Hearty Welcome
Power Point Presentation

On

FINANCIAL PROPRIETY, PREPARATION OF BUDGET & MAINTENANCE OF REGISTERS

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At the outset, I would like to thank Sri D. Chakrapani garu, IAS (Retd), Director General, AP HRD Institute & Ex-officio Secretary to Govt., GAD, AP and Hon’ble Vice Chancellor Prof. V. Durga Bhavani garu and Prof. D. M. Mamatha garu, Registrar, Sri Padmavathi Mahila University, Tirupathi for providing me an opportunity to interact with you people gathered here in connection with 3 day Residential Training Programme for the Non Teaching Staff of Sri Padmavathi Mahila University, Tirupathi, on “Financial Propriety, Preparation of Budget and Maintenance of Registers”. I am indeed very happy to share my little knowledge with you all. The topic assigned to me is quite elaborate and therefore, I would like to brief the salient features concerning this area.

A. Standards of Financial Propriety:

1. Every Officer incurring or authorizing expenditure from public money should be guided by high standards of financial propriety. Every Officer should also enforce financial order and strict economy at every step and see that all relevant financial rules and regulations are observed by his own office and by subordinate disbursing officers. Among the principles on which emphasis is generally laid are the following:
• Every officer is expected to exercise the same vigilance in respect of expenditure incurred from public moneys as a person of ordinary prudence would exercise in respect of expenditure of his own money.

• The expenditure should not be prima facie more than the occasion demands.
• No authority should exercise its powers of sanctioning expenditure to pass an order which will be directly or indirectly to its own advantage.

• Expenditure from public moneys should not be incurred for the benefit of a particular person or section of the people, unless:

• A claim for the amount could be enforced in a Court of Law.

• The expenditure is in pursuance of a recognized policy of custom.

• The amount of allowances granted to meet expenditure of a particular type, should be so regulated that the allowances are not on the whole a source of profit to the recipient.
The responsibility and accountability of every authority delegated with financial powers to procure any item or services on Government account is total and indivisible. Government expects that the authority concerned will have the public interest uppermost in its mind while making a procurement decision. This responsibility is not discharged merely by the selection of the cheapest offer but must conform to the following yardsticks of financial propriety.

- Whether the offers have been invited in accordance with governing rules and after following a fair and reasonable procedure in the prevailing circumstances.

- Whether the authority is satisfied that the selected offer will adequately meet the requirement for which it is being procured.

- Whether the price on offer is reasonable and consistent with the quality required.

- Above all, whether the offer being accepted is most appropriate one taking all relevant factors into account and in keeping with standards of financial propriety.
Whenever called for, the concerned authority must place on record in precise terms, the considerations which weighed with it while taking the procurement decision. Audit Officers shall also be responsible for watching that the above principles are strictly observed.

2. **Purchase Procedures:** The rules and instructions governing the procedure of stores and calling of Tenders are envisaged in article 125 of APFC Vol - I.

3. All the Government Servants should strictly observe the following rules and instructions when buying in public service. These rules and instructions also apply to the purchase of Stores by Government Servant on behalf of Local Bodies and of Local Funds administered by the Government.

**Rule – 1:** When the condition regarding quality and price are equal, preference in making purchase should be given in the following order:

- **Firstly:** to articles produced in India in the form of raw materials are Manufactured in India and produced in India.
- **Secondly:** to articles wholly or partially manufactured held in India.
- **Thirdly:** to articles of Foreign manufacture held in stock in India and
- **Fourthly:** to articles manufactured abroad which need to specially imported.
The principles underlying Rule-1 is that preference should be given to Indian products and to imported articles held in stock in India. Thus, ordinarily articles available at the same price, that of the best quality be purchased and for articles of the same quality the lowest tender should be accepted.

5. While purchasing the articles a Purchasing Officer shall take into consideration only the prices of articles excluding Sales Tax and compare the rates for purpose of arriving the competitive prices and place the order for purchase of article.

