

BUDGET PREPARATION

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WHAT IS BUDGET ?

- Under Article 202 of the Indian Constitution, Budget is “Annual Financial Statement” of the State for each financial year to be laid before the Legislature.
- Government prepares an Annual Financial Statement showing Receipts and Expenditure of the government for the ensuing year.

BUDGET CONSISTS OF

- ***CONSOLIDATED FUND ;-***
- ***CONTINGENCY FUND ;- AND***
- ***PUBLIC ACCOUNT;-***

CONSOLIDATED FUND

- Consolidated Fund are consists of
- **1) Revenue Account-**
 - i. Revenue Receipts – Tax Revenue, Non Tax Revenue, Share in Central Taxes, Grants from Gol.
 - ii. Revenue Expenditure-Salary and Non Salary Expenditure, Interest Payments, Subsidies, Grants to Local bodies, Universities, other corporations.
- **2) Capital Account:**
 - i. Capital Receipts: Open market loans, External loans (NABARD, EAP)
 - ii. Capital Expenditure- Construction of buildings, Laying of Roads, Irrigation and electricity projects, Repayment of debt
- **3) Loan Account:** Loans and Advances from Gol

Annual Financial Statement- Consolidated Fund of the State

- The Consolidated fund of the State is formed out of all revenues received by the Government, all loans raised by that Government by the issue of treasury bills, loans / Ways and Means Advances and all moneys received by the Government in repayment of loans (Article 266 (I) of the Constitution of India).
- The amount can be spent from the Consolidated Fund if it is approved by the Parliament/ Legislature by way of Appropriation Act

Annual Financial Statement- Contingency Fund of the State

- Contingency Fund is in the nature of an imprest created by non-recurring contribution from the Consolidated Fund and intended to provide advances to meet unforeseen expenditure, not provided in the Budget. The Fund is recouped after each withdrawal as soon as the expenditure gets regularized by means of Supplementary Budget.(Art 205 and 206).
- The present corpus of the Government of Andhra Pradesh is Rs 50 crore.

Annual Financial Statement-Public Account of the State

- Public Account of the State relates to all Public moneys received by or on behalf of the State Government which are not creditable to the Consolidated Fund of the State.
- It records transactions like Provident Funds, Deposits and Advances for which Government acts as a banker. It also includes certain adjusting heads (Suspense and Remittances) and Reserve Funds.
- Expenditure on paying back these amounts do not require the vote of the Legislature.

Annual Financial Statement-Voted and Charged Expenditure

- Voted expenditure is subject to the vote of the Legislature. (Example: Expenditure on a scheme 'Rythu Bharosa of Agriculture Department).
- Charged Expenditure is not subject to the vote of the Legislature (Example: Expenditure in respect of the Salaries and allowances of judges of any High Court, Governor of the State)

Structure of Accounts Sectoral Classification

- Revenue receipts : 0020 to 1999
- Revenue expenditure : 2011 to 3999
- Capital expenditure : 4000 to 5999
- Loans & Advances, : 6000 to 7999
- Contingency Fund : 8000
- Public Account : 8001 to 8999

7 – TIER CLASSIFICATION

- Major head (4 digit code)- Functions of the Govt.
- Sub-Major head (2 digit code)- Sub- functions
- Minor Head (3 digit code) – Programme under each function/Sub-function
- Group sub-head (2 digit code)- Source of funding the scheme (State Development Scheme, Central Sector Scheme, Centrally Assisted Scheme, Externally Aided Scheme)
- **Sub-head (2 digit code)- Scheme under each programme or minor Head**
- Detailed Head (3 digit code)- nature or purpose of expenditure (e.g. Salary)
- Sub-detailed head/ Object head (3 digit code)- object of expenditure (e.g. HRA)

Budget Preparation- Required Data

- **Number Statement:** According to Para 13.2.1 of the A.P. Budget Manual, the HODs and the Other Estimating Officers have to submit Number Statements to the Finance Department giving -
- Particulars of posts of permanent, temporary and supernumerary posts.
- the sanctioned monthly pay, the Special pay if any and the fixed allowances that will be drawn on the 1st April of the following year.
- Number of Officers at the each rate of pay for whom provision will be made in the Departmental Estimates.

