

WELCOME TO THE SESSION ON



***BUDGET
PREPARATION***

OBJECTIVE:

- 1. A FINANCIAL PLAN OF THE DEPTT**
- 2. HELP TO MEASURE THE OUTPUT OF NEXT YEAR**
- 3. CONTROL DEPARTMENTAL ACTIVITY**
- 4. A SCALE TO MONITOR THE PROGRAMS**

What is a Budget ?

- The name “*Budget*” is derived from the French word ‘BOUGETTE’ means a bag or purse.
- Our Arthasastra of 4th century BC was first emphasized about the Budget. British India promulgated the Consolidated Fund Act in 1787, hence started to introduce the budget in parliament—which was a simple statement of anticipated Revenue Receipts and expenditure of the ensuing year.
- Our present day Budget known as Annual Financial Statement represents the next year’s estimates of total Receipts and Expenditure.

What is a Head of Account

- It is simply an account Number of the Drawing & Disbursing officer like bank account. To draw a bank cheque the DDO has to record his Account No. in the cheque; like to draw a Treasury bill he has to record the Head of account in the Bill in lieu of the Bank account No.

5 Tier system in Head of account

- First Tier : *Sectors or Services*, e.g;
 - 1. General Administrative service,
 - 2. Fiscal Service,
 - 3. Social & community services
- Second Tier: Major head : denotes “ *Functions*” starts with 4 digits, eg.
 - 2210 Medical & Public Health
 - 2211 Family Welfare
- @ Sub Major Head: While introducing a large Number of schemes/programs, the major head will be sub-divided into Sub major heads, eg.
 - 2210 M & PH- 01 Urban Health Services - Allopathy
 - 2210 M & PH- 02 Urban/Rural Health services- Other Systems Medicines
 - 2210M & PH - 06 Public Health, etc. etc.

Head of account continued.....

- Third Tier : Minor Head shows “*Activities*”
- (2210—01 Mdl & PH) -001 Direction & Admn
- (2211—00—FW) 00 --003 Training
- Forth Tier: Sub Head shows the *programs*, (viz)
2210 M & PH—01—001 Direction & Admn -
2210 M & PH -03—103 PH centres/CHCs
2210 M & PH -06 PH -101 Prevention & Control--98 NMEP
- @ Fifth Tier: detailed Head shows the *objectives* of the program,
2210 M & PH -01—001—99 Directorate of Health Services
(01) Salaries, (04) TE , (05) OE (06) RRT,(21) MV (34) OC
- @2211 FW -00—101 Rural FW Services -99 Rural Family Plan-
-ing centres (100% CSS) (Plan) (01) salaries
- @2210 M & PH -01—104 Mdl Stores depots -99 Dist. Medical
Stores (01) Salaries (04 TE) etc

What is required to prepare next year's Budget proposal ?

- 1) All the formats prescribed by Government from time to time and available in Kerala Budget Manual,
- 2) The Cadre Register showing the sanctioned Posts, new posts, if any, created or abolished with copy of Government orders,
- (3) First 5 months (April to August) Object head-wise reconciled expenditure of each Major Head booked in D.O.R. Expenditure register/Statement

WHERE TO LOOK FOR THE GUIDELINES ?



- KERALA BUDGET MANUAL
- PLAN DOCUMENTS OF THE PLANNING BOARD OF GOVT. OF KERALA
- ARTICLES OF CONSTITUTION OF INDIA



Stipulated dates and Routing of budget

NON PLAN: **PHC/Hospital Medical to DHS
(Through DMOH) on 15th
September each year—
DHS to Government on 30th Sept**

PLAN: **DHS to Govt. on 31st October
each year**

Budget Formats

- (i) Form A: Number statement of Posts,**
- (ii) Form B: 13 months Estimates of Pay, DA**
- (iii) Statement of Fixed Allowances : HRA,CCA,RA, NPA, HTA, Spl. Allowances, Bonus & Mdl. Reimbursement,**
- (iv) Statement of Estimate for Wages of Contingent staff,**
- (v) Estimates for:- T.E,O.E,RRT,MV,OC, POL, etc., etc.**
- (vi) Statement of Total employees drawing HRA, CCA,**
- (vii) Budget Estimates of Next Financial Year,**
- (viii) Revised estimate for this year,**
- (ix) Statement of Telephones and Motor vehicles and average consumption of POL, No. of Tele. Calls, and average monthly expenditure, etc., etc**