Rule – 2:

• All articles required for use in public service shall be purchased on the Condition that the delivery shall be made in India for paying in Rupees in India.

b. No tender which is not expressed in terms of Rupees or which fails to comply with the condition as to delivery and payment prescribed.

c. Tenders shall be opened after intimation to the Tenderers and in the presence of the Tenderers who desire to attend.
6. Tenders should be obtained by advertisement (Open Tender) or by direct invitation to the limited number of Firms (Limited Tender) or by invitation to one Firm only (Single Tender)

• Open Tender:- The Open Tender system should be adopted, wherever the value of the order for the purchase of Stores is Rs.5.00 Lakhs or more. In this case the Purchasing Officer should arrange for the necessary public advertisement and may at his discretion insert advertisement in A.P. Gazette, the Indian Trade Journal and One or more of the principal news papers published in India. A small advertisement can go in the newspaper and further details can be part of web site whose address can be mentioned in the newspaper. Lengthy advertisement in newspapers may be avoided. Any splitting of the work to remain below the limit of Rs.5.00 Lakhs will be viewed seriously and action taken.

• Limited Tender:- The Limited Tender system should ordinarily be adopted, wherever the estimated value of the order for the purchase of Stores is Less than Rs.5.00 Lakhs

• Single Tender: - The Single Tender system may be adopted in the case of a small order, or when the article required is of a proprietary character and competition is not considered necessary. For this purpose a small order means an order the value of which does not exceeds Rs.10,000/- or if more than one kind of article is ordered at one time, an order the total value of which does not exceed Rs.20,000/-.
7. **Acceptance of Tenders (Art. 127):** The Financial status of the Tenderers shall be taken into account before a Tender is selected **(Technical Bid)**. After opening the Tenders, at the specified time, a brief statement on the spot should be recorded giving the names of the Tenderers and the amount of the Tenders and dated signature of those Tenderers who are present shall be obtained. The prices quoted should be readout **(Financial Bid)**. If other conditions are equal, the lowest tender should be accepted. When the lowest tender is not accepted, the reasons should be recorded. The acceptance or rejection of a tender is a matter entirely within the discretion of the Govt. servant responsible for the purchase of materials.

8. No Tenderer has any right to be told the reasons for rejecting his tender and the reasons for rejection should not be communicated to any Tenderer. No tender should be accepted from any person directly or indirectly connected with the Govt. service. If any collusion is detected between a Tenderer and a Govt. servant it should be dealt with severely.

9. **Agreements for the supply of Stores Art.128):** When a Tender is accepted for the supply of stores, the successful Tenderer should be required to execute an agreement in regard to the supply but long term contracts should be avoided. Only Govt. servants who have been specifically authorized to make contracts should accept tenders and sign agreements.

10. Agreements relating to the supply of Stores are liable to stamp duty, but their registration is optional.

11. **E.M.D:** Cash deposit as Earnest Money should, as a rule, be demanded from all Tenderers even though they may claim to be firms of established repute.
12. **E.M.D.** may be collected at 10% of the Contract value. The intending tenders must produce Income Tax and Sales Tax verification certificates in the prescribed form from the I.T.O / C.T.O. to the effect that Income Tax / Sales Tax up to the end of the previous accounting year had been fully paid.

13. **Powers delegated to authorities in Osmania University** for effecting purchase of consumables / lab requirements / equipment / furniture etc., for the Colleges / Offices / Centers / Heads of Departments - **FINANCIAL LIMITS**

• The Principals of the Colleges and the Drawing Officers are authorized to purchase of any single equipment or item etc. The basic cost (excluding taxes) of which does not exceed Rs.25,000/- (Rupees Twenty Five thousands only), subject to accepting the lowest offer / quotation.

• The purchase Committee of the Colleges / Offices / Departments are authorized to approve purchase of any single equipment or item etc., the basic cost (excluding taxes) of which does not exceed Rs.1,00,000/- (Rupees One lakh only), subject to accepting the lowest offer / quotation.

