290. *Orders relating to audit*:—(1) The functions of the Comptroller and Auditor General of India are derived in the main from the provisions of Articles 149—151 of the Constitution. Article 149 of the Constitution envisages an Act of Parliament to regulate the duties and powers of the Comptroller and Auditor General. This Act has been framed and the duties and powers are prescribed in the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971. Appropriate extracts from that Act are reproduced in Annexure I.

2. Article 151 of the Constitution lays down that the reports of the Comptroller and Auditor General of India relating to the accounts of the State shall be submitted to the Governor who shall cause them to be laid before the legislature. The accounts submitted to the legislature with the Audit reports embrace besides the Appropriation accounts the whole of the accounts of the State including accounts of receipts and of all transactions relating to Debt and Remittance Heads.

(3) *Duties by consent* :—Article 149 of the Constitution is exhaustive of the means whereby duties other than those specified in other provisions of the Constitution itself can be imposed upon the Comptroller and Auditor General. This however, does not preclude the Comptroller and Auditor General from understanding any additional duties in respect of any authority or body (other than that in relation to the accounts of which specified duties have been entrusted to him by or under any law made by parliament) by consent and on such terms and conditions as may be settled between him and the Government concerned. This is the position in respect of the audit of accounts of local authorities, e.g. Municipal Funds etc. If it were desired to attach statutory authority to the performance of the Comptroller and Auditor General of such duties, there would be nothing to prevent the inclusion in the State Legislation otherwise within the competence of the State legislature, of a provision to the effect that, subject to any law of Parliament the accounts of the specified authority etc., shall be audited by the Comptroller and Auditor General on such terms as the Comptroller and Auditor General consents to do so. The existing provisions contained in any State Legislation imposing duties on the Comptroller and Auditor General (or say of his officers) continue to remain in force only on such consent basis.

(4) *Duties of the Accountant General*:—Accountant General performs such duties and functions as are imposed on or undertaken by Comptroller and Auditor General under the provisions of the Constitution or any law made thereunder or under any executive arrangement subject to any special or general directions given to him from time to time under para 21 of the Comptroller and Auditor General's (Duties, Powers and conditions of Service) Act, 1971 (reproduced in Annexure I).

(5) *Relations of Audit with the Executive Government* :—It is essential that an Accountant General should work in close coordination with the Government concerned in order to enforce propriety and secure regularity in the public expenditure. Notwithstanding the fact that it is the function of the Finance Department to advise the Government concerned on the making of financial rules and regulations or their application, the Accountant General should render all legitimate assistance to the Finance Department in regard to application of financial rules or orders concerning which there may be doubt,

The Accountant General is entitled to seek the support of the Finance Department in cases of disregard of rule of order or failure of any authority to maintain suitable accounts and ordinarily he should if necessary refer to this Department before taking any other action open to him whether to secure a satisfactory settlement of an audit objection or for the production of any papers or information under paragraph 18 of the said Act or for any other purpose.

Note.— Audit is not bound by any pact with the Executive Government of the State, which may fetter his discretion or judgement in any manner as to the matters which he may like to bring to the notice of Parliament or the State Legislature in the discharge of duties.

(6) *Audit of Accounts of Stores and Stocks.*—Where the audit of stores and stock accounts of any department of Government entrusted to the Auditor-General under the provision of paragraph 17 of the said Act, it is conducted in accordance with the regulations given below, rule 15.21 of the Pb. Financial Rules Volume I. A list of accounts of stores and stocks the audit of which has been entrusted by the Haryana Government to the Auditor General is given in Annexure B to Chapter XV of Pb. Financial Rules, Volume I.

7. *Audit of Accounts of local funds and of other public and quasi-public bodies under the control of State Government.*—Such audit is now conducted by the Local Audit Department working directly under the State Government.

The Finance Department is the Administrative Department for the Local Audit Department, Lotteries Deptt., T & A Deptt. and Small Savings Deptt.

201. *Method of communicating to audit sanctions to expenditure or reappropriation.*—(1) All sanctions and orders relating to receipts and expenditure, revision of scales, creating or abolition of appointment etc. etc., against which audit is to be conducted by the Accountant General, are communicated to him in accordance with the following procedure :—

(a) If the order is issued by an authority to the Government to whom the power to sanction has been delegated, by that authority;

(b) If the order is issued by an administrative department of the Government and is one to which the assent of the Finance Department is given the order will be conveyed by the Secretary to Government, in the Administrative Department concerned, who will send a copy to the Finance Department;

(c) In other cases the order will be conveyed under the endorsement of the Secretary to Government, in the Finance Department, to whom the Administrative Department will send a copy of the sanctioning order for communication to the Accountant General.