FORM A

Number Statement

- (1) Name of Institution & Department
- (2) Sanctioned Post , G.O. No. & date,
No. of Posts sanctioned, Scale of pay;
- (3) Details of posts newly created and
No & date of GO, Scale of pay, Period
up to which sanctioned,
- (4) No. of posts abolished and GO No. &
- (5) Remarks

Budget Provision for Pay and DA (Form B)

1. Sl. No.
2. Name of Category/Cadre
3. Name of Post
4. Permanent or Officiating
5. Gazetted or Non Gazetted
6. No. of posts
7. Scale of pay
8. Pay as on 1st April (Next year)
9. Provision for Pay (Sl. No.8 x 13 times)
10. Provision for DA (Sl. No. 9 x 38%)
11. Remarks showing reasons for variations
- 12 Round the figures pay & DA into next 1000 and prepare an Abstract.

ESTIMATES FOR PAY AND DA (FORMAT –a)

| Post | Pay on 1.4.09 | Provision for Pay | Provision for DA (38%) | Remarks |
|-------------------------|----------------------|--------------------------|-------------------------------|-----------------------------|
| 1) Asst. Surgeon | 11910 x 13 | 154830 | 58835 | Addl. provision made |
| 2) UD Clerk | 6680 x13 | 86840 | 32999 | For 30 day's earned |
| 3) Peon | 4480 x 13 | 58240 | 22131 | Leave surrender |
| Total | | 299910 | 113965 | |
| Rounded to : | | 300000 | 114000 | |

Provision for Fixed Allowances

INCLUDES COLUMNS, viz.....

**Sl. No, Category, Name of Post, Scale of pay,
Pay as on 1st April (Next), Nature of allowances & rates,**

@Find provision for HRA of each post (13 times)

**@Find provision for other allowances like, CCA, NPA, RA, HTA,
Spl.Allow, etc for 12 months**

@ Find provision for Bonus and Festival Allowance,

**@Find Provision for Medical reimbursement (2 times of previous
year's allotment)**

**@ Group the items as HRA, Medical Reimbursement &
Other Allowances (i.e. Total of all items excluding HRA
Medical Reimbursement)**

@Round the figures to the next Thousand

ESTIMATES FOR FIXED ALLOWANCES (FORMAT –b)

| Post | HRA | Rural Allow | Bonus | Mdl. Reimb. | Remarks |
|-------------------|-------------|--------------|-------------|---------------------------------|---------|
| Asst.Surgeon | 1950 | 19800 | 1000 | This Years Budget Provision x 2 | |
| UD Clerk | 1950 | --- | 1000 | = 6000 | |
| Peon | 1950 | --- | 1000 | -- | |
| Total | 5850 | 19800 | 3000 | -- | |
| Rounded to | 6000 | 20000 | 3000 | 6000 | |

Abstract : H R A = Rs 6,000/=
 Other Allow = 23.000/-
 Mdl. Reimbr = 6,000/=

PROVISION FOR WAGES

1. No. of sanctioned posts of Part-time Full Time Sweepers
2. Work out 13 times of their pay ,
3. Work out 13 times of DA
4. Make provision for Bonus
5. Find the Grand Total and round to the next 1000

ESTIMATES FOR WAGES (Annexure -1)

| No. of Posts | Pay on 1.4.09 | Provision For Pay | Provision For D | Provision For bonus | Total Pro- -vision for 2009-10 | Reason for Variation |
|---------------------|----------------------|--------------------------|------------------------|----------------------------|---|-----------------------------|
| 1 | 2700 x 13 | 35100 | 13338 | 2500 | 50938 | |
| Rounded to: | | 35000 | 13000 | 3000 | 51000 | |

