

Government of India
Ministry of Finance
Department of Expenditure

LOK SABHA
UNSTARRED QUESTION NO.1663

ANSWERED ON MONDAY, 2nd MARCH, 2020
12th PHALGUNA, 1941 (SAKA)

MONITORING OF EXPENDITURE

1663. SHRIMATI RAKSHA NIKHIL KHADSE

Will the Minister of Finance be pleased to state:

- (a) Whether the Government proposed and asked all the Ministries to develop a robust mechanism in coordination and consultation with the Comptroller and Audit General and Controller General of Accounts through which the expenditure can be monitored; and;
- (b) if so, the details thereof?

ANSWER
MINISTER OF STATE IN THE MINISTRY OF FINANCE
(SHRI ANURAG SINGH THAKUR)

(a) & (b): There is no such proposal. There is already a well-established mechanism existing for monitoring of expenditure.

Rule 57 to 70 of the General Financial Rules (GFRs), 2017 in Chapter 3 under the head, 'Control of Expenditure against Budget' (**Annexure** Refers) lays out clear roles and responsibility centres for effective control and monitoring over-expenditure by Departments/Ministries.

Further, the Civil Ministries in the Government of India are using the platform of Public Financial Management System (PFMS) for expenditure monitoring and releasing of Grant in Aid.

Public Financial Management System (PFMS) is a web-based online software application of the Controller General of Accounts to provide a sound Public Financial Management System for Government of India by establishing a comprehensive payment, receipt and accounting network and also serving as Management Information System for expenditure monitoring through various modules.



estimates. The estimates of receipts and expenditure of each Ministry/Department shall be scrutinized in the Budget Division of the Ministry of Finance. Secretary (Expenditure) may hold meetings with Secretaries or Financial Advisers of Administrative Ministries or Departments to discuss the totality of the requirements of funds for various programmes and schemes, along with receipts of the Ministries or Departments.

Rule 53 (2) The estimates initially submitted by the Departments may undergo some changes as a result of scrutiny in the Budget Division, Ministry of Finance and deliberations in the pre-budget meetings between the Secretary (Expenditure) and the Secretary or Financial Adviser of the Department concerned. The final estimates arrived at on the basis of scrutiny and pre-budget meetings shall be incorporated in the Budget documents.

Rule 54 Outcome Budget. After finalization of the estimates for budgetary allocations, the Department of Expenditure in consultation with NITI Aayog and the concerned Ministries shall prepare an Outcome Budget statement linking outlays against each scheme/project with the outputs/deliverables and medium term outcomes. The outputs/deliverables shall be mandatorily given in measurable/quantitative terms on the basis of parameters and deliverables decided in advance, on the basis of projections made in the Medium Term Expenditure Framework (MTEF) Statement. Allocations for each scheme/project shall be against a firm set of deliverables which shall be adhered to. The performance against specified outcomes would form the basis of deciding on the continuation of the scheme and the quantum of budget allocation.

Rule 55 Vote on Account. If the Appropriation Bill seeking authorization of the Parliament to make expenditure in consonance with the Budget proposal is likely to be passed after the start of the financial year to which it corresponds then pending the completion of the procedure prescribed in Article 113 of the Constitution for the passing of the Budget, the Finance Ministry may need to obtain a 'Vote on Account' to cover expenditure for a brief period in accordance with the provisions of Article 116 of the Constitution. Funds made available under Vote on Account are not to be utilized for expenditure on a 'New Service'.

Rule 56 Communication and distribution of grants and appropriations. After the Appropriation Bill relating to Budget is passed, the Ministry of Finance shall communicate the same to the Ministries / Departments which, in turn, shall distribute the same to their subordinate formations. The distribution so made shall also be communicated to the respective Pay and Accounts Officers who shall exercise check against the allocation to each subordinate authority.

II. CONTROL OF EXPENDITURE AGAINST BUDGET

Rule 57 (1) Responsibility for control of Expenditure. The Departments of the Central Government shall be responsible for the control of expenditure against the sanctioned grants and appropriations placed at their disposal. The control shall be exercised through the Heads of Departments and other Controlling Officers, if any, and Disbursing Officers subordinate to them.