• The Vice-Chancellor will approve the purchases beyond Rs.1, 00,000/- (Rupees One Lakh only) and up to Rs.10, 00,000/- (Rupees Ten Lakhs only) on the recommendation of the Purchase Committee.
• With regard to items costing more than Rs.10,00,000/- (Rupees Ten Lakhs only), the recommendation of the Purchase Committee are placed before the Finance Committee & Executive Council for consideration and approval.
• Where the lowest quotations are not accepted for any reason, such cases should be referred to the University Office for scrutiny and obtaining necessary approval.

14. Purchase Committee Consists of:

• The Principal of the College
• Head of the Department Concerned
• Two Senior Teachers in the subject Concerned
• Nominee of the Vice Chancellor

B. Preparation of Budget: The word ‘Budget’ is derived from French word “Baguette”, which means small bag or pouch. It was first used in England to describe the white leather bag that held the seal of the Medieval Court of the Exchequer. Later, the Chancellor of Exchequer’s bag, containing his proposals for financing government expenditure became known as his “Budget”. When he presented his proposals to the Parliament, he is said to open his Budget. Gradually, the word Budget came to be used for the proposals themselves carried to parliament for approvals.
1. **Definition of Budget:** A Budget is a set of interlinked plans that quantitatively describe an entity’s projected future operations. Budget is used as a yardstick against which to measure actual operating results, for the allocation of funding and as a plan for future operations. Budget is a statement of the probable Revenues and Expenditure for the ensuing year, with financial proposals founded thereon, annually submitted by the fund raising and fund granting authority for approval of the appropriate body / authority. Budget is not a Balance Sheet. Budgeting is the translation of operating plans into accounting language and their evaluation in relation to financial statement. Budget is a plan for the future.

2. **Characteristics of a Budget:**
   - Budget is Plan or Programme and prepared in financial terms.
   - Budget is a plan for the future.
   - An estimate, often itemized, of expected Income and Expense for a given period in the future.
   - This plan or Programme is framed on the basis of past experiences and data available.
   - An itemized allotment of funds, time etc., for a given period.
   - As it is a plan, it must be systematic, organized and should be very much guided by the economic and social policy of the Govt. and the ideology.
• Budget should not be considered merely a preliminary proposal. It is rather a plan of action.

• Items included in the budget are merely Estimates and that these items will turn into actuals is rarely probable.

• It is a comprehensive plan that covers all the activities of all the departments and agencies of the Government. It covers all that is to happen during the period in the financial year.

• The budget is always prepared and presented on behalf of the Executive. No other member can present the budget in the legislature.

• Finally: The budget is put before the legislature to be voted for. This characteristic is due to democratic organization of the Government.

3. **Considering all these characteristics of a budget it can defined as follows:**

   A Budget is comprehensive program, ready for execution, containing an estimate of revenue and expenditure for a definite period, usually a year, prepaid and presented by Executive before the Legislature to vote for.
4. **A GOOD BUDGET**
   - The programs should be clearly chalked out, ready for execution on approval.
   - There should be a clear indication as to how the required money will be available.
   - There should not be large deviations.

5. **Authority for Government Budget:** Article 202 of the Constitution

6. **State Govt. Budget:** Annual Financial statement is the estimated receipts and expenditure of the State prepared for the ensuing financial year to be laid before two Houses of Legislature for obtaining sanction of funds, which is otherwise called “Budget”.

7. **Authority for University Budget:** Under section 21 of University ACT 1991, the Executive Council shall prepare before such date as may be prescribed by the Statutes, The financial estimates for the ensuing financial year along with annual accounts whether audited or not of the preceding financial year and submit the same to the Academic Senate. These estimates shall be considered by the Academic Senate at its annual meeting and the resolutions of the Academic Senate thereon shall be submitted to the Government for information.
8. **Difference between Government Budget and University Budget:**

Government first estimates the expenses and then raises taxes or loans to cover them while the University – like business houses has to estimate first the possible income or funds available and only then the allocation of funds among several items of expenditure.

9. **Preparation of Budget:** In pursuance to Section 21 of Universities Act, the Budget of Osmania University is prepared in 3 parts, viz.