Provision for Travel Expenses

INCLUDES:

(1) Tour TE,

(2) Transfer TE &

(3) PCA/PTA)

(i) Tour TE : Provide funds for next year by adding 50% to last year's allotment . Also Make 25% provision for arrears,

(ii) Transfer TE: Provide funds for next year by adding 50% addition of last year's allotment,

(iii) PCA/PTA : Work out the available rate for next 12 months

Round Grand Total of each item to the next 1000

ESTIMATES FOR TRAVEL EXPENSES (Annexure -2)

| Object Head | Provision for 2009-10 (add 50 % of last year's allotment) | Arrears if any (Add 25% of last years' allotment) | Total Provision 2009-10 | Reason for Variations |
|--------------------|---|---|-------------------------------|---|
| (1)Tour TE-8 | 12000 | 2000 | 14000 | A large number of TE claims are pending due to the tours connected with the outbreak of recent communicable diseases, like Chikungunya, Dengu, etc. |
| (2) Transfer TE-2 | 3000 | 500 | 3500 | |
| Total | 15000 | 2500 | 17500 | |
| Rounded to: | 15000 | 3000 | 18000 | |

Provision for Office expenses

- | | | | |
|------------------------|---|--|----|
| 1. WATER CHARGES | : | FIND OUT AVERAGE OF LAST THREE YEAR'S ALLOTMENT & ADD 25% | |
| 2. ELECTRICITY CHARGES | : | Do | Do |
| 3. TELEPHONE CHARGES | : | Do | Do |
| 4. <i>OTHER ITEMS</i> | : | ALL MISCELLANEOUS EXPENSES ARE MET UNDER THIS HEAD. WORK OUT AVERAGE OF LAST THREE YEAR'S ALLOTMENT & ADD 75% FOR BUDGET PROVISION, ALSO PROVIDE ADDITIONAL 25% FOR ARREARS. | |

A statement showing the Telephone Numbers, average telephone calls of last three years, Total expenditure incurred last three years, average Telephone calls per months, expenditure for each month, etc. has also to be enclosed with the budget proposal

ROUND THE GRAND TOTALS OF EACH ITEMS TO THE NEXT 1000

Provision for Rent, Rates & Taxes

Normally we are bound to pay Rent if the building is a rented one and Municipal/Panchayat Building taxes.

- 1. Details of rates of rent is available with the office from landlord's agreement.
Work out 12 times. Provide funds for arrears if any,**
- 2. Ascertain details of pending Building tax due to the Panchayat/Municipality and provide funds.
Round the total to the next 1000**

Provision for Motor vehicle and P O L

21 Motor Vehicle:

- (i) Purchase of vehicle : Normally no funds receive
- (ii) Repairs : Find out average of last 3 years allotment and add 25% being next year's provision
Also provide 25% being arrears

45 POL : Do Do Do

Details of vehicles, Regn. No., Model, make, Certified Mileage, Fuel consumption for the last 3 years, Expenditure incurred so far, Average monthly expenditure, etc. should also be furnished in a given format,

Round the grand total of each item to the next 1000

Provision for (34) Other Charges

- This head of account is provided in the budget for meeting expenditure connected with the organization of meetings, workshops, prizes, etc.
- Provide 100% additionally with this years allotment,
- Round the total to the next 1000

PREPARATION OF BUDGET OF NEXT YEAR

- Column 1 :** **Actual** expenditure of previous year available from DOR expenditure,
- Column 2 :** Voted **Budget provision** of this year available from Printed Budget or from the Budget file;
- Column 3 :** **Revised estimate** as we now prepared
- Column 4 :** **Major, Minor** and Sun head of account,
- Column 5 :** **Budget estimate** of next year .
- The figures now arrived by us are to be again -rounded (Object headwise 1000) & the figures carried over to each object head concerned in Column 5,
- Column 6:** **Reason for variation.** Normally the budget of next year -will be more than last year's. If any shortfall. Many of the posts were vacant or some posts were abolished. If it is in excess, the reason is due to provision of Arrear DA anticipated next financial year and price fluctuation of materials.