Note.— The term "Secretary" used in clauses (b) and (c) above includes an "Additional Secretary", "Joint Secretary", "Deputy Secretary" and "Under Secretary".

In cases referred to in clause (c) above, i.e., when the Admministrative Department is not empowered to sanction the expenditure, if an order sanctioning the expenditure is sent to the Accountant General direct by the Administrative

Department and not through the Finance Department the Accountant General will challenge such a sanction.

(2) All letters or memoranda conveying sanction to the grant of additions to pay, such as special pay and compensatory allowance, should contain a brief but clear summary of the reasons for the grant of the addition so as to enable the Accountant General to see that it is correctly classified as special pay or compensatory allowance, as the case may be, in cases in which an official record in an open letter is considered undesirable the reasons for the grant of such additions to pay should be communicated confidentially to the Accountant General. A similar procedure should also be followed in all other cases in which the rules require that reasons for the grant of special concessions or allowances should be recorded.

(3) Sanctions accorded by Government to grants of land and alienations of land revenue other than those in which assignments of land revenue are treated as cash payments should be communicated to the Accountant General in a consolidated monthly return giving the details necessary for enabling him to audit the sanctions accorded.

(4) In all letters conveying sanctions to new grant-in-aid, the sanctioning authority should invariably quote the rule under which the sanction has been accorded. Where a sanctioning authority imposes any further restrictions or conditions in addition to those laid down in the rule such restrictions or conditions should also be clearly set forth in the letter.

(5) In orders sanctioning expenditure when indicating the source of appropriation the mere reference to the major and minor head under which the appropriation is to be found is not sufficient for audit purposes. It is also necessary to give full information regarding the unit of appropriation affected. The units of appropriations are defined in Appendix II of the list of Major & Minor Heads of Accounts. All orders sanctioning expenditure should be so worded as to comply with these instructions.

(6) It is necessary that heads of departments and other controlling officers should have information regarding all reappropriations within their grants. Whenever therefore, a reappropriation is sanctioned to finance any sanctioned scheme the sanction to such reappropriations, that is to say, the specification of the source of reappropriation should be communicated in the original letter to the head of department, or controlling officer concerned, and not in the endorsement to the Accountant General.

292. *Appropriation Accounts of the Haryana Government and the report of the Accountant General thereon*:—This report will be received from the Accountant General about the 15th February each year and will consist of a statement of the :—

(a) appropriation and expenditure accounts for the previous financial year ;

(b) financial irregularities which are considered of sufficient importance to be brought to notice.

The procedure to be followed in regard to financial irregularities is as follows :—

(1) Each case will be reported by the Audit Office as soon as it comes

to notice, to the Administrative Department as having been registered provisionally for comment in the next Appropriation Reported.

(2) When such cases are ripe for inclusion in the report, draft paragraphs will be supplied by the Audit Officer to the same authorities, as also to the Finance Department, for their consideration and comments.

(3) Finally, on receipt of the comments of Administrative department final drafts of the paragraphs for the Appropriation Accounts will be prepared by the Audit Office and copies supplied to the same authorities.

Administrative Departments will obtain promptly from Heads of Departments any explanation, that may be necessary in regard to cases concerning their departments. The Administrative Departments should endeavour, to complete all action in this respect before the Appropriation Accounts and the report of the Accountant General thereon are received so that they may be in a position to report to the Public Accounts Committee, through the Finance Department, when the Appropriation Accounts are laid before it, the result of action taken on such Financial irregularities as are mentioned in the accounts.

The Accountant General is at liberty to record either in the Appropriation Accounts or in his Audit Report thereon cases of financial irregularities with any comments he thinks fit to make on them, but he will as far as possible restrict his references in individual matters to cases of real importance only. Where a department, either through the intervention of the Audit Department or otherwise, has, to the reasonable satisfaction of the Audit Department, rectified an irregularity, such a case will ordinarily not appear in Appropriation Accounts at all. It is, therefore , to the advantage of Departtment to expedite the disposal of audit queries. The same principal applies to cases of financial irregularities referred to the Finance Department. In such cases the Audit Department, having given expression to its views, will not question the action, which the Finance Department may take, and will ordinarily omit such cases from the Appropriation Accounts, unless the action taken is:—

(i) illegal; that is to say, contrary to law, to rules having the force of law, or to an authoritative formula of constitutional or financial Principle, or to a valid condition or restriction imposed by the Legislature;

(ii) in the judgement of the Auditor-General evidently malafides (isolated cases of suspected malafides would not ordinarily fall within this condition);

(iii) contrary to the vital interest of the State and in circumstances where the matter in question is in the judgement of the Auditor-General of such importance that he will consider himself justified in deliberately incurring the risk of bringing down the Government by exposing it.

