

CHAPTER 4

PRINCIPLES AND PROCEDURES OF PRE CHECK AND POST CHECK TO BE CONDUCTED BY PAY AND ACCOUNTS OFFICES

4.1 INTRODUCTORY

4.1.1 Bills presented to Pay and Accounts Offices are required to be passed for payment after pre-check.

4.1.2 It is the duty of the Pay and Accounts Officer to see that the incurring of expenditure from the Consolidated Fund of India is governed by the following essential conditions:-

- (i) that there is provision of funds authorised by the competent authority fixing the limits within which expenditure can be incurred;
- (ii) that the expenditure incurred conforms to the relevant provisions of the Act, Constitution and of the laws made thereunder and should also be in accordance with the financial rules and regulations framed by the competent authority; and
- (iii) that there exists sanction, either special or general, accorded by the competent authority authorising expenditure.

4.2 BUDGET PROVISIONS AND CHECK AGAINST PROVISION OF FUNDS

4.2.1 Articles 112 to 116 of the Constitution contain the important financial provisions that describe the control, which Parliament exercises over expenditure from the Consolidated Fund of India. Some important aspects of the budgetary system are indicated below.

(a) Budget – The Finance Ministry places before the Parliament under Article 112(1) of the Constitution an Annual Financial Statement giving the estimated receipts and expenditure of the Central Government for the ensuing financial year. This statement, also called the 'Budget', is prepared usually on the last working day of February. The statement not only includes the estimated receipts and expenditure for the ensuing financial year but also contains revised provisions for the current year besides actuals for the previous three years.

The Budget presented before Parliament is based on the Revised Estimates/Budget Estimates submitted by various individual offices duly vetted and consolidated by the Heads of Departments/Ministries.

(b) Separate Budget for Plan and Non-Plan – Estimates for plan and Non-Plan items should always be prepared and presented separately. The departments are not empowered to utilize savings under Plan against any excesses under Non-Plan items and vice versa.

(c) Vote on Account – As the passing of the Budget by both the Houses of Parliament may take some time, the Finance Ministry may obtain 'A Vote on Account' to cover expenditure for the first one month or such longer period as may be necessary generally in proportion to the annual Budget. This will, however, be utilized only to meet normal expenditure of the departments, and not for any new service.

(d) Distribution of Grants – After the Budget is passed, the Finance Ministry communicates to the various Ministries/Departments figures of Revised Grants for the current year as also the Budget Grants for the next financial year, which in turn, will be communicated to the various offices/units.

(e) Expenditure on new service – No expenditure shall be incurred during a financial year on a 'New Service' not included in the Annual Budget without obtaining a supplementary grant. Details of cases treated as New Service are given in Annexure-1 to Appendix-3 of GFR and Rule 10 of Delegation of Financial Powers Rules.

(f) Excess over sanctioned grant not permissible – No expenditure should be incurred in excess of the total grant sanctioned by Parliament. If any excess is found necessary, supplementary grant or appropriation or an advance from the Contingency Fund should be obtained.

(g) Budget grant to be utilized only during the year – Any grant or appropriation sanctioned for a financial year should be utilized only during the year including clearing off of liabilities for the previous years. Any unspent balance will not be available for utilization in the next year and thus lapses at the end of the year.

(h) Re-appropriation – Re-appropriation of funds from one primary unit to another primary unit within a grant may be sanctioned by the Department/Administrators/Head Of Departments before the close of financial year. However, there are various instructions under Rule 10 of DFPRs restricting such re-appropriation, e.g., re-appropriation not permissible between 'charged' expenditure and 'voted' expenditure, or between 'Plan' and 'Non-Plan' expenditure, or Major Works and other items of expenditure, etc.

(i) Surrender of Savings: Any anticipated saving noticed by the departments should be immediately surrendered to the Government without waiting for the close of the year. Such savings should not be utilized to introduce fresh item of expenditure, which may wait till next year. However, such savings can be kept for adjustment by re-appropriation against excesses found necessary under other items of essential expenditure.

(j) Form of Budget Estimates and Sub-Head: The form in which the Budget Estimates are to be prepared and the sub-heads under which provisions for expenditure are to be made should be as prescribed by the Finance Ministry and no change is permissible.

(k) Advance from Contingency Fund: If any excess over the sanctioned grant is found unavoidable or expenditure on a new service not provided in the Budget Estimates becomes necessary and, if there is no time to obtain supplementary grant, an advance from the Contingency Fund set up under Article-267 (1) of the Constitution shall be obtained before incurring the expenditure.

(l) Acceptance of Revised Estimates: The figures as accepted by the Ministry of Finance against Revised Estimates are communicated to the offices by the Heads of Departments some time in January-February. The expenditure for the remaining part of the year should be so adjusted as to be within the accepted provisions. If in any case it is found that the accepted provision is not sufficient to meet the essential items of expenditure the matter should be taken up with the Head of Department immediately for possible re-appropriation within their powers.

(m) Final Estimates: The offices will be required to submit the Final Estimates along with the Monthly Statement of Expenditure of February to be submitted in March. The excesses or savings over the accepted Revised Estimates will be indicated in this statement with full justification. While no additional provision could be granted by the Finance Ministry, the Head of Department may provide additional funds needed by any office by re-appropriation of savings from other units to the extent available. The final expenditure to be incurred by the units during March will be only after the additional funds are provided by re-appropriation. It should be ensured that there are absolutely no variations between the accepted Revised Estimates (plus additional provision by re-appropriation, or minus provision shows as

surrendered in the Final Estimates) and the actual final expenditure up to the end of March. Hence the Final Estimates included in the statement for February should be carefully assessed and accurately prepared. There could normally be no excesses, as the PAO will not entertain any claim in excess of the provision. Non-utilization of the available provisions by any office is also seriously viewed, as this would have deprived of some other needy unit from utilizing the same.

4.2.2 No expenditure incurred from the Consolidated and Contingency Funds of India on or after 1st April of a financial year, under the provisions of Articles 114 to 116 and 267(1) of the Constitution, will be protected by law unless authorised by an Appropriation Act passed in accordance with the provisions of Article 114. All disbursements from the Consolidated Fund during a financial year, which are not authorised by the Annual Appropriation Act passed by the Legislature before the close of the year, will, therefore, be challenged by Audit as unauthorised expenditure, until regularized by an Appropriation Act. The Pay and Accounts Officers should note this.

4.2.3 The check against provision of funds should be directed primarily to ascertaining that the money sought to be spent is to be applied to the purpose or purposes for which the Grants and Appropriations specified in the Schedule to an Appropriation Act passed under Article 114 of the Constitution were intended to provide and that the amount of expenditure against each Grant or Appropriation does not exceed the amount included in that Schedule.

Note: - The term 'Appropriation' as used in this paragraph and elsewhere in this Manual stands for sums required to meet "charged" expenditure as specified in the Schedule to an Appropriation Act passed under Article 114 of the Constitution. A gist of the classification so far issued on the types of transactions that could be treated as 'charged' expenditure under the provisions of the Constitution is included as Appendix "B" to this chapter.

4.2.4 The pre-check to be applied to all payments by the departmentalized Accounts Offices includes a check against provision of funds also. It is an important part of the functions of the Pay & Accounts Office to see that no payment is made in excess of the budget allotment. In order to exercise an effective check in this regard, a separate register D.D.O-wise Bill Passing cum Expenditure Control Register in Form CAM-9, should be maintained in the Accounts Office for each drawing officer and by sub-heads and units of appropriation so as to ensure at the time of passing each bill that the amount of the bill under check is covered by budget allotment. If the amount of any bill leads to excess over the budget allotment or is not covered by an advance from the Contingency Fund, the Pay & Accounts Officer should decline payment under advice to the authority controlling the grant so that the latter could arrange for additional funds. An Appropriation Audit Register Form CAM-62 shall be maintained for this purpose.

Note:- In cases where payment of a bill/claim would lead to excess over the provision under any unit of appropriation, the payment may be made by the Pay and Accounts Office only on receipt of an assurance in writing from the Ministry/Head of Department controlling the grant that the expenditure involved is not on a New Service or New Instrument of Service; that necessary funds to accommodate the expenditure will be provided for in time by issue of re-appropriation order etc. that a note to the effect has been kept for further action, and that the Grant as a whole (i.e. separately under Revenue and Capital Sections) is not likely to be exceeded. This applies in respect of any new item of expenditure for which provision for which does not exist in the Budget (as distinct from expenditure on "NEW SERVICE" or "New Instrument of Service" not provided in the Budget) as well as in cases where the existing provision is not sufficient to cover the payments.

If such a contingency for inevitable payment of a bill arises towards the close of financial year vide Appendix – 14 of GFR 2005, and the expenditure under the grant as a whole is likely to be exceeded, the orders of the Financial Advisor on behalf of the Chief Accounting Authority will have to be sought. In case of the additional required funds being made available merely by re-allocation (and not by re-appropriation) of savings, if any under the same sub-head of appropriation - the related claim will be passed for payment only after additional funds therefore are allocated in writing by the controlling officer.

4.3 SCRUTINY OF DISTRIBUTION OF GRANTS APPROPRIATION, CHECK OF REAPPROPRIATION ORDERS, AND SCRUTINY WITH REFERENCE TO THE GUIDELINES ON "NEW SERVICE"/"NEW INSTRUMENT OF SERVICE"

4.3.1 While scrutinizing orders relating to allotment and reappropriation of funds, provisions of Rules contained in Rule No. 50 and 51 of the General Financial Rules, 2005 and Rules 7 to 10 of the compilation of Delegation of Financial Powers Rules 1978, as amended from time to time, may be kept in view. It may also be checked whether relevant orders are issued by the competent authority and that the total of the allotments among various controlling and disbursing officers does not exceed the funds duly provided under the relevant head and further that reappropriation orders are free from arithmetical inaccuracies etc. and contain full reasons for the reappropriations.

4.3.2 Ministry of Finance (Department of Economic Affairs) O.M. No.F.1(23)-B(AC)/2005 dated 25th May, 2006 containing guidelines on the above subject are reproduced in the Appendix "A" along with the annexure thereto. The provisions thereof may be kept in view while exercising check of sanction etc. and pre-check of bills.

4.4 CHECK OF SANCTIONS FOR EXPENDITURE

4.4.1 Under Article 77(3) of the Constitution the power to sanction expenditure from the Consolidated Fund of India and the Contingency Fund of India including the powers to dispose of property and stores belonging to the Central Government is vested in the President. The sanction of the President, given directly or by authorities to whom the necessary powers have been delegated, is necessary before expenditure can be incurred from the Fund. The extent and conditions of delegation of financial powers to different authorities are contained in the Delegation of Financial Powers Rules, as amended from time to time.

4.4.2 The responsibilities of the Pay & Accounts Office in regard to check of sanctions is to see that:
(a) The sanction conforms to the relevant provisions of the Constitution and of the Laws and Rules made there under and is also in accordance with the financial rules, regulations and orders issued by a competent authority either in pursuance of any provisions of the Constitution or of the Laws and Rules made there under or by virtue of powers formally delegated to it by a higher authority.

Note:- The rules, regulations and orders against which check is conducted, mainly fall under the following categories-

(i) rules and orders regulating the powers to incur and sanction expenditure from the Consolidated Fund of India and the Contingency Fund of India;

(ii) rules and orders dealing with the mode of presentation of claims against Government, withdrawing moneys from the Consolidated Fund, Contingency Fund and Public Account of India, and in general the financial rules prescribing the detailed procedure to be followed by Government servants in dealing with Government transaction and

(iii) rules and orders regulating the conditions of service and pay and allowances and pensions of Government servants.

(b) the authority sanctioning the expenditure is competent to do so by virtue of the powers vested in it by the provisions of the Constitution, laws, rules or orders there under or by rules of Delegation of Financial Powers made by a competent authority; and

(c) the sanction is definite and needs no reference either to the sanctioning authority or to any higher authority.