Rule 57 (2) A Grant or Appropriation can be utilised only to cover the charges (including liabilities, if any, of the past year) which are to be paid during the financial year of the Grant or Appropriation and adjusted in the account of the year. No charges against a Grant or Appropriation can be authorized after the expiry of the financial year.

Rule 57 (3) No expenditure shall be incurred which may have the effect of exceeding the total grant or appropriation authorized by Parliament by law for a financial year, except after obtaining a supplementary grant or appropriation or an advance from the Contingency Fund. Since voted and charged portions as also the revenue and capital sections of a Grant/Appropriation are distinct and re-appropriation inter se is not permissible, an excess in any one portion or section is treated as an excess in the Grant/Appropriation.

Rule 57 (4) To have effective control over expenditure by the Departments, Controlling and Disbursing Officers subordinate to them shall follow the procedure as given below :-

- (i) For drawal of money the Drawing and Disbursing Officer shall (a) Prepare and present bills for "charged" and "voted" expenditure



- separately. (b) Enter on each bill the complete accounts classifications from major head down to the object head of account. When a single bill includes charges falling under two or more object heads, the charges shall be distributed accurately over the respective heads. (c) Enter on each bill the progressive total of expenditure up-to-date under the primary unit of appropriation to which the bill relates, including the amount of the bill on which the entry is made.
- (ii) All drawing and disbursing officers shall maintain separate registers in Form GFR 5, physically or electronically for allocation under each minor or sub-head of account with which they are concerned.
- (iii) On the third day of each month, a copy of the entries made in this register during the preceding month shall be sent by the officer maintaining it, to the Head of the Department or other designated Controlling Officer. This statement shall also include adjustment of an inward claim, etc., communicated by Pay and Accounts Officer directly to the DDO (and not to his Grant Controlling Officer). If there are no entries in the register in any month, a 'nil' statement shall be sent.
- (iv) The Controlling Officer will maintain a broadsheet in Form GFR 6 to monitor the receipt of the return prescribed in the foregoing sub-clause
- (v). On receipt of the returns from Disbursing Officers, the Controlling Officer shall examine them and satisfy himself :-
- that the accounts classification has been properly given;
 - that progressive expenditure has been properly noted and the available balances worked out correctly;
 - that expenditure up-to-date is within the grant or appropriation; and
 - that the returns have been signed by Disbursing Officers. Where the Controlling Officer finds defects in any of these respects, he shall take steps to rectify the defect.
- (vi) When all the returns from the Disbursing Officers for a particular month have been received and found to be in order, the Controlling Officer shall compile a statement in Form GFR 7, in which he shall incorporate -
- the totals of the figures supplied by Disbursing Officers;
 - the totals taken from his own registers in Form GFR 5;
 - the totals of such adjustments under the various detailed heads as communicated to him by the Accounts Officer on account of transfer entries and expenditure debited to the grant as a result of settlement of inward account claims and not reckoned by his DDOs.
- (vii). If any adjustment communicated by the Accounts Officer affects the appropriation at the disposal of a subordinate Disbursing Officer, the fact that the adjustment has been made shall be communicated by the Controlling Officer to the Disbursing Officer concerned.
- (viii). On receipt of all the necessary returns, the Head of the Department shall prepare a consolidated account in Form GFR 8, showing the complete expenditure from the grant or appropriation at his disposal upto the end of the preceding month.
- Rule 57 (5)** The Head of the Department and the Accounts Officer shall be jointly responsible for the monthly reconciliation of the figures given in the accounts maintained by the Head of the Department with those appearing in the Accounts Officer's books. The procedure for reconciliation shall be as follows :-
- DDOs shall maintain a Bill Register in Form TR 28-A, and note all bills presented for payment to the PAO in the register. As soon as cheques for the bills presented for payment are received, and/or status of e-payments are verified from the reports available with DDO on PFMS portal these shall be noted in the appropriate column of the Bill Register and the DDOs shall



ensure that the amounts of cheques tally with the net amount of the bills presented. In case any retrenchment is made by the PAO, a note of such retrenchments shall be kept against the bill in the remarks column in TR 28-A.

