are required, prior approval of the Department of Finance should be obtained through the administrative Department, vide paragraph 13.1 of the Punjab Budget Manual.

23. If, after the despatch of the statement of Excesses and Surrenders the Department considers that further saving would occur, an intimation to the effect should be sent to the Department of Finance by the 15th January, 1990. It has been observed that some of the Departments continue to report savings to the Department of Finance long after the 15th January, right up to the closing day of the financial year. It is to clarify that the Department of Finance will not accept savings reported after the 15th January, 1990 and it is the Department concerned which will be answerable for consequential lapse of funds.

24. The Statement of Excesses and Surrenders due with Department of Finance on the 1st November, 1989 should be supplied positively by that day.

(j) SEPARATE DOCUMENTS FOR STATE PLAN SCHEMES AND
CENTRALLY SPONSORED SCHEMES

25. At present, the details of State Plan Schemes as well as Centrally Sponsored Schemes are contained in two documents

(i) Detailed Estimates of Expenditure on Plan Schemes, and (ii) Explanatory Memorandum of Plan Schemes. The Accountant General, Punjab has desired that separate documents be prepared for Schemes, for indicating (i) Detailed Estimates of Expenditure on State Plan Schemes; and (ii) Detailed Estimates of Expenditure on Centrally Sponsored Schemes. Similarly separate documents in regard to the Explanatory memoranda pertaining to these schemes will have to be prepared. This will enable the Accountant General, Punjab to book the expenditure on State Plan Schemes and Centrally Sponsored Schemes separately. This will also help the State Government to keep a watch on the progress of expenditure on such schemes and for claiming Central Assistance on the basis of the actual expenditure incurred. It is, therefore, requested that the material in the prescribed *pro forma* B.M. 2 and B.M. 3 should be supplied for State Plan Schemes and Centrally Sponsored Schemes separately so as to enable separate documents being prepared by the Department of Finance. These instructions should be strictly adhered to while sending the Proposals for the Budget Estimates 1990-91. Schedule of dates as indicated for 'Plan proposals' will be applicable in respect of these proposals.

25.1. State's share in respect of Centrally Schemes as allocated by the Department of Planning should be shown separately in the *pro forma* at Annexures G-1, G-2 and G-3. In the *pro forma* at Annexure G-1, State's share and Central share may be given for each of the Major Heads operated by the Department alongwith the total for the Demand. In the *pro forma* at Annexure G-2, expenditure/provision under the Centrally Sponsored Schemes may be given Minor Headwise. In the *pro forma* at Annexure G-3, provision should be shown Schemewise alongwith details as per standard objects of expenditure.

25.2. If no provision had been made for the provision of funds required for the implementation of Centrally Sponsored Schemes in the Budget Estimates, the funds may be asked for in the Revised Estimates/Supplementary Estimates if need be on the following three conditions namely:--

1. The Department should be in a position to spend the money before the 31st of March, 1990;
2. The clearance must be obtained from the concerned Ministry in the Government of India for the spending of these funds during the current financial year;
3. If the Centrally Sponsored Scheme concerned calls for matching funds/proportionate provision of funds in the State Budget, it may be got provided with the approval of the Planning Department.