4.4.3 In the check of sanctions from the point of view of competence of the sanctioning authority, the following guiding principles should be observed: -

(a) If the sanctioning authority is vested with full powers in respect of certain classes of expenditure the sanction accorded under such powers should not be questioned except on grounds of propriety. When objection is raised against a sanction on grounds of propriety, the Accounts Office should explain to the sanctioning authority why the sanction is considered open to objection. Ordinarily, the occasion for raising objections on grounds of propriety should arise only rarely as it is primarily the responsibility of the sanctioning authority to satisfy itself on the propriety of the sanction. It is only in cases of blatant or gross violation of accepted principles of financial propriety that objections can be legitimately taken by the Accounts Office. Even in such cases the Accounts Office should not stop the payment but should report the matter to the Financial Adviser through the Principal Accounts Officer for such action as the Financial Adviser may consider necessary. In the case of sanctions issued by the Ministry with the concurrence of the Financial Adviser, it is not open to the Accounts Office to raise objections on grounds of propriety.

(b) The Pay and Accounts Officer should bring to the notice of the competent authority any expenditure which does not seem to be covered by the terms of the Article, Section, rule or order quoted as justifying it, and which has been incurred by placing upon the Article, Section, rule or order an interpretation which may seem to it not to be a natural, plain, or reasonable interpretation. In the case of regulations framed by a department of Government, the Pay and Accounts Office will accept what the department considers to be the correct interpretation of its own regulations, provided that such interpretation is not opposed to the ruling of any superior authority, or contrary to any established financial principle or rule. Such discretionary power of interpretation does not, however, give a department a free hand to interpret its rules to suit particular cases in other than a natural or reasonable manner. So long as a rule or regulation remains unamended, the department is bound by it and the rules should be carefully adhered to. The Pay and Accounts Office should bring to the notice of his Pr.A.O. or of the Financial Adviser through Pr.A.O., the cases where rules and regulations are found to have been observed merely in the letter but not in spirit. For example, sanctions and orders for the grant of special pay or other allowances or concessions which are in conflict with the broad spirit or main principles of the relevant service rules.

(c) If the sanctioning authority is vested with powers, which may be exercised subject to the fulfillment of certain conditions, the sanction can be accepted on the certification of the sanctioning authority that the prescribed conditions have been fulfilled. Similarly, where the sanctioning authority is vested with powers which can be exercised provided due regard is paid to certain criteria, sanctions accorded under such powers cannot be challenged unless the disregard of the criteria is considered so serious as to make the sanction perverse. In such cases it is the duty of the Accounts Officer to report the matter to the Financial Adviser through the Principal Accounts Officer for final decision.

(d) For the purpose of financial sanctions a group of works which forms one project shall be considered as one work and the necessity for obtaining the sanction of a higher authority to a project is not avoided on the ground that the cost of each particular work in the project does not require such sanction.

(e) All sanctions other than for inter-governmental/Departmental transactions issued by Ministries/Departments for the amounts above Rs.50 lakhs to Rs. 1 crore should be reviewed by Dy.CAs and those above Rs. 1 crore by the Pr.CCAs/CCAs/CAs. Whenever the voucher in respect of the respect of the above sanctions comes up for pre-check, it should be paid after review by the authorities above if they are stationed at the same place as the PAO. In other cases, if the sanctions are received in advance by an outstation PAO, it should be got reviewed as far as possible before the bill comes up for payment and if not, after payment. In respect of Post Check payments, the sanction orders should be put up to CCA/CA/Dy.CA as above in the case of same station and in respect of outstations, copy of the sanction order along with the observations of PAOs should be sent to CCA/CA/Dy.CA by name, who should return the same recording therein their views/observations within 3 working days of receipt of the copy of the sanction order. As the CCAs/CAs/Dy.CAs would be receiving the copy of the sanction orders with the views/observations of the Headquarters. However, a record of sanction orders received and returned should be maintained.

4.4.4 Sanctions with a long period of currency for example delegation of financial powers as well as sanctions of a permanent nature should be scrutinized carefully and reviewed periodically. If there is any reason to think that the sanctioning authority concerned should be invited to review the sanction, such action may be taken.

4.5 CHECK OF CLASSIFICATION IN ACCOUNTS

4.5.1 The transactions dealt with in the departmental accounts organizations should be classified in accounts strictly under the Major and Minor Heads shown in the List of Major and Minor Heads of Account as corrected from time to time. The detailed classifications below the Minor Heads will be as shown in the Detailed Demands for Grants.

4.6 ALLOCATION OF EXPENDITURE BETWEEN CAPITAL AND REVENUE

4.6.1 The classification of expenditure as Capital or Revenue will broadly depend on the following conditions:-

(a) Capital expenditure may be generally defined as expenditure incurred with the object of either increasing concrete assets of a material and permanent character or of reducing recurring liabilities.

(b) It is not essential that the concrete assets should be productive in character or that they should even be revenue producing. A productive asset may be considered as one which produces sufficient revenue to afford a surplus over all charges relevant to its functioning. It may on rare occasions be necessary and justifiable to treat as capital a scheme not commercially remunerative but involving large expenditure, say for the construction of a new city.

(c) It is inherent in the definition of capital expenditure that the assets produced should belong to the authority incurring the expenditure. Expenditure by Government on grants-in-aid to local bodies or institutions for the purpose of constructing assets which will belong to these local bodies or institutions cannot legitimately be considered as capital expenditure.

(d) Expenditure on a temporary asset cannot ordinarily be considered as expenditure of capital nature.

4.6.2 When it has been decided that the expenditure on a scheme for creation of a new or additional asset shall be classed as 'Capital' the following main principles shall be applied for the treatment of expenditure in accounts:-

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

(b) Subject to (c) below, 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 and replacements and such additions, improvements or extensions as under rules made by competent authority, and are debit to the Revenue Account.

(c) In the case of works of renewal and improvements which partake both of capital and revenue nature, it is impracticable to draw a hard and fast line between what is properly debit to capital or revenue. Allocation in such cases is made by detailed rules and formulae devised by the executive authorities, which are applied in estimates and accounts to determine the allocation of expenditure between capital and revenue. These rules and formulae must necessarily be based upon some general principle of sound finance, which should aim at an equitable distribution of burdens between present and future generations.

(d) In theory it is legitimate to make capital bear the charges for interest on money borrowed to finance the construction of a new project before the project becomes revenue earning. In fact, a Government project is only part of the operations of Government and it may be sound financial to meet interest charges from other revenue during the process of construction. The charge of interest to capital in Government accounts is justified only when there would be undue disturbance in the Government's budgetary position by taking interest to revenue. The writing back of capitalized interest should be the first charge on any capital receipts or surplus revenue derived from a project when opened for working.

(e) Capital receipts in so far as they relate to expenditure previously debited to capital accruing during the process of construction of a project should be utilized in reduction of expenditure. Thereafter, their treatment in the accounts may depend on circumstances, but except in the case of recovered stores in Railways and the Posts and Telecommunications Departments or as otherwise provided in the rules of allocation applicable to a particular Department, they should never be credited to the ordinary revenue account of the undertaking.

4.7 ACCOUNTING OF TRANSACTIONS UNDER RESERVES AND RESERVE FUNDS

4.7.1 Any device to render the grants non-lapsing by withdrawing such amounts to a Fund is contrary to the strict theory of Parliamentary financial control. However, such a course is adopted with the cognizance and approval of the Parliament to constitute a specific Reserve or Reserve Fund. These Reserves or Reserve Funds may be classified under the following three categories according to the sources from which they are funded:-

(i) Funds accumulated from grants made by another Government and at times aided by public subscriptions, e.g., Fund formed from subvention from the Central Road Fund; Fund for Economic Development and Improvement of Rural Areas;

(ii) Funds accumulated from sums set aside by the Union or State Governments from the Consolidated Fund of India or the Consolidated Fund of the State, as the case may be, to provide reserves for expenditure to be incurred by themselves on particular purposes, e.g., the various Depreciation or Renewals Reserve Funds created in respect of commercial departments and undertakings;

(iii) Funds accumulated from contributions made by outside agencies to the Union or State

Governments, e.g. Deposit Account of grants made by the Indian Council of Agricultural Research; deposit account of grants made by the Indian Central Cotton Committee.

4.7.2 The main principles which would govern the procedure for accounting of expenditure met from Reserves or Reserve Funds and its exhibition in estimates and accounts are set out below:-

(i) A grant to the Union or State Government by another Government should be treated as ordinary revenue of the recipient Government irrespective of whether the grantor Government retains control over the expenditure from the grant or not.

(ii) A grant from an outside agency to the Union or a State Government made without reserving control over the expenditure therefrom should also be treated as ordinary revenue of Government.

(iii) Where reserves are created out of the grants mentioned in sub-paras (i) and (ii) above or out of moneys set aside by the Union or State Government from the Consolidated Fund of India or the State, as the case may be, the transfers to and the expenditure from the reserves are required to be voted by the Parliament/Legislature (or shown as 'Charged').

4.7.3 The method of accounting applied to the Reserve Funds mentioned in para 4.7.1 should be as follows, in keeping with the aforementioned principles: -

The grants from outside agencies that do not retain control over the expenditure met there from and the grants from other Government will, in the first instance, be taken to the relevant receipt head of account of the Government. Simultaneously, an amount equivalent to the grant received and credited to the receipt head will be transferred to the relevant head in the Deposit section of accounts by debit to the service major head concerned. In the case of Fund referred to in (ii) of para 4.7.1 above, the amounts set aside by the Union/State Government from the Consolidated Fund of India/State to provide reserves for expenditure to be incurred by themselves on particular purposes should likewise be taken to the Deposit head opened for the purpose. In both cases, in order to bring the expenditure from the Fund into the Appropriation Accounts, the expenditure should be accounted for under the relevant service head of expenditure under which provision of Funds has been made and an equivalent amount will be credited to the service head concerned by transfer from the Deposit Head concerned and shown as a deduct entry there under. Provisions contained in para 3.4 of General Directions to the List of Major and Minor Heads may be referred for the accounting procedure relating to Reserve Funds.

4.7.4 The principles and procedure prescribed in this paragraph do not apply to certain transactions for example those pertaining to Famine Relief Funds and Sinking Funds for loans, which are governed by special arrangements. In the case of Regulatory Bodies, different procedure has been adopted, whereby the receipts of the regulatory bodies are being credited directly to the Fund, without routing it through CFI. However for the expenditure the procedure remains unchanged and is required to be budgeted.

4.7.5 Contributions towards share capital in non-departmental commercial and Industrial undertakings will be recorded under the concerned Programme Minor Heads below relevant functional Major Head of Account. Loans paid to these undertakings will be classified similarly under the concerned Programme Minor Heads below the relevant functional Loan Major Head of Account.

4.8 CLASSIFICATION OF AID MATERIALS & EQUIPMENTS RECEIVED FROM ABROAD.

4.8.1 The value of materials, equipments and other commodities received from foreign countries etc., as aid, without involving any cash inflow or outflow should be taken as a receipt under Major Head "1606-Aid Materials and Equipments" by a corresponding debit to the Major Head '3606-Aid Materials and Equipments". When the material or equipment are allocated for use by Government departments or given as grants-in-aid to private bodies etc. the value thereof should be debited to the relevant Major Head concerned relieving the initial debit under the Major Head '3606' by a deduct entry. The same

procedure should be followed in the case of transfer of such material by Central Government to State and Union Territories as grants or loans and the debits in Central Government accounts should be to the Major Heads for grants-in-aid/loans and advances to State Governments and Union Territory Governments. When, however, the aid material is sold, the sale proceeds should be credited as a receipt under the Major Head relevant to the function for which the material etc. is received. The value of technical services or cost of experts deputed by foreign agencies at their own cost does not have to be incorporated in Government Accounts.