- (ii) The PAOs shall furnish to each of the DDOs including Cheque –drawing DDOs, an extract from the expenditure control register or from the Compilation Sheet every month indicating the expenditure relating to grants controlled by him classified under the various major-minor detailed head of accounts. The statements for May to March shall also contain Progressive Figures.
- (iii). On receipt of these extracts from the PAOs, the DDOs shall tally the figures received, excluding book adjustments, with the expenditure worked out for the month in the GFR 5 register. Discrepancies, if any, between the two sets of figures shall be promptly investigated by the DDO in consultation with the PAO. He shall also note in the GFR 5 register particulars of book adjustments advised by the PAO through the monthly statement. Thereafter, the DDO shall furnish to the PAO a certificate of agreement of the figures as per his books with those indicated by the PAOs by the last day of the month following the month of accounts.
- (iv). The Principal Accounts Officer (or PAO wherever payments, relating to a grant are handled wholly by a PAO) of each Ministry, shall send a monthly statement showing the expenditure vis-à-vis the Budget provision under the various heads of accounts, in the prescribed pro forma, to the Heads of Departments responsible for overall control of expenditure against grant of the Ministry as a whole. The figures so communicated by the Principal Accounts Officer (or the PAO concerned) shall be compared by the Heads of Departments with those consolidated in Form GFR 8 and differences, if any, shall be taken up by the Heads of Departments with the

Principal Accounts Officers (or the PAO concerned) for reconciliation. The Head of the Department shall furnish a quarterly certificate to the Principal Accounts Officer certifying the correctness of the figures for the quarter by the 15th of the second following month after the end of quarters April-June, July-September, October-December and January-March.

Rule 57 (6) The Departments of the Central Government shall obtain from their Heads of Departments and other offices under them the departmental figures of expenditure in Form GFR 8 by the 15th of the month following the month to which the returns relate. The figures relating to Revenue and Capital expenditure shall be separately shown in these returns. The information so obtained shall be posted in register(s) kept for watching the flow of expenditure against the sanctioned grant or appropriation. Progressive totals of expenditure shall be worked out for the purpose. If the departmental figures obtained in Form GFR 8 and posted in the register(s), require correction in a subsequent month, Heads of Departments or other offices shall make such corrections by making plus or minus entries in the progressive totals. In case the Accounts Office figures which subsequently become available are found to be higher than departmental figures, the former shall be assumed to be the correct figures, as appropriation accounts are prepared on the basis of the figures booked in the accounts.

Rule 57 (7) The Departments of Central Government shall also obtain from the Heads of Departments and other authorities under them, statements showing the details of the physical progress of the schemes for which they are responsible. This statement shall show the name of the scheme, the Budget provision for each scheme, the progressive expenditure on each scheme, the progress of the scheme in physical terms and the detailed reasons for any shortfalls or excess, both against physical and financial targets.

Rule 57 (8) A Broadsheet in Form GFR 9 shall be maintained by the Departments of Central Government or each Head of Department and other authorities directly under them, to watch the prompt receipt of the various returns mentioned above from month to



month and to take necessary measures for rectifying any defaults noticed.

Rule 58 Maintenance of Liability Register for effecting proper control over expenditure. In order to maintain proper control over expenditure, a Controlling Officer shall obtain from the spending authorities liability statements in Form GFR 3-A every month, starting from the month of October in each financial year. The Controlling Officer shall also maintain a Liability Register in Form GFR 3.

Rule 59 Personal attention of the Head of Department /Controlling Officer required to estimate savings or excesses. A Head of Department or Controlling Officer shall be in a position to estimate the likelihood of savings or excesses every month and to regularize them in accordance with the instructions laid down in Rule 62.

