

## ACCOUNTS -- I

**Structure of Government Accounts:** All monies, receipts and disbursements made by the government are divided into the following three parts, in accordance with the provisions contained in Art. 266 & 277 of the Constitution of India;

Part I – Consolidated Fund of the State

Part II – Contingency Part of the State

Part III – Public Account of the State

**Consolidated Fund of the State:** The Fund is divided into the following three divisions:

i. Revenue

ii. Capital

iii. Debt, comprising public debt, loans and advances and inter-state settlements.

The Revenue Division comprises of the Account of (i) the income of Govt. derived mainly from taxes, duties, cesses, levies etc, imposed by law, fees for services rendered, fines and penalties for breach of rules and regulations, revenue from assessment of land, rent or other proceeds from Government estates, such as buildings, forests, irrigation system etc and grants-in-aid from the Central Government; interest and other miscellaneous and incidental receipts and adjustments based on principles of accounting and (ii) the expenditure on debt servicing charges and on management and collection of all taxes etc., the expenditure on account of rendering services to the community and other incidental charges and miscellaneous adjustments. The receipts are collectively called “Revenue Receipts” and the outgoings as “Revenue Expenditure”. The difference between these two represents the revenue surplus or deficit, according to excess of revenue over expenditure or vice versa.

The Capital Division comprises of the account of receipts and expenditure of a capital nature. The expenditure of a capital nature is broadly defined as expenditure incurred with the object of either acquiring or increasing concrete assets of a material and permanent nature such as land, buildings, equipment, construction of reservoirs for irrigation or irrigation or water supply, etc. or reducing recurring liabilities! These concrete assets may not necessarily be of a productive character. In certain circumstances, it may be necessary and justifiable to treat as capital a scheme involving large expenditure but calculated to serve both present and future generations of tax-payers (e.g. development of State Roads). Such expenditure is met out of revenues and shown in the revenue account. Thus, expenditure on schemes or works even though it is of a capital nature is classified under revenue head of account taking into account the magnitude of the expenditure. Such expenditure on scheme or works of capital nature costing up to Rs.1 lakh or less or forming part of a scheme or project costing Rs. 5 lakhs or less is treated as Revenue Expenditure. These limits are also

applicable to "original works" which are generally classified in the public works accounts as major works and minor works with reference to norms prescribed in the Public Works Account Code.

Similarly, The expenditure on temporary structures, whether falling under the category of major works or minor works will be met from revenue.

**The Debt Division**—Comprises of (a) loans raised by Government or Public Debt and (b) loans and advances given/recovered by Government. The Public Debt is made up of Internal Debt of the State Government such as market loans, loans from the Life Insurance Corporation of India, loans from the National Agricultural Credit Fund of the National Bank for Agriculture and Rural Development (NABARD), loans from the State Bank of India, other Banks and other Institutions, Ways and Means Advances from the Reserve Bank of India etc., and the Loans and Advances from the Central Government.

Transactions connected with the Loans and Advances by State Government are recorded under different functions and programmes of Government and mostly correspond to the Revenue and Capital Major Heads.

**Inter-State Settlement**—The major head, "7810-Inter-State Settlement" is intended to provide for the accounting of sums due by one State Government to another under the financial settlement on setting up of new States or under the State Re-organization Acts. Transactions connected with this division are recorded both on the receipt and expenditure side.

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**Contingency Fund of the State**—Part II of the Accounts records transactions relating to the Contingency Fund which is in the nature of an imprest placed at the disposal of Governor for meeting urgent unforeseen expenditure pending authorization from the Legislature.

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**Public Account**—The "Public Account" incorporates transactions in respect of which Government functions as a banker, and incurs a liability to repay the moneys received or has a claim to recover the amount paid as distinct from transactions relating to the receipts and disbursements on revenue, capital and loan accounts. It also includes "Suspense" and "Remittance" heads of accounts which are operated as mere adjusting heads pending eventual clearance by either transfer to the final heads of account, payment or recovery. In order to have an appropriate and well-defined grouping of the various transactions under Public Account, the different major heads of accounts are grouped under following broad sectors:

- (1) Small Savings, Provident Funds, etc.
- (2) Reserve Funds,
- (3) Deposits and Advances,
- (4) Suspense and Miscellaneous,

- (5) Remittances,
- (6) Cash Balance.

While the first three sectors mainly comprise of receipts and payments other than those falling under debt heads pertaining to the Consolidated Fund, the following two sectors, viz., 'Suspense and Miscellaneous' and 'remittances' consist mainly of adjusting heads where entries are subsequently cleared by adjustment under final heads of accounts.