4.8.2 Cash grants, as distinct from commodity or other assistance in kind received from external sources (like foreign governments, international bodies, agencies etc.) are to be accounted for only by the Controller of Aid Accounts and Audit, Department of Economic Affairs, Ministry of Finance in his books under the relevant minor heads below the major head "1605-External Grant Assistance". In case Ministries/Departments receive such cash grants, the same should be passed on to the Controller of Aid Accounts and Audit for final accounting in his books. Copies of letter of agreements exchanged between Ministries/Departments and donor countries in regard to cash grants, technical assistance/aid in the form of aid materials and equipments etc. should also be endorsed to him simultaneously so that he may be able to issue suitable accounting procedure for the same.

4.8.3 Some agreements like those under Colombo Plan require the value of the aid material received (i.e. counter-part funds generated) to be exhibited in a Fund Account, so as to be released in due course for utilization on agreed projects. In such cases, it would be sufficient, if a Proforma Account of the Aid received and expenditure there from on the agreed projects is kept by the Department concerned, avoiding reflection of the transactions under such Funds in Government Accounts.

Note:- Government have even decided to waive the requirement of maintenance of Proforma Accounts for Food Aid which had been received from Canada under the Colombo Plan and from Australia under the Technical Co-operation Assistance Programme.

4.9 GENERAL INSTRUCTIONS ON CLASSIFICATION OF EXPENDITURE

Apart from the general principles set forth above and such other general or special orders as may be issued from time to time, the main duty of the Pay & Accounts Office in check of classifications would be to see that the expenditure is classified and recorded under the grant and the sub head under which the provision for expenditure was made in the Budget Estimates.

[Authority: Para 6.7.5(b) to Second Report of the Team on Reforms and Structure of Budget and accounted by Government.]

4.10 GENERAL CHECKS TO BE EXERCISED IN RESPECT OF BILLS SUBMITTED FOR PRE-CHECK.

4.10.1 The following checks will be exercised on all classes of bills:

- (a) that bills are prepared in the prescribed form, signatures are genuine and that the bills are in original; that a brief abstract is given in the official language authorised for the purpose under the signature of the drawing officer on all vouchers prepared in any other language; that signatures, if not in the authorised script, are transliterated and that sub-vouchers contain notes of dates of payment;
- (b) that the details work up to the totals and that the totals are in words as well as in figures,
- (c) that they bear a 'pass order' signed by the drawing and disbursing officer;
- (d) that there are no erasures, and that any alterations in the total are attested by the officer concerned as many times as they are made;

(e) that no payment is made on a bill or order signed by a subordinate instead of head of the office himself or on a voucher or order signed with a stamp, and that copies of sanctions are certified by the sanctioning officer or by an authorised gazetted Government servant;

(f) in all cases in which it is prescribed that tallying should be carried out between the different documents, that the fact of the matching should be noted on both the documents and the note initialed by Accountant who does the tallying;

(g) see that Fund and Income-tax deductions etc have been correctly made;

Note: In respect of the pay bills of his own establishment and pension bills paid by him after pre-check the Pay and Accounts Officer acts as the officer responsible for recovering income-tax on the income chargeable under the head 'salaries' and is, therefore, under a statutory obligation to deduct, at the time of payment, income-tax on the amount payable at the rate applicable to the estimated income of the assessee under the head "Salaries". In respect of other bills, the Pay and Accounts Office is not responsible for checking the correctness of the Income-tax deductions but whenever such bills come under his scrutiny in the course of audit, he should always see that deductions of income-tax are not omitted in cases where such deductions should clearly be made,

(h) that no bills for any pay or allowances not claimed within two years (vide Rule 264 of General Financial Rules) of its becoming due are admitted without the sanction of the competent authority,

(i) see that the stores are purchased through the agency of the purchase organisation of the Department of Supply of the Central Government when this is required by the orders of the Government,

(j) that in the case of contingent bills sub-vouchers as required under the rules are attached as per Central Govt. Account (Receipt and Payments) Rules, 1983;

(k) that the classification noted in the bill is correct with reference to the nature of the transactions and that an item which should be charged on the Consolidated Fund of India is not classified as Voted and vice versa.

4.10.2 The following essential checks will be exercised in respect of the various categories of bills. These checks are only illustrative and not exhaustive.

4.11.1 CHECK OF ESTABLISHMENT PAY BILLS

(i) the bills have been signed by Drawing & Disbursing officer and his signature tallies with the signatures in the register of specimen signatures;

(ii) the bills have been prepared with due regard to Rule 33 of Central Govt. Account (Receipt and Payments) Rules, 1983;

(iii) that the arithmetical calculations of the bills are correct;

(iv) that the absentee statement, where required is duly filled-in or a 'no leave' certificate is furnished;

(v) that the enhanced pay of officiating Government servants is in accordance with the rules;

(vi) that in case of any names appearing for the first time in the pay bills last pay certificate is furnished for a Government servant transferred from another establishment or health certificate is furnished in case of a person newly appointed except where such health certificate is not required to be furnished under the rules of Government;

- (vii) that the dates of making over and receiving charge are stated and joining time is correct;
- (viii) that the increment drawn is supported by an increment certificate;
- (ix) that the number of persons for whom pay or leave salary has been drawn does not exceed sanctioned strength of the establishment. For this purpose, the numerical check of draws against sanctioned number of posts should be done. Detailed instructions for doing numerical check has been given in paras 4.11.4 to 4.11.8.;
- (x) where arrears are drawn, a certificate is recorded by Drawing and Disbursing officer stating that necessary note has been made in original bills from which the claim is omitted;
- (xi) that the remarks showing how the claims have been affected by death, retirement, permanent transfers, first appointment etc. are entered in detail;
- (xii) that in the case of establishments under which names of Government servants are not required to be indicated the certificate prescribed in Rule 66 of Central Govt. Accounts (Receipt and Payments) Rules, 1983 is furnished, and
- (xiii) the admissibility of special pay, personal pay and various allowances claimed in an establishment bill should be scrutinised with reference to the rules or orders in force. A note of special pay admissible should be kept in the "Fly Leaf of Payment Register" (Form CAM 23) wherever maintained, against the name of the incumbent concerned. In case the changes in pay are not properly explained in the remarks columns of the pay bill, the amount may be kept in objection and the details called for separately. The pay bill need not be returned unpassed on this account.

4.11.2 CHECK OF INCREMENT CERTIFICATES

Increment certificates should be examined to see that the increment claimed is according to rules and supported by facts stated and has actually accrued. This should be examined with reference to the entries in the "Fly Leaf of Payment Register where it is required to be maintained. It should also be seen:-

- (i) that the increment granted is admissible under F.Rs. 22-27 and 29.
- (ii) that the period of suspension is not treated as duty except in the circumstances explained in F.R. 54.
- (iii) that a proper note of the increment is recorded in Fly Leaf of Payment Register wherever it is maintained, over the initials of Asstt. Accounts Officer/Jr. Accounts Officer.

4.11.3 CHECK OF LAST PAY CERTIFICATES

(a) The last pay certificates (in form GAR 2) are issued by Drawing and Disbursing officers in the event of transfer of a Government servant to another post or office under the jurisdiction of another drawing officer.

b) In checking these certificates, it should be seen:-

- (i) that the certificate is in the prescribed form and has been properly drawn up;
- (ii) that the extent of joining time availed of and the joining time pay are in conformity with Central Civil Services (Joining Time) Rules 1979 as amended from time to time.

(iii) that no compensatory allowance is drawn during joining time except as provided in S.R. 7-C; and

(iv) that pay or leave salary, if due for a period prior to joining time is drawn according to rates noted in the last pay certificate.

Note:

(1) The term 'undisbursed pay and allowance' includes nothing except pay and allowances drawn and due to an employee, but for some reasons not paid.

(2) Undisbursed pay and allowances may be retained by the Drawing Officer for a period not exceeding 3 months, provided suitable arrangements exist in his office for the safe custody of the money. The undisbursed pay and allowances should be refunded by short drawals from the bills and may be taken in reduction of expenditure under various detailed heads, if these are refunded in the same accounting year. Such recoveries pertaining to previous year shall be recorded under distinct minor head 'Deduct Recoveries of Overpayments' below the concerned major/sub-major head in the Appropriation Accounts.

The refunds against the undisbursed pay and allowances should be noted against the short drawals in the original bills.

4.11.4 The Pay & Accounts Office shall maintain an Establishment Check Register (Form CAM 24) separately for each DDO under his payment and accounting control. All sanctions for creation of posts will be noted in this register in the relevant columns. In view of the issue of Min. of Personnel, Public Grievances & Pension (Dept. of Personnel & Training) O.M. no. 18011/1/86-Estt. (d) Dated 28-3-88 confirmation is made only once in the service of an official which will be in the entry grade subject to the fulfillment of the conditions prescribed and this issue has been de-linked from the availability of vacancies in the permanent posts in the grade. Therefore, the check to be exercised by the PAO may be limited to watch against the total number of posts sanctioned, the total number of persons in each section of establishment who are (i) drawing duty pay and (ii) are on leave including extra-ordinary leave or under suspension.

4.11.5 They are indicated in the bills under the letters D(Duty) and L (Leave or Suspension) and the totals under 'D' and 'L' in respect of each section of establishment posted in the relevant sub-columns of the monthly column in the register, broken periods of less than a month being indicated by giving the number of days within brackets.

4.11.6 The posting in the register will include the number for whom claims have been shown as paid in the monthly bill. This is necessary to ascertain the total number of persons paid salary against the sanctioned posts during a month. When the posting of all bills pertaining to an establishment in the register has been completed, a total should be struck against each section.

4.11.7 Though it is the primary duty of the D.D.O. to obtain the sanction for extension/continuance of the temporary posts well in time, it is equally the responsibility of the P.A.O. to ensure that salary claims are not entertained and paid as a matter of course even beyond the date of expiry of the sanctioned post.

In cases where the sanction for the continuance of a temporary post otherwise a part of regular establishment and continued from year to year is not forthcoming even after three months from the date when it expired, payments should be made only after obtaining the prior specific approval of the Financial Adviser. In cases of posts sanctioned for a specific period, payment beyond the specific period should be made only with the approval of the Financial Adviser, if sanction for continuation of post is not available. This would apply mutatis- mutandis to Cheque Drawing D.D.Os.

4.11.8 The P.A.O shall also maintain, wherever required, a "Fly Leaf of Payment Register' (Form

CAM 23) wherever necessary, wherein details like the name of the incumbent, his pay, special pay, personal pay etc. shall be noted. The increments drawn or any changes in the pay as indicated in the pay bills should be noted in this register. Similarly all cases of death, retirement, resignation and permanent transfer out of the establishment as also important events like suspension, withholding of increment etc. shall be noted in this register under the attestation of the Asstt. Accounts Office/Jr. Accounts Officer.

4.12 CHECK OF PAY FIXATION CASES

4.12.1 From 1st April,1976 the distinction between gazetted and non-gazetted staff in regard to maintenance of service records, determination of entitlements (including pay fixation) and drawal of entitlements has been dispensed with and Heads of Offices have been made responsible for these- vide O.M. No. F.10(9)-B(TR)/76 dated 28-2-76 and O.M. No. F-3(1)E.IV-(A)/76 dated 17-3-76. It would not, therefore, be necessary for the authorities responsible for pay fixation to consult the Pay and Accounts Offices in respect of cases of pay fixation with reference to normal rules. However, in specially difficult or complicated cases, there is no objection to the Ministry consulting the Pr.CCAs/CCAs/Controller of Accounts concerned, if considered necessary. Cases requiring fixation of pay in relaxation of the normal rules should be referred to the authority competent to relax the rules through the Internal Finance Section of the Ministry and not to the Head of Accounting Organisation. The scrutiny of pay fixation cases done by the departmental offices with reference to the initial records in the departmental offices concerned should be sanctioned by the Internal Audit Wing of the Ministry/DEpartment.