Rule 60 Control of expenditure against grant/appropriation and ultimate responsibility of the authority administering it. The Accounts Officer shall report to the Head of the Department concerned immediately on the first appearance of any disproportionate expenditure, particularly in respect of recurring items of expenditure under any grant or appropriation or a primary unit of appropriation thereof. However, the authority administering a grant/appropriation is ultimately responsible for the control of expenditure against the grant/appropriation and not the Accounts Officer.

Rule 61 Excess Expenditure.

1. The Accounts Officer shall not allow any payment against sanctions in excess of the Budget provisions unless there is specific approval of the Chief Accounting Authority.
2. The Financial Advisers and Chief Accounting Authority, before according concurrence for excess under any Head, shall ensure availability of funds through Reappropriation/ Supplementary Demands for Grants. (Refer Appendix 10)

Rule 62 (1) Surrender of savings. Departments of the Central Government shall surrender to the Finance Ministry, by the dates prescribed by that Ministry before the close of the

financial year, all the anticipated savings noticed in the Grants or Appropriations controlled by them. The Finance Ministry shall communicate the acceptance of such surrenders as are accepted by it to the Accounts Officer, before the close of the year. The funds provided during the financial year and not utilized before the close of that financial year shall stand lapsed at the close of the financial year.

Rule 62 (2) The savings as well as provisions that cannot be profitably utilised shall be surrendered to Government immediately they are foreseen without waiting till the end of the year. No savings shall be held in reserve for possible future excesses.

Rule 62 (3) Rush of expenditure, particularly in the closing months of the Financial year, shall be regarded as a breach of financial propriety and shall be avoided. The Financial Advisers of the Ministries/Departments shall ensure adherence to the stipulated Monthly Expenditure Plan and the guidelines issued in this regard by the Budget Division, Department of Economic Affairs, from time to time.

Rule 62 (4) The Financial Advisers of the Ministries/ Departments shall ensure adherence to the stipulated Quarterly Expenditure Plan and the guidelines issued in this regard by Ministry of Finance from time to time.

Rule 63 Expenditure on New Service. No expenditure shall be incurred during a financial year on a "New Service" not contemplated in the Annual Budget for the year except after obtaining a supplementary grant or appropriation or an advance from the Contingency Fund during that year. The guidelines to determine cases of "New Service"/"New Instrument of Service" are contained in Annexure-1 to Appendix -3.

Rule 64 (1) Additional Allotment for excess expenditure. A subordinate authority incurring the expenditure shall be responsible for seeing that the allotment placed at its disposal is not exceeded. Where any excess over the allotment is apprehended, the subordinate authority shall obtain additional allotment before incurring the excess expenditure. For this purpose, the authorities incurring expenditure shall maintain a 'Liability Register' in Form GFR 3.

Rule 64 (2) A Disbursing Officer may not, on his own authority, authorize any payment in excess of



the funds placed at his disposal. If the Disbursing Officer is called upon to honour a claim, which is certain to produce an excess over the allotment or appropriation at his disposal, he shall take the orders of the administrative authority to which he is subordinate before authorizing payment of the claim in question. The administrative authority shall then arrange to provide funds either by reappropriation or by obtaining a Supplementary Grant or Appropriation or an advance from the Contingency Fund. Instructions contained in Note below Appendix 10 may also be kept in view.