Preparation of revised Budget

- Method 1: Add last 7 months figures with the figures of 5 months of this year,
- Method 2: 5 Months available figures of this year multiplied by 2 and
- Method 3: Apply discretionary power of the budget preparing DDO

IF YOU ARE NOT SUBMITTING BUDGETS PROMPTLY:

NET RESULTS



1. **Loss of your due share of most essential items,**
2. **Could not fulfil the planned results,**
3. **Failure of functioning of your Institution,**
4. **Suffer to cater your needs emergency needs and feel inefficiency and ineffectiveness**

HOW TO OVERCOME SUCH SITUATION

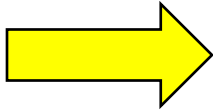
- A) Control expenditure, curtail expenditure of unwanted/limitable components and move for re-appropriation**
- B) If no savings could not find out as specified Sl.No. 1 above, move for a Supplementary demand of Grants**
- C) Follow Strict Financial rules/Propriety in fund utilization,**
- D) Find out additional funds from HDC/HMC or from other sources**

FUND DISTRIBUTION

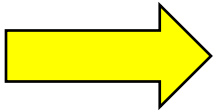
WHERE DO WE GET FUNDS

- 1 Our Annual Budget voted by Leg. Assembly,**
- 2 Plan fund (50% & 100%) provided by India Govt.,**
- 3 Externally aided fund by ADB, World Bank, etc.;**
- 4 Funds collected by Hospital Management Committees,**
- 5 Funds provided by Local Self Government (Panchayats)**

DISTRIBUTION CHANNELS



GOVERNMENT—DHS—DMOH—
MEDICAL OFFICERS



GOVERNMENT—LSG—MEDICAL OFFICERS

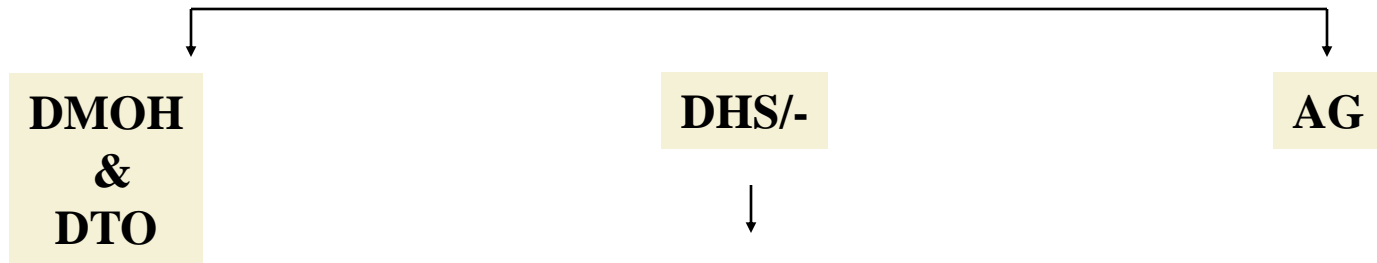
**DO YOU
KNOW**

- **APPROPRIATION & MISAPPROPRIATION:--**

Appropriation means providing funds for allocation for day-today Government expenses

Misappropriation is: misuse of Govt. funds, or misclassification of funds

Monitoring expenditure Agencies



Our Monthly DOR Expenditure Statements are reconciled by DMOH with Dist. Treasury figures and assign Dist. Treasury Voucher. Numbers. Then forward to DHS, who in turn reconcile the figures with the figures booked by Accountant General. Variation in figures, wrong Head of account, Wrong classification, etc should be rectified promptly. All corrections/rectifications should be made before finalizing the accounts by Accountant General on 30th June each year

HOW WE RECONCILE Govt. figures

**Prepare the monthly expenditure Head wise and assign the sub Treasury voucher numbers noted in the list of payment of the Treasury Officer (LOP)
The forward to the DMOH in duplicate**

**DMOH reconcile the figures with the figures booked by the Dist .Treasruy officer and assign the Dist.Treasury Vr. Numbers, then
Forward to the Director of Health Services**