4.13 CHECK OF OVERTIME ALLOWANCE CLAIMS

4.13.1 The grant of overtime allowance will be regulated in accordance with the orders contained in the Min. of Finance, Deptt. of Expenditure O.M. No.15011/2/EII(B)/76 dated 11/8/76 as amended from time to time. The following checks should be exercised in respect of bills in which overtime allowance is claimed.

- (i) that the drawing officer has furnished the requisite certificates as prescribed in this O.M. alongwith the bills duly signed by him.
- (ii) that the categories of staff for whom overtime allowance is claimed, are eligible for the same.
- (iii) that the claims are made at the prescribed rates.

Note: Objection should not be taken to the grant of overtime allowance for a particular item of work which has been ordered by competent authority in public interest.

4.14 CHECK OF CHILDREN EDUCATION ALLOWANCE, TUITION FEES

4.14.1 The concession for grant of Children's Education Allowance to Central Government employees who are paid out of Civil Estimates, has been introduced by the Government of India on the recommendations of the Pay Commission, with effect from 1st March, 1962. It is now regulated by the orders contained in the Ministry of Finance (Deptt. of Expenditure) O.M. No. 12011/I/EII (B)/76 dated the 25th August, 1976 as amended from time to time. The claim of this allowance in respect of non-gazetted establishment should be admitted by the PAO on the strength of the certificates from the drawing officers as prescribed in this Office Memorandum.

4.14.2 All Central Government Servants, as defined in Rule 2 of the CCS (Educational Assistance) Orders, 1988, shall be eligible to draw Children's Educational Allowance, reimbursement of tuition fee and hostel subsidy paid by them for and on behalf of their children for education in India in recognised Middle, High/Senior Secondary Schools in accordance with Government of India, Department of

Personnel & Training O.M. No.21011/21/88-Estt.(Allowances) dated the 17th October, 1988, as amended from time to time.

4.15 CHECK OF TRAVELLING ALLOWANCE BILLS

4.15.1 In checking the bills of travelling allowance the under mentioned checks may be exercised in order to see:-

- (i) that the journey was actually performed;
- (ii) that it was necessary, and authorised by general or special orders;
- (iii) that no bill has been submitted for it before;
- (iv) that the amount drawn is correct with reference to rates and general conditions.
In this connection it may be added that it is the duty of the Controlling Officer before signing or countersigning a travelling allowance bill, to scrutinise carefully the distances entered therein, but the amount claimed for the journey performed by railway and air where authorised specially, should be checked by the PAO with the help of the Railway time table and by the scheduled rates charged by the Indian Air Lines or Air Transport Company;
- (v) that the bills are prepared strictly in accordance with the provisions of Rule 90 of Central Govt. Account (Receipt and Payments) Rules 1983;
- (vi) that the dates and hours of the commencement as well as end of the journeys (where necessary) and the purpose of journey are clearly stated in the columns provided for the purpose in the travelling allowance bill form;
- (vii) that the bills are countersigned in all cases except where specifically authorised otherwise (see S.R. 191-193); and that the prescribed certificates have been furnished by the D.D.O.;
- (viii) that the instructions for preparing travelling allowance bills as printed on the form of the T.A. Bill are duly complied with and irrelevant certificates scored out;
- (ix) that the claims for the conveyance of motor-cycles, bicycles etc; during tour are supported by special orders of the authority competent to pass such orders, as required under S.R.81(a);
- (x) that in case of journeys performed by road between places connected by rail, the charge for travelling allowance is supported by an order of the competent authority under S.R 31;
- (xi) that the claims for travelling allowance for journeys performed to give evidence in a court under S.R. 154 are supported by the necessary certificates (a) of attendance and (b) non-payment of expenses by the court;
- (xii) that in the case of bills for journeys on transfer, the claims are supported by:-
 - a. the certificates showing the members and relationship of claimant's family and the age of his children vide S.R.116(d);
 - b. the declaration of actual expenses incurred in transportation of personal effects, conveyances etc; vide S.R.116(e);
 - c. the certificate from the Controlling Officer that the charges on account of the personal effects have been scrutinized by him and that he is satisfied that these are reasonable; and
- (xiii) that the charges have been classified according to the principles laid down in Rule 67 of the

GENERAL CHECK POINTS

4.15.2 The following are some points which will be useful in scrutinizing travelling allowance bills.

(A) Road Mileage

- (i) Is inadmissible in addition to (a) permanent travelling allowance, (b) conveyance allowance and (c) contingent charges claimed towards taxi/scooter hire charges separately for transportation of official records.
- (ii) Short journeys within a radius of 8 kilometers of headquarters should not be added to journeys made on the same day beyond 8 kilometers radius for the purpose of arriving at the distance travelled on that day.
- (iii) Fraction of a kilometer should be omitted in the total of a bill for any journey.

(B) Daily Allowance

- (i) See that the officer reaches a point outside the radius of 8 kilometers from his headquarters.
- (ii) See that the hours of departure from and arrival at headquarters are shown when daily allowance is claimed.
- (iii) is inadmissible in the following cases.
 - a. when joining first appointment
 - b. when on transfer
 - c. when on leave
 - d. in addition to permanent travelling allowance vide A(i) above
 - e. in addition to railway fare or actual expenses
 - f. within a radius of 8 kilometers vide B (i)above .
 - g. for halts at headquarters

(C) Conveyance Allowance

- (i) See that there is sanction of the competent authority
- (ii) See to the specific terms of sanction, if any

(D) Railway Journeys

- (i) Check fare with fare tables and see that they are not charged at a higher rate than admissible.
- (ii) Time of departure on and arrival from a railway journey should be stated on the bill when it is preceded or followed by a halt for which daily allowance is claimed.

(E) Travelling allowance is inadmissible

- a. on proceeding on leave
- b. on rejoining from leave
- c. during leave of any kind
- d. on dismissal from public service; and
- e. in case of transfer at the officer's own request or for misconduct.

Note:- The cancellation/reservation charges on unused air/rail tickets may be preferred by the claimants in T.A. bill form and should be classified under the head "Travel Expenses".

[Authority: Min. of Fin. Deptt. of Exp. O.M.No.19028/1/78-E-IV(B) dated 18.2.1981]

4.15.3 LEAVE TRAVEL CONCESSION TO CENTRAL GOVERNMENT SERVANTS

The grant of travelling concession to Central Govt. servants serving at places distant from their homes for journeys to and from their homes as also to a place anywhere in India once in a block of four years during leave shall be regulated in accordance with the C.C.S.(Leave Travel Concession) Rules, 1988, as amended from time to time.

4.16 MEDICAL REIMBURSEMENT CLAIMS

The following checks are to be exercised by PAOs in respect of Medical Reimbursement Bills-

1. The bill for medical reimbursement should be prepared in Form GAR – 23.
2. The amount drawn in the bills must be supported by proper receipts and vouchers in all cases, submitted by the Government servant along with essentiality certificates in Form 'A' or 'B'.
3. PAO is to examine as to whether the fees charged by the Authorised Medical Attendant is in accordance with the prescribed rates.
4. He is to examine that all the sub-vouchers tests etc. are duly countersigned by the Medical Officer and by the competent authority accepting the claim of medical reimbursement.
5. Special care is to be taken in regard to the diet charges because these are normally included in the hospital bills submitted by the Government servants, as these charges are not reimbursable except in case of persons of group 'D' who are to undergo treatment of T.B./mental diseases or leprosy etc.
6. Details in regard to dependents of the Government servants and residential addresses must be obtained from the government servants for keeping the same in the relevant records.

4.17 CLASSES OF CONTINGENCIES

4.17.1 The actual classification of contingent charges is determined by the orders of the Government. It will be found, however, on consideration of the dominant conditions governing the particular expenditure that all contingencies will fall into one or other of the following five classes-

(a) Contingent charges met from a lump sum grant placed at the disposal of a disbursing officer for expenditure at his discretion, on certain specified objects. Such charges are known as Contract Contingencies and generally consist of charges, the annual incidence of which can be averaged with reasonable accuracy.

(b) Contingent charges in respect of which scales have been laid down by competent authority. Such charges may be designated Scale Regulated Contingencies.

(c) Contingent charges whether recurring or non-recurring which cannot be incurred without special sanction in each case of superior authority. These may be termed Special Contingencies.

(d) Contingent charges, which though they may be incurred without special sanction, require the approval and countersignature of superior authority before they can be admitted as legitimate expenditure against the Consolidated Fund of India. Countersignature is ordinarily obtained after the bills are paid, but in rare cases it is necessary before payment. Such charges are known as Countersigned Contingencies.

(e) Contingent charges which require neither special sanction nor countersignature, but may be incurred by the disbursing officer on his own authority, subject to the necessity of accounting for them. Such contingencies may be termed Fully Vouched Contingencies.

4.17.2 In checking contingent bills, it will be seen that

- (i) each class of expenditure:
 - a. is a proper charge against the grant or appropriation concerned and is covered by provision of funds
 - b. has received such sanction as is necessary
 - c. has been incurred by a Government servant competent to incur it.
- (ii) such vouchers as are required to be enclosed have been submitted keeping in view provisions of Rule 111(3) of Central Govt. Account (Receipt and Payments) Rules, 1983.
- (iii) the certificates required under the General Financial Rules have been recorded
- (iv) the rates are apparently not extravagant and the expenditure is not prima facie more than the occasion demands
- (v) that the bills are in proper form and that the classification is correctly recorded therein

4.18.1 CHECK OF SPECIAL CONTINGENCIES

(a) In respect of special contingencies, the principal duty of the Pay and Accounts Officer is to watch the expenditure against the necessary sanction of superior authority. For this purpose a register should be maintained (Form CAM-25) in which every order sanctioning special expenditure, should be entered as soon as it is received and, as each charge comes up for check a note of the bill in which it is included, and of the fact that it has been checked, should be made in the final columns. Where expenditure against a lump sum sanction is incurred in instalments, the progressive outlay must be watched against the sanctioned total.

When an order of sanction contains no indication of the amount or limit of expenditure sanctioned, enquiry should be made from the authority which issued it, and charges should not be admitted until complete sanction is received.

(b) In preparing the register of Special Charges the following instructions should be followed:-

1. Separate pages should be set apart for different classes of expenditure and for different officers incurring expenditure.
2. When opening a new register orders which are still in force should be carried forward into it from the old register along with progressive expenditure so far incurred there against.

Note 1. - The sanctions entered in the Register of Special Charges will not be confined to sanctions of contingent charges proper. Special sanctions of refunds, advances and the like also will be recorded in this register and the charge admitted according to the method prescribed in this paragraph.

Note 2. - The entries of payments made in the Register of Special Charges should be attested by the P.A.O. as he passes each bill for payment.

4.19 CHECK OF COUNTERSIGNED CONTINGENCIES.

A-Bills countersigned after payment-

4.19.1 In the case of bills countersigned after payment, the money is actually drawn on an abstract bill, and the Pay and Accounts Officer as indicated by its countersignature, subsequently receive the approval of the superior authority on the monthly detailed countersigned bill. Both the abstract bill and the detailed monthly bill require scrutiny in the Pay and Accounts Office.

4.19.2 While checking abstract contingent bills, it should be seen whether the officers drawing abstract bills are, in all cases, authorised to do so. Asstt. Accounts Officer/Jr. Accounts Officer should ensure that the amount drawn on an abstract contingent bill is placed under objection. Objections regarding want of detailed bills, vouchers, subvouchers etc; should be pursued vigorously. Cases in which detailed bills are not furnished within the normal period prescribed in Rule 118 of Central Government Account (Receipt and Payments) Rules, 1983 should be reported to the Controlling Officer by name and thereafter, if necessary, the matter should be reported first to the Head of the Department by name and that failing to produce the desired result, the matter should be reported to the Pr. Accounts Office.

4.19.3 Adequate cautions should be exercised in passing detailed bills which are supported by invoices which are found to be old compared to the date of drawal of the abstract bill.

