

GOVERNMENT OF KERALA

Finance (Budget Wing) Department

CIRCULAR

No.52/83

Dated, Trivandrum, 5th August, 1983.

Sub:- Budget Estimates, 1984-85 – Preparation of – Instructions issued.

The attention of the Heads of Departments and other estimating officers is invited to paragraph 31 of the Kerala Budget Manual and they are requested to take immediate steps for the preparation of the Budget Estimates for 1984-85. The dates on which the estimates are due from them are given below:-

Non-Plan Expenditure: Not later than September 30, 1983.
Plan Expenditure: Not later than September 30, 1983.
Revenues and other receipts: Not later than September 30, 1983.

The estimates may be sent to the Finance Department direct with copy to the Administrative Department. The Administrative Departments may forward their comments on the estimates within ten days of the date of receipt of the estimates.

Revised estimates for 1983-84

2. The Revised Estimates for 1983-84 should be prepared as realistically as possible with reference to the following factors, instead of repeating the budget figures as a matter of course.:-

- (i) The progress of expenditure during the first five months of the year;
- (ii) The expenditure likely to be incurred during the remaining months of the year;
- (iii) The additional funds already obtained or proposed to be obtained by Supplementary Grants;
- (iv) Any reappropriation of funds already made or proposed to be made;
- (v) The new schemes that have been sanctioned in the course of the year;
- (vi) The new heads of account opened during the year either for booking expenditure on new schemes or for accommodating any adjustments and the new heads of accounts opened while distributing existing lump provision; and
- (vii) Any other relevant factors that will materially effect or have a bearing on the expenditure during the year.

Each of these factors should be spelt out in sufficient detail enclosing copies of the relevant orders. In the case of new heads of account opened during the year, copies of the relevant orders should be sent so as to incorporate all of them in the budget documents without any omission. In short, the revised estimates should represent the anticipated expenditure of the year, with reference to all relevant post-budget developments, and should closely correspond to the actual. As the closing balance of the year is worked out with reference to the revised estimates, any

large variation between revised estimates and actual would upset the ways and means forecasts. On account of financial constraints, the Revised Estimates in the aggregate shall not exceed the Budget estimates. In the circumstances, proposals involving new expenditure can be accommodated only against specific savings to be pointed out for diversion. In the case of lump provisions included in the budget for the current year, the revised estimates for the year and the budget estimates for the coming year should be furnished details head-wise.

Budget estimates for 1984-85

3. The estimates in respect of revenues and other dues to the Government should be prepared taking into account the need to accelerate collections. The extent of arrears as at the end of 1982-83 should be indicated year-wise and a brief account given of the steps taken or proposed to be taken to collect the arrears. The reasons for accumulation of arrears should also be furnished. Similar details should be furnished while forwarding the estimates in regard to recovery of loans and advances. Separate statements on arrears of Tax and non-tax revenue and arrears of loans and advances in the proforma shown in Annexures V and VI should also be furnished along with the estimates.

4. The budget estimates of expenditure should be prepared with a greater sense of realism so that the amounts proposed for each function, programme or scheme are not found to be either excessive or inadequate later on. The attempt should be to assess the actual requirements with reference to all available data. The revised estimates proposed for the current year should form the basis for preparing the budget estimates for the coming year, making due allowance for any special factors. Thus, if the current year's estimates had provided for any non-repetitive items of expenditure, corresponding reduction should be made in the budget estimates for the coming year. The variations between the revised estimates for 1983-84 and the budget estimates for 1984-85 should be clearly and precisely explained.

5. Certain schemes may involve expenditure under more than one head of account. While proposing provision for such scheme under any one of the heads of account, the full details of the provisions proposed under the other heads should also be indicated in the remarks column, so that a complete picture of the financial requirements would be available. The explanation of the scheme should also be comprehensive, covering all the components of the proposed expenditure.

Recovery of expenditure

6. In respect of certain schemes the expenditure is recoverable from other Governments or bodies. Full details of the percentage of recovery, the arrears relating to previous year's pending recovery etc., may be included in the proposals. Such recoveries will be treated as receipts in the case of those coming under Revenue Account and reduction in expenditure in the case of those under Capital Account.