   **Part – I: University Fund Account**
   
   i) The Normal Budget
   
   ii) The Budget of Examination Fee Fund

   **Part – II: The Development Budget**
   
   • UGC Grants
   
   • The Grants received from other Funding Agencies (Non-UGC)
   
   • Schemes Financed out of Interest earned of FG Grant

   **Part – III: The Budget relating to Self-Financing Courses, Including PGRR Centre for Distance Education and Dist. P.G. Colleges.**
PART- I.

i) The Normal Budget consists of the income credited to the University Fund Account and the expenditure incurred out of it. The sources of income of the University mainly consist of the Block Grant from Government of A.P. and income generated from internal resources such as Tuition Fee, Academic income and other miscellaneous income. The major components of the expenditure incurred relate to payment of salaries, pension, contingencies and developmental activities etc.

ii) The Budget of the Exam Fee Fund Account covers Receipts and Expenditure connected with University Examinations.

PART- II.

The Development Budget is prepared in three parts projecting the Research and Development activities of the University. The major financial support comes from University Grants Commission, New Delhi.

i) The first part deals with all the Schemes sanctioned by the University Grants Commission, New Delhi.
ii) **The Second part** of the Development Budget relates to Research Projects sponsored by the funding agencies other than UGC, viz. CSIR, DBT, DRDO, DST, ICMR, ICSSR & ISRO etc.

iii) **The Third part** of the Development Budget consists of Interest earned on Foundation Grant invested in Government of India Bonds, for strengthening of P.G. Courses at Constituent Colleges and Dist. P.G. Colleges

**PART – III.**

**Self-Financing Courses Budget** - The University is offering Self-financing Courses at the University Campus, Constituent Colleges including PGRRCDE. Under the existing system, the Fee collected through the Self-financing Courses offered at various Colleges, is shared in the following manner :-

- **a)** University Share 20 %
- **b)** College Share 10 %
- **c)** Dept. offering the Course 60 %
- **d)** Corpus fund for Development 10 %
10. **The process of Budget** for the ensuing financial year starts somewhere in October of Current Financial year with the issue of a Circular inviting Budget proposal of each functional unit i.e. College/Department/Centre/Office etc. in the following manner:-

- Summary statements of Receipts and Disbursements
- Statement of demands for grants of gross expenditure followed by detailed estimate
- List of Schemes of new expenditure for which provision has to be included in the Budget Estimates
- List of Schemes in respect of which the amounts of the Revised Estimates of the year have exceeded the Original Estimates
- Statement showing the particulars of posts and personnel both Teaching & Non-teaching with Pay as on 1st April of ensuing year including vacant posts tapped for payment of wages to the Contract / Time Scale employees
- Statement of Vacant posts of Teaching and Non-teaching
- Statement showing the abstract of the amounts provided for expenditure on Contingent items – Recurring and Non-recurring
- Proposals of Capital Expenditure to be included in the Budget Estimates together with sanction order copy of competent authority
11. **While furnishing the estimates, the following points are to be kept in view:**

i) A general abstract, together with a detailed statement showing individual particulars, should accompany Budget Estimates. The Revised Estimates for the current year are to be furnished in the proforma given after a careful estimation. The reasons for abnormal increase or decreases in the expenditure should be indicated.

ii) The Revised Estimates for the year should be worked out on the basis of figures available up to the end of September.

iii) The posts and other grants sanctioned recurring basis during the ear and other provisions already included in the Budget need be shown.

12. After obtaining the above information from the Principals / Heads of Department / Centers, the Budget Section of the University Accounts branch will prepare the Draft Budget and place before the appropriate authorities of University viz. Finance Committee / Executive Council / Academic Senate for its approval.
13. The documents to be prepared

• Summary statements of Receipts and Expenditure (Normal Budget)
• Summary statements of Receipts and Expenditure (Exam Fee Fund)
• Summary statements of Expenditure (Salaries & Contingencies)
• Statements showing the contingencies allocated to Colleges / Offices / Other Depts. i.e. Major, Minor heads and detailed heads of account

• Accounts of (Actual Expenditure Incurred) previous year
• Budget Estimates for the Current year
• Revised Estimates for current year
• Budget Estimates for ensuing year

14. Accounts – The figures recorded in the final accounts of the year previous to the current year and expressed to the nearest rupee should be recorded.
15. **Revised Estimates** for the year is an estimate of the probable receipt or disbursements under each head for the year based on the actual of the first six months and probable for the next six months. The Revised Estimates for the year must be indicative of what the Budget Estimates for coming year should be. They should, therefore, be prepared with great care. The Revised Estimates may be calculated adopting any of the following methods:

- By adding to the actual for the first six months of the current year, those of the last six months of the previous year.