4.19.4 On receipt of detailed adjustment bills, they should be carefully checked on the points indicated in paragraph 4.17.2. In addition it should be seen:-

1. that the bill is duly countersigned wherever so required;
2. that the charges included in it cover the amounts drawn in lump sum and are classified as in the abstract bills; differences or disallowances should be noted for recovery and adjustment should be made, if necessary on account of misclassification.

4.19.5 Except on points covered above the Pay and Accounts Officers should not disallow any items included in a countersigned bill which are within the powers of sanction of the countersigning officer. He should however, draw the attention of the latter to any expenditure which seems questionable or in comparison with like charges elsewhere, excessive in respect of rate, price or amount and may, if he deems it advisable, specially address the Department on the subject.

4.19.6 When the Accountant has completed his check and has ticked off each item supported by a voucher in token of his having seen and passed the bill, he should record his enforcement passing the bill or objecting to it, upon the bill itself. He should then make the corresponding or partial adjustment both in the register and the Objection Book (Form CAM-26) taking steps to remove any objection still outstanding.

B-Bills countersigned before payment

4.19.7 Where countersignature is required before payment, there will be no abstract bill but payment will be made on a detailed bill. In that case, the detailed bill may be entered in and submitted along with the 'Special Charges Register'. Accountant will, of course, make no entry in the 'Objection Book' unless some item in the detailed bill itself is objectionable.

4.20 CHECK OF FULLY-VOUCHED CONTINGENCIES

4.20.1 Payment of fully-vouched contingencies will be made on detailed bills. No registers need be maintained for the record of these bills except in cases where the Pay and Accounts Officer is requested by the Government to check the charges of individual disbursing officers against a lump sum appropriation placed for the purpose at the disposal of a single higher authority. The actual check should be conducted as in the case of bills countersigned before payment.

4.21 PERIODICAL CHARGES REGISTER (FORM CAM-27)

4.21.1 Sanctions to recurring contingent charges are noted in the Register of Periodical Charges, each payment as it is checked being posted with the necessary reference in the appropriate monthly columns. Ordinarily the register should be used only in cases in which sanctions other than those of the disbursing or countersigning authorities are involved.

Note 1.- The pay of the contingency paid staff need not be entered in the Register of Periodical Charges.

Note 2.- Periodical charges such as water, conservancy taxes etc, do not require the sanction of a higher authority when they are assessed by competent authority and the assessment is certified by a Public Works Divisional Officer or the departmental officer concerned according as the buildings are or not borne on the books of the Public Works Department. Such charges should not, therefore, be entered in this register.

4.22 CONTINGENT CHARGES FOR WAGES OF MAZDOORS AND PAY AND ALLOWANCES OF STAFF PAID FROM CONTINGENCIES

4.22.1 Contingent charges on account of wages of Mazdoors engaged on manual labour and paid at daily or monthly rates should be admitted in Pay and Accounts Office on the authority of a certificate signed by the disbursing officer to the effect that the mazdoors were actually entertained and paid. Contingent charges on account of pay and allowances of all other staff paid from contingencies should be admitted in the Pay and Accounts Office on the authority of the certificate regarding entertainment, disbursement etc, prescribed in Central Government Account (Receipt and Payments Rules, 1983).

4.23 CALL CHARGES

4.23.1 Offices/Officers having telephones with ISD/STD facilities are responsible for all calls that may be made from their telephones. Even if some of the items in bills received from the Department of Telecommunications, pertain to unavoidable private calls of officials and they have to be paid in full by the concerned official who availed of the facility. Simultaneously, arrangements should be made for suitable recovery from the official (s) for the private calls (s), and the amounts duly accounted for.

4.23.2 P.A.O. should check that bills for phone calls are supported by the certificate under the procedure prescribed for the purpose, that the calls were made for official purposes, and that in respect of exceptions mentioned therein, indication is given about recovery thereof effected/being effected.

4.23.3 Recoveries made from Government officials on account of private calls may be adjusted in reduction of expenditure and not credited as revenue receipts in Government accounts. (Authority : C.G.A's File No. S. 14011/1/79/TA)

4.24 FEE FOR ENGAGEMENT OF LAWYERS

The following points may be borne in mind while passing such bills:-

4.24.1 Ministry of Law should invariably be consulted by the Department concerned in regard to the fees of lawyers proposed to be engaged except in cases in respect of which standing arrangements have been made (e.g. cases handled by the Central Government Solicitors at Mumbai and Kolkata or

by Standing Counsels of the Income Tax Department) and in cases where lawyers are engaged on scales of fees fixed by the High Court concerned.

4.24.2 Serial No.9 of the Annexure to Schedule V of the Delegation of Financial Powers Rules 1978 indicates the extent to which various authorities have been delegated powers to incur expenditure on payment of legal charges either on account of fees to barristers, pleaders etc, or the institutions of law suits or prosecution cases etc, as well as in connection with arbitration cases. It should be seen that the sanctions to the expenditure on legal charges etc, conform to the limits prescribed therein.

4.25 CANCELLATION OF SUB-VOUCHERS

4.25.1 The general instructions regarding the cancellation of sub-vouchers attached to contingent bills in order to prevent their misuse are laid down in Rule 109 of the Central Govt. Account (Receipts and Payments) Rules, 1983. Sub-vouchers required to be sent to the Pay and Accounts Officer are not to be cancelled either by the drawing officer or the Controlling Officer, as the duty of canceling these sub-vouchers and keeping them in proper custody to prevent their fraudulent use devolves on the Pay and Accounts Officer. All sub-vouchers received in the P.A.O. should be cancelled by means of a rubber stamp or in hand under the dated initials of the Accountant concerned. In the case of vouchers selected for post audit and reviewed by the cancellation should be attested by the A.A.O. also.

4.26 Chapter 10 of this Manual deals with the important aspects of loans and advances, grants-in-aid, guarantees given by the Government and investments made by the Government. These should be kept in view before accepting any sanction for payment.

4.27 GRANTS-IN-AID BILLS

4.27.1 In checking the sanctions for grants-in-aid it should be ensured that;-

- (a) sanctions have been accorded by a competent authority in terms of the relevant Delegation of Financial Powers Rules, 1978;
- (b) sanctions are so worded that there is a specific direction for the payment of the specified amount, instead of merely conveying an approval for the sanction of the grants-in-aid;
- (c) they indicate invariably, whether the grants-in-aid are recurring or non-recurring.

4.27.2 A 'Register of Payment of Grants-in-aid' shall be maintained in Form CAM-28. All sanctions should be noted in this register under proper attestation and the bills received against such sanctions should also be submitted after exercising necessary checks, along with the register and the fact of passing of the bill noted therein.

4.27.3 In the case of grants-in-aid bill, it should be seen that the prescribed certificates have been recorded thereon where the power of sanctioning the grants-in-aid is delegated to the subordinate authority subject to the previous fulfillment by the grantees of certain conditions. For example, grants may be made to educational institutions which satisfy specified standards in respect of number of scholars, methods of instruction and the like. In such cases, if the orders sanctioning the grant quote the relevant rules, such bill should ordinarily be accepted on the expressed or implied certificate of the sanctioning authority that the prescribed conditions have been fulfilled.

4.27.4 It should be watched that grants are not, except in special circumstances, paid in excess of actual requirements of the grantee for the financial year or say, for the period of one year from the date of issue of the letter sanctioning the grant and that any general or special orders for releasing a particular grant in instalments are complied with. The extent of the check of the expenditure from a grants-in-aid by the grantee depends on whether the grant is conditional or unconditional. Where no condition is attached to a grant, no enquiry need be made as to the manner in which the grant is utilised by the grantee. Wherever conditions are attached to the utilisation of a grant (in the shape of

specification of the particular objects on or the time within which the money must be spent) the receipt of formal utilisation certificate from the sanctioning authority should be watched through the said register.

4.28 SCHOLARSHIP BILLS

4.28.1 In the case of those stipends and scholarships which are considered to be important in view of their value or governing conditions or other similar considerations, the check should be conducted by numbers only.

4.28.2 Check by numbers will consist in seeing that:-

- (i) the sanctioned scale is not exceeded,
- (ii) there is no excess over the total amount sanctioned for the scholarship, and
- (iii) the scholarships are drawn only for the period for which they are sanctioned.

4.28.3 The bills for educational scholarships, stipends etc., should be checked with a view to see that they have been drawn in accordance with the procedure laid down in the relevant Treasury Rules etc., and that necessary certificates showing that the prescribed conditions have been fulfilled, are furnished along with the bill or separately, as may be necessary.

4.28.4 Scholarship bills should be posted in the register in Form CAM-28 in the same manner as Register of Grants-in-aid except for the column meant for watching receipt of Utilisation Certificates.

4.29 LOANS AND ADVANCES BILLS

4.29.1 In respect of loans and advances to public sector undertakings, autonomous bodies etc., the sanctions should be examined and the reasons for any unusual conditions included therein, if any e.g., remission of interest in an individual case, should be enquired. It has to be seen that the conditions of repayment of loans and advances are complied with by the debtor and the Pay and Accounts Office should exercise a close watch over repayment of principal and realisation of interest. In reviewing the outstanding loans and advances, special attention should be directed to irregularities in payments, acknowledgement of balances and unrealizable and doubtful assets. During the pre-check of a loan or advance bill, it should be seen that:-

- (a) the amount claimed is in accordance with the sanction order, and
- (b) the conditions to be fulfilled before payment, if any, are actually fulfilled and a certificate to that effect is recorded on the bill.

For watching the recovery of loans, Loan Register(s) are to be maintained in Form CAM - 29

4.29.2 The responsibility for calculation of interest on interest bearing advances, recoverable from the loanee Government servant will be that of the head of office/drawing and disbursing officer both for gazetted and non-gazetted Government servants. The heads of offices would, however, be responsible for obtaining mortgage bonds and agreements and ensuring that necessary insurance, as required under the rules, is effected.

4.29.3 Pay and Accounts Officers will be responsible for (a) checking the correctness of the interest recovered by the drawing and disbursing officer, and (b) confirmation of the correctness of the balances as shown in the recovery schedules and pointing out discrepancy, if any, to the concerned drawing and disbursing officer.

(Authority : Ministry of Finance (DEA) O.M. No. F. 10(9)-B(TR)/76 dt. 1.11.1976)

4.30 LONG TERM ADVANCES TO GOVERNMENT SERVANTS i.e. ADVANCES RECOVERABLE IN NOT LESS THAN 60 MONTHLY INSTALMENTS

4.30.1 Advances drawn must be checked in full. It should be seen:-

- (i) that every advance has been sanctioned by competent authority in accordance with the rules governing it;
- (ii) that the amount drawn does not exceed the amount sanctioned and permissible under the rules;
- (iii) that it is properly recorded;
- (iv) that repayments are regularly made as required by rules and are duly accounted for in the books of the Pay & Accounts office;
- (v) that the balance outstanding at the close of each financial year is communicated to and accepted by the Government servant. For this purpose, a statement of outstanding balances should be furnished to the D.D.O. concerned with the observation that non-receipt of any comments within two months would be treated as acceptance of balance by the D.D.O./Govt. servant concerned;
- (vi) that in case the repayment of the advance is neglected and/or irregular the matter is reported to the sanctioning authority; and
- (vii) that the certificates regarding availability of funds have been issued by the competent authority before issue of sanction and incorporated therein.

4.30.2 The recovery of the advances should commence with the first issue of pay, leave salary or subsistence allowance as the case may be after the advance is drawn (Rule 24 of Compendium of Rules on Advances).

4.30.3 It should be ensured that a certificate signed by the sanctioning authority to the effect that agreement in Form II or Form III of Compendium of Rules on Advances, as the case may be has been signed by the Government servant drawing the advance and that it has been examined and found to be in order, is attached to the bill for drawal of Motor Car Advance.