New Schemes

7. All new schemes for which provision is proposed in the budget estimates for the first time, whether under the plan or outside, should normally have been cleared by a pre-budget scrutiny as

contemplated in G.O(P)No.188/67/Fin. Dated 16th May, 1967 (vide Annexure-I). The necessary details on which the requirement of funds is based, whether the scheme has been approved by competent authority and the number and date of the order sanctioning the scheme should be given. However, if details of the scheme have not been approved the reason for it should be clearly indicated in the remarks column. As far as possible lump provision should not be proposed.

Salaries

8. The provision will include pay and allowances in all forms except travel expenses. The provision should be worked out with reference to the actual pay drawn by the various incumbents. To verify the calculations made, a statement showing the sanctioned strength, the actual strength in position, their scales of pay and actual pay should be furnished. The variations between the staff included in the budget for 1983-84 and that proposed in the budget for 1984-85 should be explained forwarding copies of the relevant sanctions. Statements should also be furnished showing separately the provision proposed for (a) Dearness Allowance, (b) Local Allowance, (c) House Rent Allowance and (d) any other kind of Allowance. Brief explanation for large variations with reference to the actual of the past three years and the revised estimates of the current year should be given. Provision required for PCA/PTA should be included under travel expenses and separate statement for PCA/PTA should be furnished.

9. Provision should not normally be proposed for posts which are kept in abeyance. Provision for existing temporary establishments whose continuance in the ensuing year is anticipated should however, be made.

10. for the preparation of the 'Staff Appendix' the estimating officers should furnish separate and accurate statements showing the number of officers on different scales of pay, the number of officers drawing different rates of dearness allowance, the number of officers drawing different rates of house rent allowances, the number of part-time and full-time contingent employees and work establishment staff in the proforma contained in Annexures III to VI of the Staff Appendix. The details of staff etc. in Appendix U may be specially verified and omissions found in Appendix I to the Detailed Budget Estimate 1983-84 explained with reference to the relevant Government Orders and up-to-date statement furnished in respect of each head of account Department.

Works

11. Provision for 'works' is mostly included under plan. In respect of continuing works, the estimates may be forwarded even before plan allocations are known so that the details can be verified sufficiently early. The estimates should also include the details of sanction by competent authority. The estimated cost of the work and the progressive expenditure upto the end of 1982-83 should be furnished in the remarks column.

12. There have been instances where proposals for change of the description and name of the work are made later in the year. This evidently shows lack of proper scrutiny by the estimating officers while submitting proposals. The works should be properly and correctly worded while

sending the budget proposals. The details of works to be included in Works Appendix need be forwarded only in Malayalam.

13. The 'works' proposed by the estimating officers under plan should be linked to the plan scheme concerned in the plan budget. This linking may be done by duly furnishing the name of the work works coming under a particular plan scheme indicating also the code number of the scheme. Heads of Departments may note that works which are not linked to the connected plan scheme will not be included in the 'Works Appendix'.

Office Expenses, Rent, Rates and Taxes, other charges etc.

14. The estimates proposed against each detailed head should be accompanied by supporting statements. Thus the provision proposed under office expenses should indicate the requirements of furniture, postage, telephone charges, electricity and water charges etc, Detailed statements indicating the number of offices should invariably be furnished. Provision for non-recurring items (furniture, equipments etc.) of expenditure should not be repeated merely on the basis of average expenditure for the previous years but should be restricted to the actual requirements. Statements showing the requirements and the approximate cost should be furnished. A break-up of recurring and non-recurring expenditure should also be given in respect of each item. The specific economy restrictions ordered in G.O.(P)No.708/80/Fin. Dated 4-10-1980 shall be kept in view while working out the requirements.

Decretal Claims

15. Provision should be proposed for meeting charged expenditure that may be necessary to satisfy decrees. A special review of all claims that have gone to Courts or are likely to be taken to the Courts should be conducted for assessing the likely requirements. It is also desirable to provide for unforeseen expenditure arising from Court decrees.