Budget Preparation

- Required Data:
 - Actuals, RE and BE
 - Accounts or Actuals of a year denote amount of receipts and disbursements for the financial year for which accounts have been finally closed by the Accountant General (Budget year less two years)
 - Revised Estimates **(RE)** denotes preceding year's probable receipts and disbursements, taking into account the transactions which have already taken place in the course of the year. Revised estimates is not an Appropriation but considered as the basis of the estimation for the budget year. (BudgetYear less one year)
 - Budget Estimates **(BE)** is the detailed estimates of Receipts and Payments of the Budget year

RE 2019-20

- The Revised Estimates for 2019-20 should be prepared, as realistically as possible, with reference to the following instructions, instead of repeating the previous year's budget figures in a routine way.
- Progress of expenditure during the first eight months of the financial year;
- Expenditure likely to be incurred during the remaining months of the financial year;
- Additional funds proposed to be obtained as Supplementary Grants;
- Re-appropriation or resumption of funds already made or proposed to be made;
- New schemes that are sanctioned during the course of the financial year;

BE 2020-21

- All new schemes for which provisions are proposed in the Budget Estimates for the first time, necessary details on which the requirement of funds is based, and copy of the relevant Government Orders sanctioning the scheme should be furnished. As far as possible, lump - sum provision should not be proposed.
- All the number Statements and Budget estimates for 2020-21 are being obtaining online.
- Ensure that number Statement s are furnished for the working persons only.
- Ensure that estimates are based on the actual requirements
- The estimates given by HoDs have to be scrutinized thoroughly
- All the ongoing projects and works have to be budgeted . No estimates for the projects and works, which are not sanctioned, should not be included.
- All the essential / committed expenditure such as subsidies, welfare programmes, CM assurances have to be assed sufficiently and be provided in Budget.

Budget preparation

- **Calling of number statements and Budget estimates**
- **Guidelines for fixation of Revised Estimates and Budget Estimates**
- **Conducting meetings with HODs/CCOs/Secretariat Departments by PFS**
- Conducting Meetings with the Secretaries/Principal Secretaries/Spl. Chief Secretaries/Ministers by Hon'ble Finance Minister
- Coordinating with the Social Welfare/Tribal Welfare/B.C. Welfare Departments for preparation their Budget components
- Documentation/Printing of Budget Estimates
- Preparation of Budget Speech in coordination with the Secretaries/Principal Secretaries/Spl. Chief Secretaries.
- Preparation of Cabinet Note for approval of Budget Estimates
- Getting approval and recommendation of the Governor for presentation of Budget Estimates before both the houses of the Legislature

Demand for Grants

- The estimates of expenditure from the Consolidated Fund which require Legislative approval are presented in the form of Demand for Grants.
- Demand for Grants are prepared Secretariat Department-wise and Head of the Department (HOD)-wise.
- No HOD to cross more than one Demand for Grants
- Presently, Government of AP has 40 Demand for Grants.
- For example Grant No XX relates to Labour and Employment Department

Approval of the Budget

- After the Demands are voted by the Assembly a Bill called ‘ Appropriation Bill’ shall be introduced in the Legislative Assembly for authorization and then it has to be approved by the Governor.
- The Appropriation bill then becomes the Appropriation Act which empowers the Government to draw money from the Consolidated Fund of the State.

Comprehensive Budget Release Order (CBRO)

- CBRO system has been introduced to facilitate timely availability of Funds to the implementing agencies.
- The system enables the Departments to distribute the budget allotted to them in accordance with the annual work plan, programme priorities and specific monthly requirements of the Departments rather than distribution in equal quarterly instalments.
- Secretariat Departments and the Chief controlling Offices prepare the Budget distribution statement online for the entire approved budget provision for the year and submit to the Finance Department.
- Finance Department issue CBRO.
- In respect of Centrally Assisted State Development Schemes (Group Sub-head 12) and matching share of the State Government (Group Sub head 06), BROS are issued after receipt of the funds from the GOI.

CBRO

- Based on the CBRO, the Chief Controlling Officers prepare Comprehensive Budget Distribution Orders duly distributing the approved budget amongst the Sub-ordinate Controlling Officers (SCOs) as well as the Drawing and Disbursing Officers (DDOs) for all four quarters of the financial year and release the same.

Budget Release Order (BRO) System

- Budget Release Order (BRO) System: From 1st April, 2001 the Government of Andhra Pradesh has introduced a system of Budget releases called BRO System by issuing orders vide G.O.Ms.No. 59 Finance & Planning (FW: BG) Department dt.30-3-2001.
- BRO system will facilitate:
- Smooth flow of funds to line departments.
- Delays in movement of files from HOD to Administrative Department in Secretariat to Finance Department can be avoided.