4.30.4 The H.B.A. Rules shall govern the grant of House Building Advance.

4.30.5 For watching the recoveries of these advances a Register and Broadsheet of Advances for HB/MC/and Interest thereon, should be maintained by the P.A.O. in Form CAM-30. Separate pages should be allotted to record advances sanctioned to Government servants in various offices. All the recoveries effected from establishment bills should be noted based on the schedule of recoveries in the respective pages of the broadsheet which should be totalled every month and agreed with the ledger figures in the Compilation Section. Any discrepancy between these two sets of figures should be noted and analyzed on separate pages set apart at the end of the register, to watch that they are eventually resolved and reconciled. This monthly verification indicating progressive differences and their reconciliation shall be submitted to the PAO every month by 20th of the second succeeding month. An example illustrating the manner in which recoveries of HBA/MCA are to be posted in the respective Broadsheet and calculation of interest thereon, is given in Appendix.

4.31 CHECK OF CONTRACTS

4.31.1 It is an important function of the Pay and Accounts Officer to examine contracts or agreements for works or supplies entered into by departmental authorities on behalf of Government.

4.31.2 Concerned executive authorities who enter into contracts for works or supplies will also be entirely responsible to watch their fulfillment.

4.31.3 The following fundamental principles are laid down by Government for the guidance of

authorities authorised to enter into contracts or agreements involving expenditure from Consolidated Fund of India. These are financial rules but they also indicate the points which should be kept in mind by the Pay and Accounts Officers in scrutinising contracts :-

- (a) The terms of a contract must be precise and definite, and there must be no room for ambiguity or misconstruction therein;
- (b) As far as possible, legal and financial advice should be taken in the drafting of contracts before they are finally entered into;
- (c) Standard forms of contracts should be adopted wherever possible, the terms being subjected to adequate prior scrutiny;
- (d) The terms of a contract once entered into should not be materially varied without the previous consent of the competent financial authority;
- (e) No contract involving an uncertain or indefinite liability or any condition of an unusual character should be entered into without the previous consent of the competent financial authority;
- (f) Whenever practicable and advantageous, contracts should be placed only after tenders have been openly invited, and in cases where the lowest tender is not accepted, reasons should be recorded;
- (g) In selecting the tender to be accepted, the financial status of the individuals and firms tendering must be taken into consideration, in addition to all other relevant factors;
- (h) Even in cases where a formal written contract is not made, no order for supplies, etc., should be placed without at least a written agreement as to price;
- (i) Provision must be made in contracts for safeguarding Government property entrusted to a contractor;
- (j) When a contract is likely to endure for a period of more than five years, it should, wherever feasible include a provision for an unconditional power of revocation or cancellation by Government at any time after the expiry of six months notice to that effect; and
- (k) The Pay and Accounts Officers have power to examine contracts and to bring to the notice of the proper authority any cases where competitive tenders have not been sought, or where high tenders have been accepted, or where other irregularities in procedure have come to light.

4.31.4 Deviation from contracts requires authority not inferior to that required for the original contract. The Pay and Accounts Officer should also see that any payments outside the strict terms of the contract or in excess of contract rates are not made without the consent of the competent financial authority.

4.31.5 Copies of all contracts and agreements for purchases of Rs. 50,000 and above should invariably be obtained and examined, and the payments regulated in accordance with them (but see Note below). For this purpose a Register in Form CAM-31 should be opened to record particulars of the contracts or agreements and the payments made there against.

Note- Copies of all contracts irrespective of their monetary value (except those relating to contingent or miscellaneous expenditure) of the Director General, Supplies and Disposal and the Food Department of the Government of India are however, to be invariably furnished to the Pay and Accounts Officers concerned.

4.31.6 When payments included in contingent bills are made at certain contract rates which are not required to be communicated to the Pay and Accounts Officer, a certificate should be obtained from the competent authority to the effect that the claim is correct with reference to such contract rates.

4.32 PROCEDURAL INSTRUCTIONS FOR THE CHECK OF CONTRACTS AND AGREEMENTS AND CONTRACTOR'S BILLS

4.32.1 Check of Contracts and Agreements, Tenders etc:- The general checks to be exercised are indicated in the earlier paragraph. Other checks are detailed below:-

4.32.2 In scrutinising an Acceptance of Tender it should be seen:-

(i) that the particulars regarding quantity and rates are furnished and the prices stipulated are firm. Particulars of the contracts providing the price variation clause or provisional rates, should be further examined;

(ii) that there is no omission of any important clause e.g. date and place of delivery, despatch instructions, name of consignee, etc;

(iii) that it is signed by an authority which is competent to enter into the contract. In case the signature on the order is that of an authority who is not competent to enter into the contract a certificate to the effect that the purchase has been approved by the competent authority, is recorded thereon mentioning also the designation of the authority whose approval has been obtained.

Note- In the copies of Acceptances of Tender, Supply Orders etc., all the sheets containing rates, prices and other important conditions should be signed in ink by the purchasing officer concerned.

(iv) the provision for the payment of sales tax, excise duty, should be checked with reference to the instructions issued by the Government from time to time. Vague provisions, such as, "Sales tax will be paid, if legally leviable" should be objected to and the contracting officers asked to state in definite terms whether sales tax, excise duty, etc. are payable and if so at what rate and on what amount; and

(v) that the contract has been signed for and on behalf of the President of India.

4.32.3 All contracts and agreements required to be checked should be reviewed by the Asstt. Accounts Officer/Jr. Accounts Officer and submitted to the Pay and Accounts Officer for further review. Before checking purchase bills, the Pay and Accounts Officer should satisfy himself that the sanctions and agreements were properly checked and bear suitable endorsement of check and review.

4.32.4 Cases of the type mentioned below may, if necessary, be scrutinised carefully:-

(i) inclusion of any new item of expenditure not originally contemplated in a contract;

(ii) extension in the date of delivery in contract where higher prices have been allowed on account of early delivery of stores;

(iii) Compensation allowed to firms in respect of contracts;

(iv) any extraordinary stipulation in a contract even if it is sanctioned by Government etc;

(v) any special and apparently objectionable procedure of purchase, inspection and payment sanctioned by Government etc;

(vi) all contracts on cost plus profit basis;

(vii) all contracts with private firms to act as Government stockists; and

(viii) all sanctions to ex-gratia payments.

4.33 CHECK OF BILLS FOR SUPPLY OF STORES AGAINST CONTRACTS, PURCHASE ORDERS AND AGREEMENTS ETC.

4.33.1 The following checks are prescribed in respect of bills for purchase of stores:-

(i) that there is provision of funds authorised by the competent authority;

(ii) that there exists sanction either special or general accorded by the competent authority authorising expenditure;

(iii) that the purchases are made economically and in accordance with the rules and orders made by competent authority;

(iv) that the rates mentioned in the bill agree with those shown in the purchase orders;

(v) that certificates of quality and quantity are furnished;

(vi) that the purchases have not been split up so as to avoid the necessity of obtaining the sanction of higher authority; and

(vii) in regard to stores purchased through the agency of DGS&D, debits for which are raised by the

Department of Supply, it should be ensured by the Pay and Accounts Officers that the debits accepted are proper charges against the work, office or other expenditure unit under their control and that the supply has been duly sanctioned. For debits for advance claims not supported by consignee receipt certificates, the PAOs should take adequate and prompt action to get the consignee receipt and settle the discrepancy or deficiency, if any, mentioned in the receipt certificate in consultation with the consignee.

Note:

- (a) The scrutiny mentioned at (i), (ii), (iv) & (v) above is to be exercised at the time of pre-check or post-check with reference to sanctions and supply orders required to be communicated to the PAOs.
- (b) The checks at (iii) and (vi) above are to be exercised at the time of internal audit of records of the departmental authorities.
- (c) The requirements indicated at (vii), in regard to debits for stores purchased through the agency of D.G.S.&D. are to be applied at the time of adjustment of the debits to final heads of accounts by the PAOs.

4.33.2 According to Chapter 7 of G.F.Rs, the responsibility of maintaining numerical and value accounts of stores and undertaking the physical verification of stores is that of the departmental officers. The rules referred to prohibit physical verification of stores by persons not conversant with the classification, nomenclature and technique of the particular classes of stores. Accordingly the departmental accounting organisation (including internal Audit) is not required to maintain the numerical and value accounts of stores or to conduct physical verification of stores and stock. During internal check it should, however, be ensured that a certificate of physical verification is recorded periodically by the responsible authority, that the system of verification adopted is adequate and proper, that the staff employed for physical verification are independent of those responsible for the physical custody of the stores or for keeping accounts thereof and that excesses and shortages found on physical verification are properly investigated and adjusted or written off under orders of competent authority.

4.33.3 Where a 'period' or 'value' account is maintained it will be the duty of the Accounts Officer to see, during internal check that

- (i) the stores are priced with reasonable accuracy and the rates are reviewed from time to time, are correlated with market price and revised, wherever necessary.
- (ii) the value accounts tally with the accounts of works and of departments connected with the stores transactions, that the total of the value account tallies with the outstanding amount in the general accounts and that the numerical balance of stock materials is reconcilable with the total of 'value' balances in the accounts at the rates applicable to various classes of stores and (iii) steps are taken for the adjustment of profits or losses due to revaluation, stock taking or other causes.

4.34 REFUNDS OF REVENUE

4.34.1 The procedure for payments of refund of revenue will continue to be governed by the provision of Rule 139 - 144 of Central Govt. Account (Receipts and Payments) Rules, 1983 but the bills for refund of revenue will be presented to the concerned P.A.Os to whom the departmental officers are linked. The P.A.O. will, before making payments, verify the original credit from his records and also keep a note of the refund against the original credit.

4.35 GENERAL PROVIDENT FUND BILLS

4.35.1 All bills relating to advances and withdrawals from General Provident Fund should be checked with reference to rules relating to the Fund and the amount at the credit of the subscriber in his account.

4.36 FINAL POST CHECK OF BILLS PAID AFTER PRE-CHECK

4.36.1 The Pay & Accounts Officer will ensure that in respect of all payments made after pre-check, a final receipt for the full amount passed has been received and attached to the bill in the prescribed form. This check may be conducted at the end of each month. For this purpose, the PAO should nominate a AAO/JAO or a Senior Accountant who should check that the acknowledgement is attached to each bill and record a certificate to this effect in a Register in Form CAM-32 to be opened for this purpose. This register should also be made available to Audit.

4.37 POST CHECK OF BILLS PAID BY CHEQUE DRAWING D.D.Os.

4.37.1 In the case of bills paid without pre-check by the Drawing and Disbursing officers having cheque drawing powers, in addition to the general checks mentioned in para 4.10 above and check against provision of funds referred to in para 4.2 above, the following checks will also be exercised at the time of conduct of post-check:-

- i. that the vouchers are duly supported by acknowledgement of the payees;
- ii. that they are stamped as "Paid"
- iii. that unless otherwise provided in the rules revenue stamps are affixed to all vouchers whose net amounts exceed Rs. 5000 and the stamps are duly cancelled; and
- iv. that the vouchers bear voucher Nos. as given in the List of Payments.

4.37.2 The detailed instructions explained above for the checks of various categories of bills shall also be kept in mind at the time of conducting post-check of vouchers to be received from the cheque drawing DDOs.

4.38 COMPUTERISATION OF ACCOUNTS

With a view to deliver the processed accounting inputs to the end users and improving the timeliness, accuracy, completeness and other qualitative aspects of financial reporting, the Controller General of Accounts has launched major initiatives towards computerisation. A comprehensive payment and accounting software, COMPACT has been developed for use in Pay and Accounts Offices. The 'COMPACT' is capable of processing the bills through different stages of pre-check to the final compilation of monthly accounts, with the provision for a number of reports that can be generated through the package. Details regarding the operation of 'COMPACT' software are available in the 'Manual for Users of COMPACT' issued by CGA-NIC.