**DHS reconcile the figures to that booked by Accountant General in his compilation sheets of Appropriation Audit department and finalize Misclassification if any. After obtaining the remarks from DMOH/MO, the DHS
Rectifies the misclassification/wrong entried**



Expenditure control at Legislative Level

**At the time of Budget Session Members raise
Cut Motions,viz**

- i) Money cut motion,**
- ii) Economy cut motion,&**
- iii) Token Cut motions**

**After Passing/Voting the Budget:
Estimate committee examines the
Budget provision of each
Department,Analyze and recommend to
cut or enhance the provision**

DEPARTMENTAL CONTROL

DHS & DMOH

(1) Cut short the allocation (2) Resumption of funds allocated

(3) Curtail the expenditure and Re-appropriate



AUDIT

**FUNCTION
&
METHODS**

WHAT IS AUDIT ?

CONSTITUTION OF INDIA

JUDICIARY

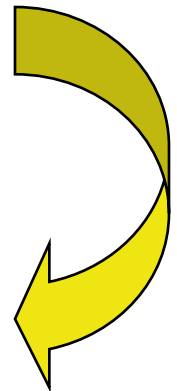
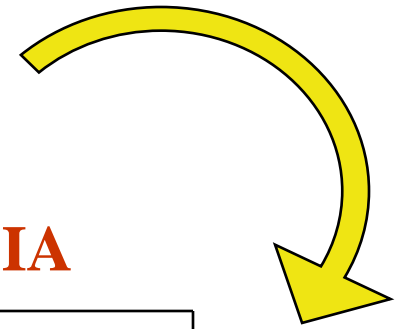
LEGISLATURE

AUTHORISES
EXECUTIVES

AUDIT

↓
AIMS
WATCHING
ACTIONS OF
EXECUTIVES

IRREGULARITIES
LOSS OF PUBLIC MONEY
LACK OF SUPERVISION
**ACTIONS BEYOND THE SCOPE
OF AUTHORISATION**



KINDS OF AUDIT

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graph TD; Root[KINDS OF AUDIT] --> S[STATUTORY AUDIT]; Root --> SO[SOCIAL AUDIT]; Root --> P[PERFORMANCE AUDIT]; Root --> D[DEPATMENTAL AUDIT]; S --> SA[AG'S AUDIT]; S --> LFA[LOCAL FUND AUDIT]; D --> IA[INTERNAL AUDIT]; D --> FI[FINANCE INSPECTION];
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**STATUTORY
AUDIT**

**SOCIAL
AUDIT**

**PERFORMANCE
AUDIT**

**DEPATMENTAL
AUDIT**

**AG'S
AUDIT**

**LOCAL FUND
AUDIT**

**INTERNAL
AUDIT**

**FINANCE
INSPECTION**

METHOD OF AUDIT

ACCOUNTANT GENERAL



POINTS OUT



IRREGULARITY
DEFECTS
OMISSIONS
OF D.D.Os



THROUGH



AUDIT
OBJECTIONS
AUDIT NOTES
OBJECTION SLIPS
REPLY WITHIN A
FORTNIGHT
INTERIM REPLY

INSPECTION REPORTS
MEMOS
AUDIT ENQUIRY
REPLY WITHIN A MONTH
HALF YEARLY STT. TO
HEAD OF DEPT. &
GOVERNMENT
MONTHLY REPLY

DRAFT PARA
REPLY WITHIN SIX WEEKS
AUDIT PARA
AUDIT REPORT
PUBLIC ACCOUNTS COMMITTEE



HOW TO PREPARE EFFECTIVE REPLY

- **STUDY THE OBJECTION**
- **EXAMINE THE LAPSE**
- **RECTIFY THE DEFECTS**
- **IMPRESS DIFFICULTIES**
- **PROPER REASONING**
- **BRAIN STORMING**
- **APPLICATION OF MIND**
- **SENSIBLE ARGUMENTS**
- **USE MODEST WORDS**

LET US CONCLUDE

THANK YOU