- By working out a figure which is two times the actual of the first six months of the current year, and

- Can be framed in the course of the year with reference to the actual transactions recorded for the first 8 months of that year for which accounts should be ready by the end of December. The amount required for the remaining four months shall be estimated by simple proportionate increase or corresponding increase under the same head as in previous year or actual requirements.
16. **Budget Estimates** for the coming year should generally follow the Revised Estimates of the Current year after allowing for any abnormal circumstances that have existed in the Current year or are expected in the Budget year. No increase should be made over the Revised Estimates unless adequate reasons are given. It should not, however, be assumed that provision should always be made for in the Budget year on the basis of the Revised Estimate as matter of course.

17. An explanatory memorandum showing variations between the Budget Estimates of the Current year, Revised Estimates of the Current year and the Budget Estimates of the ensuing year shall accompany the Budget.

18. **The Executive Council** considers the Budget together with the recommendations of the Finance Committee and approves the estimates.

19. The Provision made in the Budget for expenditure under any Head of Account either in the Original Budget Estimates or Revised Estimates does not automatically authorize the incurring of expenditure. Expenditure should be incurred only after obtaining proper sanction of the competent authority.
20. All Budget allocations shall lapse at the close of each financial year and unspent balances are not available for next year.

C. MAINTENANCE OF REGISTERS AND ACCOUNTING PROCEDURE:

1. With regards to maintenance of accounts, it is needless to mention that, it is mandatory on the part of every office dealing with monetary transactions either in cash or through negotiable instruments like Cheques, Drafts etc., to maintain the pertinent records to know the financial status of each account at a given point of time. The most important records to be maintained are:-
   • Cheque Receipt Register
   • Cheque Issue Register
   • Cash Book
   • Ledger
   • Progressive Expenditure Register
   • Investments Register
   • Advance Register
   • Aquittance Register for Salary & Contingent Payments
   • Daily Cash Register
   • Register of undisbursed Amounts
   • Students fee ledger
   • Daily Fee Collection Register
   • Scholarships Register
   • DCB Statements
• **CHEQUE RECEIPT REGISTER:**

The register is maintained for the purpose of entering the cheques received from other offices. It will have columns for Date, Source of Receipt, Particulars of Receipt, Cheque Number, Date of Cheque, Amount of Cheque and also the date of realization. All the Cheques, D.D’s etc., received in the Office are entered in this Registrar before depositing them into the bank. Depending on the volume of transactions and nature of receipts, separate registers can be maintained for Postal Orders, Cash, Pay-in-Slips etc.,

• **CHEQUE ISSUE REGISTER**

All the cheques issued by the Office either in favour of others or drawn for self shall be entered in the cheque issue register indicating the cheque number, date of issue, amount, purpose of payment etc., The Officer authorized to sign the cheques has to attest the entries made in the register while signing the cheque.
The cash book is a register in which the entries of receipts and payments are made in chronological order. It contains separate column for transactions through the bank and by cash. It is closed either daily or monthly depending on the volume of transactions, while writing the cash book, the closing balance of previous day/month is taken as opening balance. Thereafter the transactions of the day/month are recorded. Finally, the closing balance is arrived at. The cashbook indicates the funds available at a given point of time both in cash and bank. The investments held shall be indicated at the closing of the cashbook. The transactions made through bank need to be reconciled every month with reference to statements given by the bank and the omissions & commissions, if any, either by the office or by the bank shall be rectified and necessary entries to the effect shall be made in the cashbook. The bank reconciliation is more so essential new-a-days to detect fraudulent drawl, erroneous entries by bank etc., in time, to take corrective action.