Inter-departmental Adjustments

16. The estimating officers should ensure that adequate provision is proposed for carrying out inter-departmental adjustments and for effecting adjustments between different heads of account. Proposals for Supplementary Demand for Grant for such purposes will not normally be entertained.

Plan Schemes

17. The outlay provisionally fixed for each scheme in the Annual Plan proposals for 1984-85 may be taken as the basis for proposing provision in the budget for plan schemes. In respect of new schemes or expansion of existing schemes, separate statements, containing sufficient details in support of the provision should be furnished. While proposing provision for a plan scheme under a particular head of development it should be ensured that the funds to be provided for execution of works, payment of loans share participation etc. are well accommodated within the Annual Plan Outlay fixed for the scheme.

18. A consolidated statement showing the estimates proposed for Plan Schemes should be furnished in the form given in Annexure II. The physical and financial targets in respect of each scheme, stage of implementation and other relevant details should also be furnished. A copy of Annexure II and the statements regarding the physical and financial targets should be sent to the Planning and Economic Affairs Department as well.

19. While proposing provision for Centrally Sponsored Schemes the instruction issued from planning and Economic Affairs Department on the question should be kept in view. Information regarding allocation approved by Government of India in 1982-83 and 1983-84 for each scheme may be furnished. If it is a new scheme pending approval of the Government of India, details of the scheme forwarded to the Government of India may be furnished.

Scrutiny by Administrative Department

20. The Administrative Departments will scrutinize the estimates in the light of the sanctions given from time to time, particularly in regard to the necessity for the continuance of temporary staff during the year 1984-85 and will suggest modifications, if any found necessary, before the end of October, 1983, in the case of non plan estimates. The estimates received from the Departments may however, be retained by the Administrative Departments together with office copies of their notes for future reference. If, in the light of the subsequent orders or other developments, any alterations in the Budget Estimates are found necessary, such alterations should be intimated to the Finance Department not later than December 1, 1983.

21. Certain schemes already under consideration in the Secretariat are sometimes left out in the budget proposals and are sent to the Finance Department after the Budget Estimates have been finalized. As such belated proposals cannot be considered by Finance Department for inclusion in the budget, the departments the Secretariat are requested to ensure that all pending proposal are considered along with the budget proposals.

Discussions with Heads of Departments

22. If, after a Preliminary scrutiny of the non-plan estimates by the Finance Department, it is felt that a discussion with the Heads of Departments and Administrative Departments is necessary to finalise the estimates, Finance Department will arrange such a discussion so that the financial requirements of the departments could be gone into against a broader perspective, These discussions will also provide the opportunity for considering absolutely essential items of new expenditure.

Explanatory Memorandum

23. A statement of guarantees given by the Government of Kerala is given in Appendix IV to the Explanatory Memorandum. Similarly the particulars of Government properties leased out at rent subsidized or concessional rates of rent and for which standard rent has not been fixed are given in Appendix V. Heads of Departments and concerned Administrative Departments of the Secretariat are requested to examine these statements and indicate the changes necessary to make them up-to-date.

24. The following information has to be brought to the notice of the Legislature according to rules.:-

- (a) Cases already approved by the Legislature but where the expenditure is subsequently expected to exceed appreciably the amount intimated to the Legislature. Full details with reasons for the variations may be furnished in the form given in Annexure III to this Circular.
- (b) Full details of Government properties or assets proposed to be transferred free of cost or sold at concessional rates to outside bodies institutions parties. In the case of land, particulars relating to the extent, survey number location, name of transferee and purpose for which transfer is made etc., may be furnished. The details given in Appendix VI of the Explanatory Memorandum may, therefore, be verified and up-to-date details furnished.
- (c) Statements showing the details of dues from public undertakings proposed to be waived should be sent as laid down in Circular No.54/79/Fin. Dated 7-6-1979 given as Annexure IV to this Circular.

Need for Personal Attention by the Controlling Authorities

25. As the preparation of the Budget involves the participation of all Departments of Government at different levels, it is necessary that the time schedule for the various stages of the work is strictly adhered to. Government also wish to emphasize that the preparation of the estimates should not be left to be done in a routine manner in the accounts branches but should receive the careful and personal attention of all estimating and controlling authorities that the estimates would, apart from being as close to realities as possible, indicate the policies and directions of Government.