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### **Budget**

**Annual Financial Statement or the Budget** means a statement of the estimated receipts and expenditure of the State in respect of a financial year, laid before the Legislature under Article 202 of the Constitution. Under Article 202(1), the responsibility for preparation of this Statement lies with the Finance Department. Under Article 202(2) the estimates of expenditure embodied in the Annual Financial Statement shall show separately—

- (a) The sums required to meet expenditure described by the Constitution as expenditure *charged* upon the Consolidated Fund of the State and,
- (b) The sums required to meet *other expenditure* proposed to be made from the Consolidated Fund of the State and shall distinguish expenditure on revenue account from other expenditure.

The Annual Financial Statement consists of a Summary of revenue receipts, revenue expenditure; other receipts and disbursements pertaining to the Consolidated Fund, Contingency Fund as well as the Public Account with actuals of previous financial year, Budget and Revised Estimates of the current financial year and the Budget estimates of the ensuing year, along with Vote on Account and detailed Demand for Grants.

**Charged Expenditure**

Under Article 202(3), the following expenditure shall be expenditure *charged* on the Consolidated Fund of each State—

- a) The emoluments and allowances of the Governor and other expenditure relating to his office;
- (b) The salaries and allowances of the Speaker and Deputy Speaker of the Legislative Assembly and in the case of a State having a Legislative Council, also of the Chairman and Deputy Chairman of the Legislative Council.
- (c) Debt charges for which the State is liable including interest, sinking fund charges and redemption charges and other expenditure relating to the raising of loans and service and redemption of debt;
- (d) Expenditure in respect of the salaries and allowances of Judges of any High Court;
- (e) Any sums required to satisfy the Judgment, decree or award of any Court or arbitral tribunal.
- (f) Any other expenditure declared by the Constitution or by Legislature of the State by law, to be so charged.

**Voted Expenditure**

means the expenditure, which is subject to the vote of the Legislative Assembly under Article 203(2). e.g. salary of a WBCS Probationer , creation of new hostel bldg.at ATI

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**Reappropriation:**

**General Rules:** Any appropriation or reappropriation within the grant of a year can be authorised at any time before, but not after, the expiry of the financial year. Reappropriation of funds from one Grant to another Grant is not permissible as it will be ultra vires of the provisions of the Constitution. No reappropriation from a "Voted" to a "charged" head and vice versa is admissible. The Finance Department can sanction any reappropriation of funds within a Grant from one head to another provided it does not involve transfer of funds from a "Voted" to a "charged" head and vice versa. The following is not permissible; (a) transfer of funds from one major head to another within the same 'Demand' i.e. reappropriation of fund from Revenue to Capital / Loans head and vice versa; (b) provision under plan schemes including Centrally sponsored / Central Sector Schemes shall not be diverted to non-plan Schemes and Vice Versa; (c) provisions for "Office Expenses" should not be increased by reappropriation.

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## **Codification**

Separate code numbers are assigned to all major heads in the Consolidated Fund, Contingency Fund and Public Account. The codification pattern has been evolved in such a manner that it establishes complete correlation among the receipt, expenditure under both Revenue and Capital major heads of accounts as well as Loan heads dealing with the same function or service except in a few cases where corresponding heads in one or other of these sections have not been provided taking into account factors like the magnitude of the receipt or expenditure in that section or absence of transaction in that section. In such cases either there is no transaction relating to that function or service under one or other of these sections or the transactions relating to two or more functions or services have been combined under a single major head. For example the major head "Land Revenue" will not have corresponding heads in the capital or loan sections, while "Elections" will not have corresponding heads in receipt, capital and loan sections. The receipts from Election in such cases are recorded under the major head, "Other Administrative Services". However, in majority of cases complete co-ordination has been established under the codification pattern. Under the scheme, the receipt major heads are assigned the block 0020 to 1606, the expenditure major heads on Revenue Account from 2011 to 3606, expenditure major heads on Capital Account from 4046 to 5475, major heads under Public Debt from 6001 to 6004 and those under Loans and Advances, Inter-State Settlement and Transfer to Contingency Fund from 6075 to 7999 and the major heads under Contingency Fund and Public Account from 8000 to 8999. For example, "Medical and Public Health" in the Sector "Social Services" and "Crop Husbandry" in sub-sector "Agriculture and Allied Services" in the sector "Economic Services" will have the following codes:

<b>Receipt Major Head (Revenue Account)</b>	<b>Expenditure Major Head (Revenue Account)</b>	<b>Expenditure Major Head (Capital Account)</b>	<b>Loan Major Head(1)</b>
<b>(1)</b>	<b>(2)</b>	<b>(3)</b>	<b>(4)</b>
0210- Medical and Public Health	2210- Medical and Public Health	4210 - Capital Outlay on Medical and Public Health	6210- Loans for Medical and Public Health
1401 - Crop Husbandry	2401 - Crop Husbandry	4401 - Capital Outlay on Crop Husbandry	6401 - Loans for Crop Husbandry

## **Coding Pattern**

### **Major Head**

A Four-digit Code has been allotted to the Major Head, the first digit indicating whether the Major Head is a receipt Head or Revenue Expenditure Head, or Capital Expenditure Head or Loan Head. If the first digit is '0' or T the Head of Account will represent Revenue Receipt, '2' or '3' will represent Revenue

Expenditure, '4' or '5'—Capital Expenditure, '6' or '7'—Loan head, (4,000 for capital receipt) and '8' will represent Contingency Fund and Public Account.