4.39 MERGED DDO SCHEME

The Merged DDO Scheme came into being in terms of the instructions contained in Ministry of Finance, Department of Expenditure O.M. No.F.1 (4)-E (Coord)/86 dated 12th February, 1986. Under this scheme, the functional and day-to-day administrative control of the Cash Branch/DDO at the secretariat level in each Ministry/Department except the Ministry of External Affairs, would vest in the respective Pr.CCA/CCA/CA. They will ensure proper discharge of all items of work entrusted to the Cash Branch or the Merged DDO and exercise all financial powers vested in them as Head of the Department/Head of the Office in relation to the Merged DDOs, in the same way that they are exercised in relation to the Pay and Accounting Organisation. With these revised arrangements, the records maintained by the merged DDOs will become full-fledged accounts records, eliminating the need for maintenance of duplicate accounts records in Pay & Accounts Office. The procedure prescribed in para 4.2.4 above would not be applied in respect of heads of accounts operated by the merged DDOs, because the responsibility for expenditure control would be exclusively that of merged DDOs under the scheme.

The Pay & Accounts Offices shall follow the accounting procedure detailed below in respect of claims of merged DDOs –

i) Pay Bills will be prepared by merged DDOs as at present with the salary drawn for each month noted in the PBR, leaving at least one line between entries for two months. Schedules for provident fund, long-term advances etc prepared for facilitating maintenance of broadsheets by the Pay & Accounts Offices need not be prepared. The PBR itself will take the place of detailed ledger for the accounts of Fund, Advances etc. Such schedules will however be prepared for those cases where the credits have to be passed on for adjustment in other accounting circles. Unless orders to the contrary are issued, schedules for Licence fees and PLI will continue to be prepared. Copies of sanctions for creation/extension of posts, fresh appointment /transfer orders and last pay certificates will be maintained in the Cash Section and need not be attached with the pay bills. Similarly, certificate relating to health certificate for fresh appointees is not required on the body of the bill. Increment certificates will also not be prepared to be attached with the bills, but the approval for release of increment may be obtained from administrative wing and kept on record.

ii) Bills will continue to be submitted to the PAO as at present, and it will be the responsibility of the merged DDO alone to ensure that no claims are presented to the PAO in excess of the sanctioned strength of staff. This will be put to test-check by Internal Audit at regular intervals. The details of sanctioned posts and reference to sanctions etc is not required to be indicated in the salary bills.

iii) The merger of DDO functions with the departmentalised accounts set up will also cause a certain measure of integration and rationalization of work between the conventional DDO and PAO functions. Towards this end, the pre-check of bills before payment will be exercised in the Cash Branch itself, through a Checker or Examiner functioning on behalf of the Pay & Accounts Officer. Either he can be a Senior Accountant from the PAO or any other senior official considered suitable for the work. All bills after preparation will be subject to check by him to ensure that they are in order and arithmetically correct.

Any other necessary information shall be verified with reference to records available on the spot in Cash Section and any omission observed will be got completed then and there. The Examiner will thereafter write the pay order on the bill. The Pay & Accounts Officer will supply a chequebook to the Examiner having separate serial number so that along with the pay order, the cheque can also be written up. The usual intimation to the bank regarding chequebook details will also be sent. The checked bill bearing the pay order along with the cheque book will then be sent to the PAO, in a box under lock and key for signing the pay order and the cheque by Pay & Accounts Officer. The passed bill will be retained by the PAO and the cheque will be returned in the box to the Examiner for delivery to the DDO. The use of brass tokens will also not be required in this system. While sending passed bills to the PAO, the Examiner will also prepare a covering schedule in duplicate, in the Form CAM-11 'Register of Cheques Delivered' as amended and shown in Appendix 'D' to this Chapter. The PAO will retain one copy of the schedule along with the paid bills and return the other copy to the Examiner for taking the initials of the DDO on delivering the cheques to him. The retained copy of the schedule will serve as list of payments in the PAO.

iv) The DDO will be exclusively responsible for expenditure control on the heads of account operated by the Merged DDO and the PAO will not be required to maintain any record for this purpose. The inward accounts received from other accounting circles by the PAO, for adjustment against the heads under the control of the DDO will be adjusted by the PAO if the claim is prima facie in order. In case of doubts, the PAO will refer the case to the DDO for clarification/acceptance. Inward accounts adjusted by the PAO should be intimated to DDO for incorporation in the Expenditure Control Register. The PAO will have the overall responsibility of securing reconciliation of expenditure with the DDO.

v) For long-term advances, the opening balances in the PBR as on 1.4.86 will have to be reconciled balances. If the balances have not been reconciled, the recoveries should continue to be made with

reference to the outstanding balances as per the DDO's books and attempt shall be made to complete the reconciliation as quickly as possible. The calculations on account of recovery of interest is not required to be sent to the PAO for checking. The various certificates prescribed for rendition to the Pay & Accounts Office for various long-term advances will also not be required to be submitted to the PAO any more.

vi) In the event of transfer of a Government servant either to or from the control of a merged DDO, the transfer of balances relating to long term advances will be effected in the same manner as applicable to GPF balances (see chapter 6). Monthly and annual reconciliation/proving of payments and recoveries will also be done by the DDO in the manner prescribed for GPF.

vii) For the short-term advances, the existing procedure will continue.

viii) For the Government servants on deputation/foreign service, their recoveries against GPF subscriptions, long term advances, leave salary and pension contributions etc that are received in the form of cheques/drafts by the PAO, will continue to be accounted for in terms of the existing procedure. The PAO will, however, intimate the full details of the recoveries received and brought to account by him to the DDO, as the responsibility of watching these recoveries/contributions is that of the DDO. Recoveries that are in arrears as on 1.4.86 will continue to be watched by the PAO till their final settlement. The DDO will continue to maintain the individual folio in the PBR, for the Government servants on deputation.

When the intimation of recoveries is received from the PAO, the details will be noted in PBR in the section "Deductions/Recoveries", against relevant months changing the column headings suitably, if necessary. Claims submitted to PAO by the DDO towards payment/reimbursement of leave salary of the Government servant on deputation, will be noted in the PBR in the Section "Amount due". It will be the DDO's responsibility to report the amount of leave salary and pension contribution payable by the borrowing organization at the time of drawing up of the terms and conditions of foreign service. The certificate regarding recovery of contributions will also be recorded in the Service Books by the DDO.

ix) The procedure for transfer and accounting of GPF balances of the staff at Secretariat level to the merged DDOs has been prescribed in Chapter 6.

x) The following registers presently maintained by the PAO may be discontinued in relation to the merged DDO :

Sr.No.	Name of the Record
1.	Token Register
2.	Certificate of Tokens
3.	Token Census Register
4.	Enquiry Regarding Token Numbers/Outstanding Pre-check Bill
5.	DDO wise Passing cum Expenditure Control Register
6.	Bill Return Memos
7.	Fly-Leaf of Payment Register
8.	Establishment Check Register
9.	Register of Special Charges
10.	Objection Book
11.	Register of Periodical Charges
12.	Register and Broadsheet for Long Term Advances
13.	Register of Final Post-Check of Pre-checked Bill
14.	General Index Register
15.	Stock Register of Insurance Policies (Provided there is no policy to be re-assigned to the
16.	Register of Details of Matured Policies
17.	Provident Fund Ledger Folio
18.	Broadsheet of Provident Fund

18.	Broadsheet of Provident Fund	
19.	Register of GPF Missing Credits/Debits	
20.	Register of Final Payment Cases	
21.	Memorandum Calling for Particulars of Government servants placed on Foreign Service.	

APPENDIX "A"
(Referred to in para 4.3.2)

No. F. 1(23)-B (AC)/2005
Ministry of Finance
Department of Economic Affairs
(Budget Division)

New Delhi, the 25th May, 2006

OFFICE MEMORANDUM

Sub: Revised Guidelines on Financial Limits to be observed in determining cases relating to 'New Service'/'New Instrument of Service'.

In accordance with the commitment made in the Fiscal Policy Strategy Statement (Budget 2005-06) under the mandate of the Fiscal Responsibility and Budget Management (FRBM) Legislation and in pursuance of the approval of Public Accounts Committee (2005-2006) in the twenty third report (Fourteenth Lok Sabha) on the proposal for review of Financial Limits to be observed in determining the cases relating to 'NEWSERVICE'/'NEW INSTRUMENT OF SERVICE' for re-appropriation of funds (Annex), which has the concurrence of the C&AG, the following revised guidelines for re-appropriation of funds are hereby conveyed, in modification of this Ministry's Office Memorandum No.F.7(15)-B(RA)/82 dated 13th April, 1982.

2. Definition of the terms 'New Service/New Instrument of Service' and its application:

- (i) 'New Service' As appearing in article 115(1)(a) of the Constitution of India, this has been held as referring to expenditure arising out of a new policy decision, not brought to the notice of Parliament earlier, including a new activity or a new form of investment.
- (ii) 'New Instrument of Service'. Refers to relatively large expenditure arising out of important expansion of an existing activity.
- (iii) While using these terms and applying the financial limits as indicated in the Annex.II, it needs to be noted that no expenditure can be incurred from the Consolidated Fund of India on a 'New Service'/'New instrument of Service' without prior approval of Parliament through supplementary demands for grants. Further, the determination of these financial limits will be with reference to Primary Unit of Appropriation.
- (iv) Where in an emergent case of 'New Service'/'New Instrument of Service' it is not possible to wait for prior approval of Parliament, the Contingency Fund of India can be drawn upon for meeting the expenditure pending its authorization by Parliament. Recourse to this arrangement should normally be taken only when Parliament is not in session. Such advance are required to be recouped to the Fund by obtaining a Supplementary Grant in the immediate next session of Parliament. However, one Parliament is in session, a Supplementary Grant should preferably be obtained before incurring any expenditure on a 'New Service'/'New Instrument of Service'. That is to say, recourse to Contingency Fund of India should be taken only in cases of extreme urgency; in such cases the following procedure recommended by the Sixth Lok Sabha Committee on paper laid on the Table in their 4th Report should be observed.

"As far as possible, before such withdrawal is made, the concerned Minister may make a statement on the floor of the Lok Sabha for information giving details of the amount and the scheme for which the money is needed. In emergent cases, however, where it is not possible to inform the Members in advance, the withdrawal may be made from the Contingency Fund and

soon thereafter a statement may be laid on the Table of the Lok Sabha for the information of the Members”.

It has been suggested by the Rajya Sabha Secretariat that the above procedure may also be observed in Rajya Sabha.

3. Checks to be observed by the Ministries/Departments to ensure compliance of the provision of this Office Memorandum are as under:

- (i) By Integrated Finance Division/Budget Unit: A specific certificate should be recorded in each case involving augmentation of sanctioned provision on receipt of related proposals to the effect that the proposed augmentation attracts/does not attract financial limits of ‘New Service’/‘New instrument of Service’.
- (ii) By PAOs: Each expenditure sanction to be examined by PAOs from the ‘New Service’/‘New Instrument of Service’ angle keeping in view the financial limits indicated in the Annex.
- (iii) Where any doubt arises about the application of financial limits of ‘New Service’/‘New Instrument of Service’ the PAO would seek decision from CCA/FA of appropriate jurisdiction.

4. Circumstances for obtaining Supplementary grants for expenditure qualifying as ‘New Service’/‘New Instrument of Service’ and the reporting procedure thereof are as follows:

- (i) If sufficient savings are available within the same section of the relevant grants for meeting additional expenditure to the extent mentioned in column 2 of the annex, re-appropriation can be made, subject to report to Parliament.
- (ii) The report to Parliament should ordinarily be made through the ensuing batch of Supplementary Demands for Grants, failing which by adding an Annex in the Detailed Demands of the Ministry/Department for the ensuing year.
- (iii) A suitable write up of such cases where possible, may also be made in the Notes on Demands for Grants of the Ministry/Department.
- (iv) Mere depiction of augmented provision in the Revised Estimates included in the Demands for Grants will not be adequate to meet the requirement to incur expenditure. In cases where the financial limits of ‘New Service’/‘New Instrument of Service’ are attracted, approval of Parliament may be obtained for incurring such expenditure through supplementary demands for grants.
- (v) The provisions in the ‘Vote on Account’ are not intended to be used for expenditure on any ‘New Service’. In cases of urgency, expenditure on a ‘New Service’ during Vote on Account period can, therefore, be incurred only by obtaining an advance from the Contingency Fund in the manner recommended by the Sixth Lok Sabha Committee on the Papers Laid on the Table already referred to in Para 2(iv) of this OM. Such advances will be resumed to the Contingency Fund on enactment of Appropriation Act in respect of expenditure for the whole year.