26. While proposing estimates (Revised Estimate 1983-84 and Budget Estimate 1984-85) the effect of the economy measures introduced in G.O.(P)No.708/80/Fin. Dated 4-10-1980 should be duly taken into account.

27. The Accountant General, Kerala has brought to the notice of Government the following.

“Central assistance is released to the State Government for implementation of various categories of Centrally Assisted Schemes. The Accountant General is to forward the expenditure incurred under these schemes as and when asked by concerned Ministries of Government of India and also forward audited figures of expenditure for final settlement of Central Assistance.

This office is not in a position to identify the expenditure under certain schemes in the Accounts due to following reasons:-

1. The expenditure of certain schemes are not budgeted for under distinct sub heads of account.

2. The nomenclature of the schemes as approved by the Central Ministries, based on which Central Ministries, based on which Central assistance is released are not adopted in the budget.

It may be pointed out that accounting of the expenditure of Centrally Assisted Schemes under separate sub heads is in the interest of the State Government for claiming reimbursement of expenditure from Government of India and also for getting released the remaining portion of Central assistance already sanctioned by the Government of India.

It is therefore requested that necessary action may please be taken to open detailed heads of account to show the expenditure on Centrally Assisted Schemes and adopt the nomenclature of the schemes as approved by concerned Ministries of Government of India for future period.

28. All the departmental officers implementing the scheme with specific central assistance (Centrally Sponsored Centrally Aided) should therefore forward the Budget proposals for 1984-85 in such a way that the name of the sub detailed heads of those schemes should correspond with the nomenclature given by the Government of India. The existing nomenclature may however be shown in brackets for identification.

29. Government wish to bring to the notice of the Heads of Departments and other Controlling authorities the following observation by the Committee on Public Accounts (1974-75) contained in its Twenty Second Report:

“The notes confirm the views of the Committee that the work of budget formulation and execution do not receive the attention it deserves. They feel that lack of personal interest on the part of the Heads of Departments in these areas, is the prime cause of the present unsatisfactory state of affairs. The large number of huge excess noticed is due to improper and faulty assessment of expenditure and formulation of budget proposal and lack of financial discipline. These could have been avoided with proper control over the implementation of schemes and pace of expenditure. The Committee have been making pointed reference to these defects in all their reports and it is a matter of regret that the defects continue to exist. This is mainly due to the very little importance attached to the proper maintenance of account by the Heads of Departments in their offices and subordinate offices. The heads of departments should understand that proper maintenance of account records is sine quo non of the efficiency of departmental activities. Incurring expenditure in excess of the grants authorized by the Legislature is indicative of laxity of control over expenditure and this speaks of inefficiency at the level of Heads of Departments and the Administrative Secretaries. The Committee, therefore, recommend that Government should issue strict instructions to all concerned that due attention should be paid to the keeping of proper accounts and budget control. The Committee would look forward to improvements in these matters in future Audit Reports”.

30. The need for and the importance of preparing budget estimates in a realistic manner and conforming to them while incurring expenditure are sufficiently clear from the above comments of the Public Accounts Committee.

31. It is also pointed out that due to the non receipt of the budget proposals in the Finance Department, within the time limit prescribed last year, from certain Controlling Estimating Officers, Finance Department experienced much difficulty in completing the Budget work within the stipulated time. Therefore all the Controlling Officers Estimating Officers and requested that the time schedule prescribed in Para 1 of this circular should be strictly adhered to.

Dr.D.BABU PAUL,
Finance Secretary.

To

The Account General, Kerala, Trivandrum.
The Heads of Departments and Officers
All Departments and Sections of the Secretariat
The Registrar, High Court, Ernakulam (with C.L.)
The Secretary to Governor
The Secretary, Kerala Public Service Commission (with C.L.)
The Stenographer to the Chief Secretary to Government
The Private Secretaries to the Chief Minister and other Ministers
The Special Secretaries, Secretaries, Additional Secretaries, Joint Secretaries.
Deputy Secretaries and under Secretaries to Government.