Adding 2 to the first digit of the Revenue Receipt will give the number allotted to corresponding Revenue Expenditure Head adding another 2—the Capital Expenditure Head and another 2—the Loan Head of Account.

*For Example :*

0401 represents the Receipt Head for Crop Husbandry

2401 the Revenue Expenditure Head for Crop Husbandry 4401 Capital Outlay on Crop Husbandry

6401 Loans for Crop Husbandry

### **Sub-Major Head**

A two-digit Code has been allotted, the code starting from '01' under each Major Head. Where no sub-major head exists is allotted a code '00'. Nomenclature 'General' has been allotted code '80' so that even after further sub-major heads are introduced the code for 'General' will continue to remain the last one.

### **Minor Heads**

These have been allotted a three-digit Code, the codes starting from '001' under each Sub-Major/Major Head (where there is no Sub-Major Head) Codes from '001' to '100' and few codes '750' to '900' have been reserved for certain standard Minor Heads. For example, Code '001' always represents Direction and Administration. Non-Standard Minor Heads have been allotted Codes from '101' in the Revenue Expenditure Series and '201' in the Capital and Loan series, where the description under capital/loan is the same as in the Revenue Expenditure Section, the code number for the Minor Head is the same as the one allotted in the Revenue Expenditure

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## **Departmentwise Budget**

With a view to enabling every department of the Secretariat :

- i. To have a complete control over the progress of expenditure incurred by that department and the officers under its administrative control,
- ii. to effect reconciliation of accounts more punctually and efficiently,
- iii. to furnish appropriate explanations for variations for savings or excesses, and
- iv. to facilitate surrender of savings or obtain supplementary demands wherever necessary, the demands are presented departmentwise for the vote of the Legislature by arranging them according to administrative departments of Government and according to portfolios of the Ministers generally. Where well defined sections of the same administrative department deal with subjects falling within the portfolios of different Ministers the demands should be arranged, wherever feasible, according to such sections of the departments in question. Each department should make demands for expenditure according to the major heads of accounts operated upon by that department. Each demand normally includes the total provisions required for a service, major

head wise, that is, provisions on account of Revenue Expenditure, Capital Expenditure and also Loans and Advances relating to that service.

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**Principles to be followed: Standards of financial propriety:**  
**Rule 35 of WBFR-1 and SR-234 of TR-Vot-I**

Every officer incurring or authorizing expenditure from public fund should be guided by high standards of financial propriety. Among the principles on which emphasis is generally laid are the following :

- (i) Every public 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.
- (ii) The expenditure should not be *prima facie* more than the occasion demands.
- (iii) No authority should exercise its powers of sanctioning expenditure to pass an order which will be directly or indirectly to its own advantage.
- (iv) Public moneys should not be utilised for the benefit of a particular person or section of the community unless :
  - (1) the amount of expenditure involved is insignificant or,
  - (2) a claim for the amount could be enforced in a court of law, or
  - (3) the expenditure is in pursuance of a recognised policy or custom.
- (v) 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 recipients.

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**Control of expenditure (Rules 35 & 36)**

Each head of department is responsible for enforcing financial order and strict economy at every step. He is responsible for observance of all relevant financial rules and regulations both by his own office and by subordinate disbursing officers.

A controlling officer must see not only that the total expenditure is kept within the limits of the authorised appropriation but also that the funds allotted to spending units are expended in the public interest and upon objects for which the money was provided. In order to maintain a proper control, he should arrange to be kept informed, not only of what has actually been spent from an appropriation-but also what commitments and liabilities have been and will be incurred against it. He must be in a position to assume before Government and the Public Accounts Committee, if necessary, complete responsibility for departmental expenditure and to explain or justify any instance of excess or financial irregularity that may be brought to notice as a result of audit scrutiny or otherwise.

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## **Treasury**

Treasury is the pivot of financial administration in the State. There are treasuries at the District level and at Sub-divisional level. There is no sub-Treasury in this State. The distinction between a treasury and a sub-treasury is that while the former submits monthly accounts to the Accountant General, West Bengal direct the latter submits the same through the Treasury at the district headquarters. There may be more than one treasury at district/sub-divisional level. The Collector of a district is in overall charge of the treasury. The Treasury Officer acts on behalf of the Collector and is directly responsible .to him (TR 4, 4A, 5 and SR 1 to 8).

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