BRO

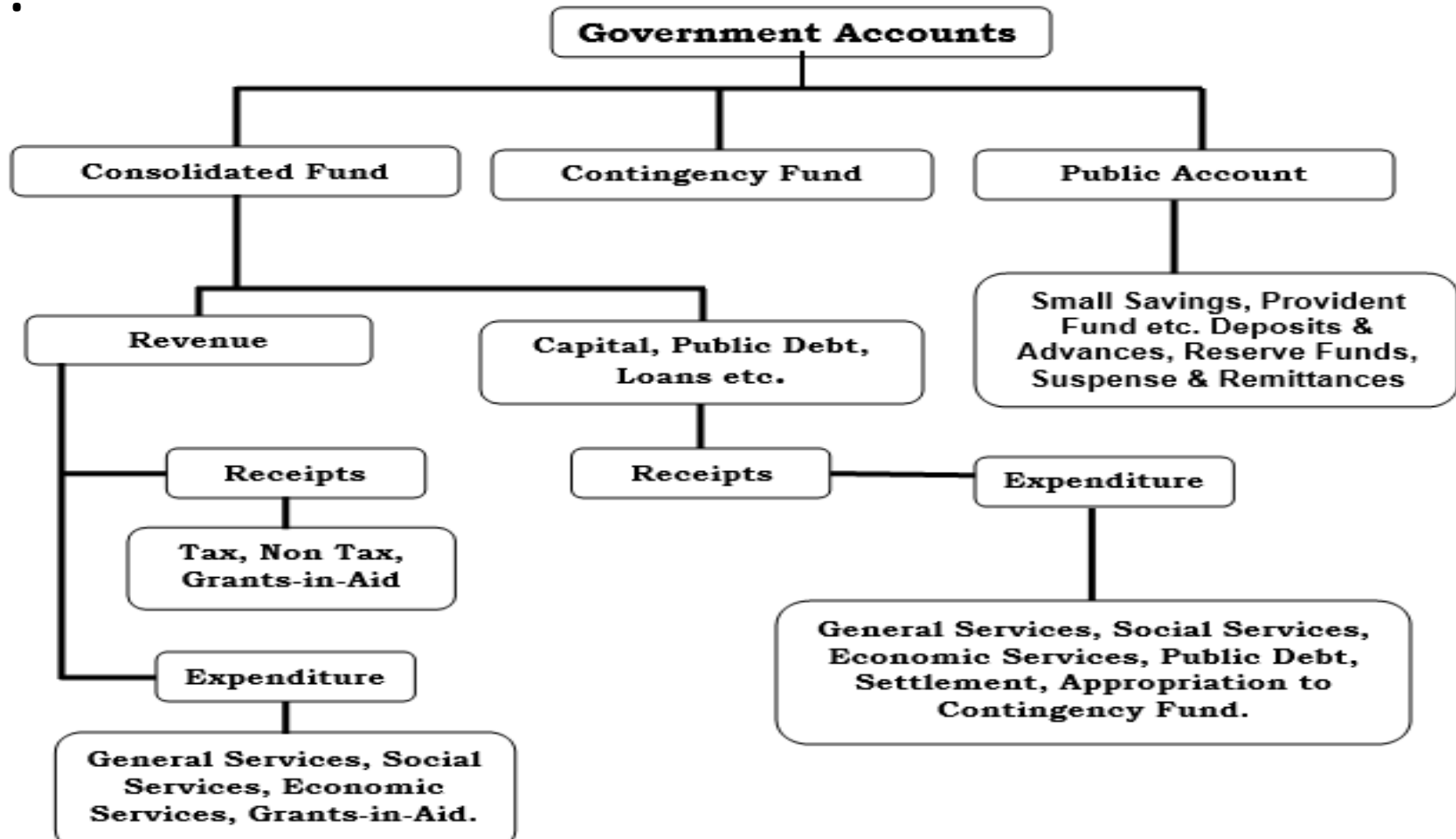
- Based on the BROs issued by the Finance Department, Administrative Department of Secretariat will issue Administrative Sanction Orders duly following the Business Rules and Codal provisions.
- The BROs for 2nd, 3rd and 4th quarters will be issued by Finance Department by reviewing the progress of expenditure of the previous quarter.
- The system of suo-moto release of BROs by the Finance Department in the 1st quarter itself has not only reduced the file work but also funds were made available to the departments in time

New Initiatives

- G.O.Ms.No.69, Finance (Budget.I) Department for Revised Objective Heads
- G.O.Ms.No.99, Finance (C&DM) Department for Streamlining of Personal Deposit Accounts
- Introduced Green Channel PD Accounts for Centrally Sponsored Schemes, Own funds
- CFMS module
- APCOS for outsourcing employees.

Structure of Govt. Accounts

Structure of Government Accounts



Thank you