- Rule 65 (1) Re-appropriation of Funds.** Subject to the provisions of Rule 10 of the Delegation of Financial Powers Rules, and also subject to such other general or specific restrictions as may be imposed by the Finance Ministry in this behalf, re-appropriation of funds from one primary unit of appropriation to another such unit within a grant or appropriation, may be sanctioned by a competent authority at any time before the close of the financial year to which such grant or appropriation relates. The Primary unit in this regard shall be the final unit of appropriation i.e. the Object head of account.
- Rule 65 (2)** Re-appropriation of funds shall be made only when it is known or anticipated that the appropriation for the unit from which funds are to be transferred shall not be utilized in full or that savings can be effected in the appropriation for the said unit.
- Rule 65 (3)** Funds shall not be re-appropriated from a unit with the intention of restoring the diverted appropriation to that unit when savings become available under other units later in the year.
- Rule 65 (4)** An application for re-appropriation of funds shall ordinarily be supported by a statement in Form GFR 1 or any other special form authorized by departmental regulations showing how the excess is proposed to be met. In all orders, sanctioning reappropriation, the reasons for saving and excess of Rupees 1 lakh or over and the primary units (secondary units, wherever necessary), affected shall be invariably stated. The authority sanctioning the reappropriation shall endorse a copy of the order to the Accounts Officer.
- Rule 66 Supplementary Grants.** If savings are not available within the Grant to which the payment is required to be debited, or if the expenditure is on "New Service" or "New

Instrument of Service" not provided in the budget, necessary Supplementary Grant or Appropriation in accordance with Article 115 (1) of the Constitution shall be obtained before payment is authorized (Refer to Appendix 5).

- Rule 67 (1) Advance from Contingency Fund.** When a need arises to incur unforeseen expenditure in excess of the sanctioned grant or appropriation or on a new service not provided in Budget and there is not sufficient time for the voting of the Supplementary Demand and the passing of the connected appropriation bill before close of the financial year, an advance from the Contingency Fund set up under Article 267 (1) of the Constitution shall be obtained before incurring the expenditure.
- Rule 67 (2)** An advance from the Contingency Fund shall also be obtained to meet expenditure in excess of the provisions for the service included in an Appropriation (Vote on Account) Act.
- Rule 67 (3)** The application for an advance from the Contingency Fund shall indicate inter alia the particulars of the additional expenditure involved and the sanction to the advance has also to indicate the sub-head and the primary unit of the Grant to which the expenditure appropriately relates. In case, however, any difficulty is felt, the matter shall be referred to the Finance Ministry for clarification.
- Rule 67 (4)** The procedure for obtaining an advance from the Contingency Fund and recoupment of the Fund shall be as laid down in the Contingency Fund of India Rules, 1952, as amended from time to time. For ready reference, rules have been placed at Appendix - 6 to this volume.
- Rule 68 Inevitable Payments.**
- Subject to the provisions of Article 114 (3) of the Constitution, money indisputably payable by Government shall not ordinarily be left unpaid.
 - Suitable provision for anticipated liabilities shall invariably be made in Demands for Grants to be placed before Parliament.
- Rule 69** For easy reference an extract relating to procedures followed in the Accounts Office for check against provision of funds as a part of pre-check of bills has been placed at Appendix 10.
- Rule 70 Duties and Responsibilities of the Chief**



Accounting Authority. The Secretary of a Ministry/Department who is the Chief Accounting Authority of the Ministry/Department shall: —

- (i) be responsible and accountable for financial management of his Ministry or Department.
- (ii) ensure that the public funds appropriated to the Ministry or Department are used for the purpose for which they were meant.
- (iii) be responsible for the effective, efficient, economical and transparent use of the resources of the Ministry or Department in achieving the stated project objectives of that Ministry or Department, whilst complying with performance standards.
- (iv) appear before the Committee on Public Accounts and any other Parliamentary Committee for examination.
- (v) review and monitor regularly the performance of the programmes and projects assigned to his Ministry to determine whether stated objectives are achieved.
- (vi) be responsible for preparation of expenditure and other statements relating to his Ministry or Department as required by regulations, guidelines or directives issued by Ministry of Finance.
- (vii) shall ensure that his Ministry or Department maintains full and proper records of financial transactions and adopts systems and procedures that shall at all times afford internal controls.
- (viii) shall ensure that his Ministry or Department follows the Government procurement procedure for execution of works, as well as for procurement of services and supplies, and implements it in a fair, equitable, transparent, competitive and cost-effective manner;
- (ix) shall take effective and appropriate steps to ensure his Ministry or Department : -
 - (a) collects all moneys due to the Government and
 - (b) avoids unauthorized, irregular and wasteful expenditure.