

PREPARATION OF BUDGET

The budget of a government is a summary or plan of the intended revenues and expenditures of the government. Budget Estimates are detailed estimates of receipts and expenditure of the financial year. Budget year is the financial year commencing on the first April and ending with the 31st March for which the budget is prepared.

Definitions

Following are the important terms which are generally used in budget :

- (i) **Voted expenditure** means such expenditure as is submitted to the vote of the Legislative Assembly.
- (ii) **Charged expenditure** means such expenditure as is not subject to the vote of the Legislative Assembly.
- (iii) **Administrative approval** is the formal acceptance by the Administrative Department of a proposal to incur expenditure with or without a reference to the Department of Finance as the case may be.
- (iv) **Technical sanction** is the sanction of the competent authority to a properly detailed estimate of the cost of a work of construction or repair.
- (v) **Controlling Officer** means authority responsible for the control of receipts or expenditure.
- (vi) **Consolidated fund of the State** is the fund into which all revenues received by the Govt. of the State, loans raised by the government by the issue of treasury bills, loans or ways and means advances, and moneys received by the government in repayment of loans, are credited and from which the expenditure of the State, when authorized by the Legislature, is met.
- (vii) **Contingency Fund of the State** means the fund in the nature of an imprest into which shall be paid from time to time such sums as may be determined by law to enable the Governor of Punjab to make advances

out of such fund for the purpose of meeting unforeseen expenditure pending authorization of such expenditure by the Legislature by law.

- (viii) Disbursing Officer is a govt. employee who has been declared as such by the Administrative Department concerned in consultation with the Department of Finance and who draws money for disbursement on bills/cheques from the treasury.
- (ix) Grant means the amount voted by the Legislative Assembly in respect of a demand for grant.
- (x) Head of Department means in relation to receipts and expenditure, under any head of account, the authority as shown in the Punjab Budget Manual.
- (xi) Major Head means a main head of account for the purpose of recording and classifying receipts and disbursements of the State.
- (xii) Minor Head means a main head subordinate to a major head or a sub-major head.
- (xiii) Re-appropriation means the transfer of savings under appropriation from one unit of appropriation to meet excess expenditure anticipated under another unit.
- (xiv) Revised Estimate is an estimate of the probable receipts or disbursements for a year framed in the course of the year with reference to the transactions already recorded.
- (xv) Supplementary grant means a grant voted by the Legislative Assembly on a supplementary statement of expenditure presented to it within the current financial year.
- (xvi) Token demand is a demand made to the Legislative Assembly for a nominal sum when it is proposed to meet from savings within the grant, expenditure which as constituting a "new service" not contemplated in the budget of the year, may not be incurred without the specific vote of the Assembly.

(xvii) Vote on account is a grant made by the Legislative Assembly in advance, in respect of the estimated expenditure for a part of any financial year, pending completion of the procedure prescribed for voting of such grant and the passing of law in relation to that expenditure as per provisions of the Constitution.

Functions and Procedure

The Department of Finance is responsible for preparation of the annual statement of the estimated receipt and expenditure of the government. The Finance Department obtains the concerned material from the different departments to base its estimates of revenue and expenditure for laying before the Legislative Assembly each year.

The Department of Finance supplies blank forms to the Heads of Departments each year by a specified date ^{in April July or August} ~~not later than the 1st July~~ each year in which the departmental estimates are to be prepared and submitted to the Department of Finance. The Heads of Departments, in turn, supply copies of these documents to the Collecting Officers and Disbursing Officers subordinate to them.

The Collecting or Disbursing Officer fill these forms and forwards them to the Controlling Officer for the particular minor or detailed head concerned, accompanied, where he considers this necessary, by an explanatory note showing the reasons for his proposals.

On receipt of the estimates of Collecting or Disbursing Officer, the Controlling Officer after scrutinizing the proposal in detail forwards it to the Head of Department for the particular major head or minor head concerned.

Thereafter, the Head of Department consolidates the information into a self-contained budget for each major head of account in so far as he is concerned, properly arranged under minor or sub heads showing the

Collection of
Estimates
from Deptts.

Information
to be sought
in Blank

Minor &
Major Heads

Consolidation
information
by HODs

Consultation
of Planning
Department

customary detail. While compiling the estimates the Head of Departments rounds off figures under each item to the nearest thousand.
So far as ~~Plan~~ ^{Capital} schemes ^{involving capital expenditure} are concerned, the estimates so prepared are discussed in detail in the Department of Planning before these are submitted to the Department of Finance.