The ledger is a subsidiary register to the cash book indicating the head-wise receipts and payments which facilitates to know the balance under each head of account.
• PROGRESSIVE EXPENDITURE REGISTER

The purpose of this register is to exercise control over expenditure vis-avis the budget allocations. All the claims preferred under each head are to be recorded in this register head-wise. The register contains columns relating to the particulars of claim, present expenditure, progressive expenditure and balance available under the budget allocation.

• INVESTMENTS REGISTER

Some times the Office may be in receipt of funds which are expected to be spent over a period a time. In such cases, instead of keeping the funds idle, the same are invested with the banks for a suitable period so that the funds are available for utilization when necessary and at the same time earn some interest. To have control over the investments so made, a register of investments is to be maintained in the prescribed format. This will facilitate the review of investments and maturity dates, besides preventing loss of instruments.
• **ADVANCES REGISTER:**

In certain cases, it may be necessary to effect the payments to the parties in advance. Similarly, for effecting petty purchase which do not require quotations, the required amounts may be advanced to the Purchase Officer which shall be recorded in the advances register and acknowledgment of the Officer drawing the advance is obtained. This register is to be reviewed periodically by the Officer in-charge and suitable action be initiated for settlement of pending advances.

viii) **AQUITTANCE REGISTERS FOR PAYMENTS OF SALARIES AND CONTINGENCIES.**

These registers are of vital importance as they contain the acknowledgements of payees for the amounts received by them on a particulars date, either towards salaries or for contingent expenditure. Separate registers are to be maintained for salaries and contingencies. The payments either by cash or cheque may be recorded in these registers.

ix) **DAILY CASH REGISTER:**

Every functional unit having Cash transactions, is required to maintain a Daily Cash Register, reflecting the Opening Balance of Cash available, the Cash drawn from the Bank, as also the cash received from others by way of payments/settlement of advance etc. The expenditure incurred out of the cash balances towards payments/advances etc., is to be recorded on the expenditure side and the final Cash Balance at the close of the day has to be indicated with all the details viz., denominations of Cash. Unless the Cash Balance is tallied, the Accountant should not leave the Office.
x) REGISTER OF UNSPENT AMOUNT/UNDISBURSED AMOUNT:

There shall be a Register to account for the amounts remaining unspent or the amounts not disbursed to the concerned for various reasons. The position has to be reviewed at periodical intervals and the amounts still remaining unspent/undisbursed shall be refunded to the respective sources.

xi) STUDENT FEE LEDGER

Based on the duplicate challan submitted by the students, the particulars of fee paid by them under different heads including deposits is to be recorded in the student fee ledger.

xii) DAILY FEE COLLECTION REGISTER:

The triplicate copies of challans of fee paid by the students are received from the Bank along with the Scroll either daily or at periodical intervals. Based on the particulars in the challan, the name of the student, class, Roll No. and particulars of Fee paid are to be recorded in this register. Later, these particulars have to be reconciled with the entries made in the Students Fee Ledger based on the duplicate copies of the challan submitted by the Student.
xiii) SCHOLARSHIPS REGISTER

The particulars of scholarships received for various categories of students (EPP/LBC/SC/ST) and the payments made to them are to be recorded in this register.

xiv) DCB (Demand, Collection and Balance) STATEMENTS

In every college, there may be cases of default in payment of Fee by the students for various reasons. Therefore, it is absolutely necessary to prepare a statement indicating the Demand (Fee ought to be paid by the student), Collection (amount actually paid by the student) and Balance (still due from the student) and to review the same at periodic intervals so as to initiate necessary steps to effects recovery of dues from student before he leaves the institution.

xv) Apart from the above, there are several other important records to be maintained by each Institution viz:-

• Stock Registers (for movable / immovable items and consumables etc.)
• Register of equipment
• Register of Assets (properties and buildings etc.)
CONCLUSION

I have made an attempt to explain briefly the most important aspects relating to “Financial Propriety, Preparation of Budget and Maintenance of Registers”. There may be some other points, which I may not have covered during the short spell of time given to me. The details can be had by a reference to the relevant books / rules. I thank you for hearing me patiently.

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