It is not necessary for the Finance Department to defer bringing any irregularity before the Public Accounts Committee until it has been included in the Appropriation Accounts. If necessary, it may lay the matter before the Committee as soon as the Government has issued orders on it. In laying the irregularity before the Committee, the Finance Department will submit a memorandum explanatory of the case. The memorandum will be supplied to heads of departments and the administrative department concerned, who will be required to attend the Committee and explain the irregularity.

II-Budget Procedure

Note.—The following instructions are primarily for the guidance of the branches in Finance Department dealing with preparation of Budget Estimates. They can, however, to a large extent be followed with advantage, by administrative branches.

For reference in Budget Manual made in these instructions please consult fourth edition of the Manual.

293. *Preparation of Budget*.—Under Article 202 of the Constitution of India, the Governor shall in respect of each financial year, cause to be laid before the House of the Legislature of the State a statement of estimates of receipts and expenditure of the State for that year. This statement is known as "Annual Financial Statement" or "Budget".

It is the duty of the Finance Department to prepare the Budget and for its preparation the Finance Department has power to require heads of departments and other authorities to furnish material on which to base its estimates. The heads of departments in turn depend, for the material, on district and other officers who collect revenue or incur expenditure.

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

In preparing their estimate, the Collecting or Disbursing Officers and heads of department will be guided by the detailed instructions contained in the Punjab Budget Manual (Chapter 4,5,7 and 13 & Appendices E, F & G thereto). Some of the more important instructions are however, given in the following paragraphs for guidance.

294. *Estimates of Receipts*;—On the correct forecast of "Receipts" depends the financing of the annual governmental programme of expenditure, and while any under-estimating of "Receipts" will result in the curtailing of some very necessary and desirable items of expenditure and will present the Ways and Means problem in unjustifiably difficult dimensions, any over estimate, on the other hand, would raise unnecessary hopes which when falsified, would upset the budgetary equilibrium.

The important guide for the preparation of revised estimates of receipts will ordinarily be the actual receipts of these months of the year which have already elapsed corrected by a consideration of all other relevant material available for making a sound forecast. All new sources of revenue which have not been taken into consideration in previous years are required to be so taken into account.

295. *Estimates of Ordinary Expenditure*.—For framing the Budget Estimates of ordinary "Expenditure" it is most essential to exercise the utmost foresight and to provide all known items of expenditure provision being restricted to the ab-

solute minmum necessary. The exhortation to show foresight in budgeting, should not, however, be taken as an invitation to include any and every item of proposed expenditure without proper consideration. Due account should be taken of administrative difficulties and routine delays likely to delay the execution of all schemes, and provision should be made only to the extent to which actual expenditure during the course of the year can in all reasonableness be anticipated. To ensure accurate budgeting departments are required generally—

(a) to review from time to time all sanctions to fixed establishment and recurring contingent expenditure so as to confirm or revoke such sanctions according to requirements;

(b) to scrutinize the need for every item of expenditure before it is included in the estimate, the current year's estimates being not accepted blindly as the basis for framing estimates of the next year;

(c) to provide for what is expected to be actually paid (under proper sanction) during the year, including the arrears of past years (which should be separately and clearly indicated for the information of the Finance Department).

(See also rule 5,4 of the Pb. Budget Manual).

206. *Estimates of New Expenditure.*—The following items should be included in the estimates of new expenditure:—

(a) Expenditure relating to a "new service" for which the Legislature has not previously voted provision. (See also note 1 below).

(b) Expenditure relating to a re-organisation of an existing service or to a substantial addition to an existing service of such importance as to make it desirable that the attention of the Legislative Assembly be particularly directed to the expenditure involved.

(c) Expenditure relating to temporary establishment which has been included in a previous schedule of new expenditure or in a supplementary estimate and the retention of which was approved by the Assembly for a period less than that now required.

(See also note 2 below).

(d) Any non-recurring grant-in-aid, contribution or donation even though provision was made for it in the original or supplementary estimates of the current year.

(See also note 3 below).

(e) Any excess over the lump provision included in the last final edition of the budget for recurring grants.

Note 1 :—The term "New Service" means a service, expenditure on which is not contemplated in the Schedule of authorised expenditure for the year and for which a reference to the Legislature should be made.