It is made clear that the Department of Finance is responsible for the correctness of the estimates framed on the material so supplied, but for the correctness of that material the Collecting or Disbursing Officer, as the case may be, and superior Estimating Officers, are responsible.

When during the course of the financial year, a need is felt that the funds already provided in the budget estimates are required to be enhanced or reduced under a scheme with reference to the transactions already recorded, the same is done at the time of framing Revised Estimates which are prepared in the month of November or December.

Revised
Estimates -
excess &
surrender

The Revised Estimates are framed on the basis of the information supplied by the Departments through the Statement of Excesses and Surrenders which statement is intended solely for the purpose of fixing the expenditure of the year after examination of the actual expenditure to date and for indicating what the surrenders or excesses are likely to be over the grants sanctioned. The statement of excesses and surrenders is, so far as expenditure is concerned, the chief source of information on which the Department of Finance relies to determine whether the modified grant will be in excess or in deficit of the actual expenditure.

Supplementary
Demands

The correct procedure for all Heads of Departments who anticipate expenditure in excess of their grants is to report the facts to the Department of Finance through their Administrative Department. The Administrative Department will either propose a re-appropriation within the grant as a whole or prepare a supplementary demand for submission to the Legislature.

Surrender of Savings

Savings coming to notice after the dispatch of the final statement should be reported separately as soon as possible. All final savings must be surrendered to the Department of Finance by 15th January.

Expenditure on new schemes not contemplated in the budget as approved by the Legislature should not be included in the statement of excesses and surrenders unless specific approval of the Department of Finance has been obtained thereto.

The revised estimate framed on the basis of the statements of Excesses and Surrenders is communicated to Heads of Departments to enable them to take up the question of re-appropriation and the like with the Department of Finance.

The enhanced budgetary provision under the Revised Estimates is normally met with by two ways i.e. by way of re-appropriation of funds or through Supplementary Grant.

Re-appropriations

This implies the transfer of funds from one unit of appropriation to another within a grant and this is permissible only when it is known or anticipated that the appropriation for the unit from which funds have to be diverted will not be utilized in full, or, that savings can be effected in the appropriation for that unit.

Re-appropriations are, however, not permissible in the following cases:

- (i) from one Grant/Appropriation to another;
- (ii) from the "Charged" to the "Voted" section or vice versa
- (iii) to provide for new expenditure, whether voted or charged.
- (iv) to increase or provide for expenditure on an item the provision for which was specifically reduced or disapproved by the Assembly either through a substantive or a token out;

- (v) after the close of the financial year; and
- (vi) from a capital head to a revenue head within the same grant and vice versa.
- ~~(vii) from plan side to non plan side and vice versa.~~
- ^{vii}
(vii) from "Salaries" to other standard objects of expenditure.

Supplementary Grants

These grants are required in the following cases:

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

In cases falling under clause (ii) a token sum of Rs. 1,000 or the amount actually required, as the case may be, should be included in the supplementary statement of expenditure, while in case falling under clause (iii) only a token sum of Rs. 1,000 need be included.

Having regard to the information available with him, the Head of Department prepares a budget note containing his own proposals and reasons for them which contain an explanation of the differences between the proposed figures for the next year and figures of the current year.

The Finance Department completes the process of detailed estimates and prepares the budget literature for presenting to the

Legislature by the Finance Minister. The literature consists the following documents :

1. Detailed estimates of revenue and expenditure for the budget year.
2. Schedule of New Expenditure.
 - (a) ~~Plan~~ Schemes involving Capital Expenditure
 - (b) New Schemes
3. Memorandum explanatory of the Budget.
4. Finance Minister's speech, together with
 - (a) Budget at a glance
 - (b) Punjab on the March ; and
5. Performance Budget of selected Departments.

The budget is presented to the Legislature ordinarily in the second half of February or early in March. After the voting of all the Demands for Grants is completed, an Appropriation Bill is introduced to provide for appropriation of funds out of the Consolidated Fund of the State and after the appropriation bill has been passed by the Legislature, the Governor's assent to the bill is obtained and when that is given, the amounts shown in the Act assented to by the Governor and the Schedule thereto become the sanctioned grants for expenditure under the various Demands.

Thereafter, the Department of Finance communicates the budgetary provision to the Heads of Departments concerned with a copy to Accountant General (Accounts and Entitlement) and (Audit) Punjab and the Administrative Secretary concerned.