5. Exceptions:

- (i) Having regard to the volume and nature of Government transactions, it is not possible to list out all such cases which are not attracted by ‘New Service’/‘New Instrument of Service’ limits. Broadly, however, expenditure on normal activities of Government (such as normal administrative expenditure – including that resulting from re-organization of Ministries/Departments, holding of conferences, seminars exhibitions surveyors feasibility study etc. assistance to foreign contribution to international bodies and fulfillment of

Government guarantee on its invocation) are not attracted by the limits of 'New Service'/'New Instrument of Service'.

- (ii) Transfers to State and Union Territory Governments are also exempt from these provided the scheme is not new.
- (iii) Further, these limits are applicable only to expenditure, which is subject to Vote of Parliament.

6. Doubtful cases:

In cases of disagreement between the Integrated Finance Wing and Pay and Accounts Office, the Ministry/Department may send a self contained communication to the Budget Division, Ministry of Finance bringing out the specific point of doubt incorporating their Financial Advisor's views thereon. The decision taken by the Budget Division in the matter will be final.

7. Conclusion:

While agreeing to the revision of norms for re-appropriation of funds as annexed the Public Accounts Committee in its twenty third report (Fourteenth Lok Sabha) has concluded by stating as under:

"The committee also expects the Financial Advisors of the Ministries/Departments to ensure that there is no violation in implementation of the said revised norms for re-appropriation of funds and any slackness in complying with the said norms is strictly dealt with".

**APPENDIX `B`
(Referred to in Note below para 4.2.3)**

Types of transactions treated as Charged expenditure :

1. A question was raised whether, in a case in which an appeal has been filed against the decree of a lower court, a deposit of the decretal amount made in the court, should be treated as a Deposit in the Public Account or as a payment charged on the Consolidated Fund of India under article 112(3)(f) of the Constitution of India.

It has been decided that, in the absence of a stay of execution of the decree, the Deposit should be deemed to be in satisfaction of the decree. If, however, deposit of the decretal amount has been made by way of security for staying the execution of the decree, or as a condition precedent to the grant of a stay order under orders of the Appellate Court, the payment made in pursuance of the said order is only a deposit and cannot be said to have been made in satisfaction of the decree passed by the lower court. The fact that the Court may allow the decree-holder to withdraw the amount so deposited by the Government does not alter this position. Consequently, the provisions of article 112(3)(f) of the Constitution would not be attracted in such cases. The amount, being in the nature of a deposit in the court, would not constitute 'expenditure' of the Government and should be classified under the head "8674-Security Deposit made by Government" in Section "L-Suspense and Miscellaneous" in the Public Account of India - the debit under this head being cleared after the amount is recovered if and when the appeal is decided in favour of Government. Where, however, the appeal is dismissed and the decree becomes final, the amount deposited in the Court would thereupon constitute payment made to satisfy the decree and, consequently, the debit under this head should then be cleared by transfer to the final head, as Charged' expenditure, and covered by appropriate provision of funds or, in anticipation thereof, by an Advance from the Contingency Fund of India, as may be necessary.

[Ministry of Finance No. F1(44)-B/56 dated 16.5.56, F.1(66)-B/57 dated 21.11.57 and F.1(52)-B/68 dated 31.1.69]

2. In cases of arbitral awards/decrees against State Governments in disputes arising out of the acquisition of land, buildings and property for Union purposes, since the award/decreed is against the State Government and the liability for the initial payment in satisfaction of the award/decreed devolves on the State Government, the expenditure should be charged on the Consolidated Fund of the State under article 202(3) (e) of Constitution. The subsequent reimbursement by the Central Government would be merely an inter-governmental adjustment which does not attract the provisions of article 112(3)(f) of the Constitution, since such an award/decreed is not enforceable against the Central Government.

[Ministry of Finance No. F.2(43)-B/59 dated 12.9.59]

3. There are cases in which security deposits of contractors are appropriated by Government towards liquidated damages. In such cases, if recovery made from the contractor on this account has to be refunded as a result of the levy of compensation in terms of the agreement having been held by the arbitrator as not justified, the refund should be treated as expenditure charged on the Consolidated Fund under article 112(3)(f) of the Constitution.

[C & AG letter No. 1267-AC/178-63 dated 24.9.63]

4. Where a Court award is for a composite amount which is not capable of being split up as "Refunds of Revenue" and "Other Expenditure", the entire amount of award should be treated as "Charged" expenditure.

Where an award is exclusively for the refund of security deposit or other revenue, the refund should not be treated as "charged" expenditure but accounted for an refund of deposit or revenue, as the case may be, under "Deduct-Refunds".

Where an award is specific about the components of the award (e.g. refund of security deposit plus cost) or is for a composite amount which is capable of being split up as "Refunds" and "Other

expenditure", the components are to be accounted for individually as "Refund" of deposit or revenue and as "Charged" expenditure respectively.

[C & A G's letter no. 437-AC/131-65 dated 18.5.66]

5. The Ministry of Law have advised that, for the purposes of article 112(3)(f) of the Constitution, a tribunal must be constituted by the State (and not merely by an agreement of parties) and must be invested with the States' inherent judicial (as distinguished from purely administrative or executive) powers and the trappings of a court. Accordingly, an arbitrator appointed under Section 10A of the Industrial Disputes Act, 1947 or a private arbitrator to whom a dispute is referred under an arbitration agreement under the Arbitration Act, 1940 is not a tribunal within the meaning of article 136 of the constitution. Consequently, payment in satisfaction of the award of such an arbitrator cannot be treated as expenditure "Charged" on the Consolidated Fund. However, in cases where such an award by a private arbitrator is filed in a court and a decree is obtained in terms of the award, the expenditure required to satisfy the court decree will be expenditure charged on the Consolidated Fund.

[Ministry of Finance No. F. 1(124)-B/64 dated 13th November, 1964].

6. The award of a collector under the Land Acquisition Act is not an award of court nor can it be considered as an award of arbitral tribunal. While making an award under Section 11 of the Act, the collector merely acts as an office of the Government making enquiries in order to determine the compensation payable. Payment of such awards should, therefore, be treated as voted item of expenditure.

[Ministry of Finance No. F.1(4)-B/66 dated 19th April,1966]

7. A case arose in which an award was decreed against the Government for payment of rent in respect of certain requisitioned property. It has been held that where an award imposes an obligation to make a recurring payment, every recurring payment including those beyond the date of the award would be expenditure "Charged" on the Consolidated Fund under article 112(3)(f) of the constitution.

[Ministry of Finance No. F.1(124)-B/64 dated 20th April, 1965]

8. Pension payments in the under-mentioned cases are required to be treated as "Charged" expenditure in terms of the various provisions of the Constitution shown against each;

Article of the constitution	
(a) Judges of the Supreme Court/ Federal Court/High Courts	112(3)(d)
(b) Comptroller & Auditor General of India	112(3)(e)
(c) Officers and servants of the Supreme Court	146(3)
(d) Persons serving in the Comptroller and Auditor General's Office	148(6)
(e) Officers and servants of High Courts	229(3)
(f) Members and staff of U.P.S.C. and State Public Service Commissions	322

The pensions payable to or in respect of the Judges of Supreme Court, Federal Court and High Court, the Comptroller and Auditor General of India and members of the Public Service Commissions (both Union and States) do not present any problem and they are required to be "Charged" on the Consolidated Fund of India or the States, as the case may be. In the case of officers and staff of the Courts, Public Service Commissions and comptroller and Auditor General of India, however, it is not possible to follow a uniform procedure in all cases in view of the difference in the wording of the relevant

articles of the Constitution. Having regard to the Constitutional provisions, the entire pension of the officers and staff of the High Court, Supreme Court, UPSC and State Public Service Commissions should be treated as "Charged" expenditure only in cases in which the employees hold a lien on a post in these organisations, or in the case of temporary employees, if they do not hold a lien on a post in any other organisation.

In the case of the office of the C.&A.G., however, in view of the working of article 148(6) of the Constitution, pension of all officers and staff serving in that office immediately before retirement or proceeding on leave preparatory to retirement from that office should be treated as "Charged" expenditure irrespective of the office or service to which they belong.

A Pension will either be wholly charged or wholly voted and the fact the same is allocable between different Governments or Departments, service under one or more of which does not by itself qualify for a "Charged" pension, should not make any difference.

[Ministry of Finance No. F. 1(79)-B/64 dated 1-10-1965]

9. Under article 112(3)(a) of the Constitution of India, the emoluments and allowances of the President of India and "other expenditure relating to his Office" shall be expenditure charged on the Consolidated Fund of India. It has been held by the Ministry of Law that it would not be proper to exclude pension, gratuity etc. payable to retired employees or their families from being a charged expenditure on the Consolidated Fund of India, only because those particular items were not specifically referred to in the above clause of the Constitution. It has, therefore, been held that the expression "other expenditure relating to his office" referred to in this clause includes also pension, gratuity etc. It has been further held that pensions, gratuity etc. in respect of persons who have served the President's Secretariat before retirement, or who retire while serving the President's Secretariat, should be treated as 'Charged' expenditure, only if the employees hold a lien on a post in the President's Secretariat or, in the case of temporary, employees, if they do not hold a lien on a post in any other organisation.

[Ministry of Finance U.O. No.F.7(14)-B(D)/77-KW dated 10.5.78 and F.3(102)-B(AC)/78 dated 27.8.79; the Ministry of Law, Justice & Company Affairs U.O. No. 23037/78 dated 19.5.78; and the CAG's U.O. Note No.1514-AC/142-78 dated 13.8.79]

APPENDIX 'C'
(Referred to in para 4.30.5)
ILLUSTRATIVE EXAMPLE

Register and broadsheet of advances for H.B./Motor Car etc. and interest thereon for the year

Year	Sl. No.	Name of the Government of the order & the amount sanctioned	No. & Date of Submittance of the order & the amount sanctioned	Rate of Interest	Amount drawn	Amount received in Rupees												Total recoveries during the year	Balance of Principle at the end of the year carried forward	
						April	May	June	July	August	Sept. '02	Oct. '02	Nov. '02	Dec. '02	Jan. '03	Feb. '03	March '03			March (Final) '03
1.	2.	3.	4.	5.	6.	7.	8.	9.	10.	11.	12.	13.	14.	15.	16.	17.	18.	19.	20.	21.
2002-03			20 Installments of Rs. 1,000/- each	Interest 5%	Rs. 20,000 during 9/02						1,000*	1,000	1,000	1,000	1,000	1,000	14,000		6,000/1,19,000	14,000/1,19,000
2003-04						April '03	May	June	July	August	Sept.	Oct.	Nov.	Dec.	Jan. '04	Feb. '04	March '04	March (Final)	12,000/90,000	2,000/2,09,000

Appendix "D"
(Referred to in sub-para(iii) of Para 4.39)

REGISTER OF CHEQUES

Date (separate sheet for each day)

SI No.	Cheque No.	To whom issued	Amount Rs.	Bill No.	Initials of PAO	Voucher No.	Signature of DDO for receipt of cheques
1	2	3	4	5	6	7	8

Note : Preparation of list of outstanding cheques at the end of the month, remaining unpaid, will be done by the P.A.O.