

Chapter -5 Appropriations and Re-Appropriation

5.1 Introductory

5.1.1 Appropriation or re-appropriation represents the allotment of a particular sum of money to meet expenditure on a specified job as enunciated in the Detailed Demands for Grants. It is operative only for the financial year for which it is made.

(a) Expenditure can only be incurred on a work or other object:-

- (i) If sanction, either special or general, of competent authority has been obtained authorising the expenditure.
- (ii) If funds to cover the charges during the year have been provided by competent authority.

Note- When, under paragraph 66 of the Central Public Works Department Code, an intimation is received from an officer of the Public Works Department that he is incurring an unauthorised liability on a work, the Accounts Officer will bring the facts instantly to the notice of the competent authority so that the requisite steps may be taken either to stop the work or to regularise its execution.

- (iii) If the expenditure conforms to the relevant provisions of the Constitution and to the financial rules, regulations and orders issued by the competent authority.

(b) For payments chargeable to the accounts of other divisions, departments of Government, or of non-Government works, and repayments of deposits, a Divisional Officer does not necessarily require any specific provision of funds within the appropriations for his own division. It is sufficient to see that such payments are made only in accordance with the rules in the relevant Chapters of this Code.

Note- For inevitable payments, see paragraph 10.5.23.

5.2 GRANTS AND THEIR DISTRIBUTION

5.2.1 A grant or supplementary grant may be in respect of expenditure falling under one or more major heads or sections of a major head. For purposes of financial control, the grant allotted to each major head of account is divided into primary units of appropriation.

5.2.2 Form of Accounts – Main Divisions of Accounts

Govt. account shall be kept in the following three parts, as per the provisions of the Constitution of India:-

Part I Consolidated Fund	of India (including Union Territory Administration) or of the State or Union Territory Government concerned.
Part II Contingency Fund	
Part III Public Account	of India (including Union Territory and Union Territory Administration / Government) or of the State concerned.

Note:- There being no separate Public Account in the case of Union Territory Governments, the transactions pertaining to this account shall be booked in the Public Account of Central Government.

In Part I, namely Consolidated Fund, of the accounts, there shall be two divisions, namely:-

(i) Revenue consisting of Sections for “Receipts heads (Revenue Account)” and “Expenditure heads (Revenue Account)”.

(ii) Capital, Public Debt, Loans consisting of section for “Receipt heads” (Capital Account), “Expenditure heads (Capital Account)” and “Public Debt”, “Loans and Advances”.

The first division shall comprise the section Receipt heads (Revenue Account) dealing with the proceeds of taxation and other receipts classed as revenue, and the Section “Expenditure heads (Revenue Account)” dealing with expenditure met therefrom.

The second division shall comprise the following sections:-

a) The Section “Receipt heads (Capital Account)” which deals with receipts of a Capital nature which cannot be applied as a set off to Capital Expenditure.

b) The Section “Expenditure heads (Capital Account)” which deals with expenditure met usually from borrowed funds with the object of increasing concrete assets of a material and permanent character. It also includes receipts of a Capital nature intended to be applied as a set off to Capital expenditure.

c) The Section “Public Debt” Loans and Advances which comprise, of loans raised and their repayments by Government such as, Internal Debt, External Debt of the Central Government and Loans and Advances made by Government and their recoveries, transactions relating to “Appropriation to Contingency Fund” and “Inter-State Settlement.”

In Part II, namely Contingency Fund of the Accounts, shall be recorded the transactions connected with the Contingency Fund set up by the Government of India or

of a State or Union Territory Government under Article 267 of the Constitution / Section 48 of the Union Territories Act, 1963.

In Part III, namely Public Account, of the accounts, the transactions relating to Debt (other than those including in Part I), “Deposits”, “Advances”, “Remittances” and “Suspense” shall be recorded. The transactions under Debt, Deposit and Advances in this part are such in respect of which Government incurs a liability to repay the moneys received or has a claim to recover the amounts paid, together with the repayments of the former (Debt and Deposits) and the recoveries of the latter (Advances). The transactions relating to “Remittances” and “Suspense” in this Part shall embrace all merely adjusting heads under which shall appear such transactions as remittances of cash in Banks. The initial debits or credits, to these heads will be cleared eventually by corresponding receipts or payments either within the same circle of account or in another account circle.

5.2.3 Sectors and Sub-Sectors of Accounts

(a) Within each of the Divisions and sections of the Consolidated Fund as referred to in para 5.2.2, the transactions shall be grouped into Sectors such as, “General Services”, “Social Services”, “Economic Services” under which specific functions or services shall be grouped. The sectors in some cases shall be sub-divided into Sub-Sectors as enumerated in the list of Major & Minor Heads of Account. The Sectors/Sub-Sectors will be further sub-divided into Major Heads of Account. Each Sector in a section shall be distinguished by a letter of the Alphabet.

(b) In Part II – Contingency Fund, there shall be a single Major Head and all the transactions met out of the Contingency Fund shall be recorded under it.

(c) In the case of Part III – Public Account, the transactions shall be grouped into Sectors and Sub-Sectors, which shall be further sub-divided into Major Heads of Account. The Sectors / Sub-Sectors shall be distinguished by letters of the Alphabet.

5.2.4 Allotment of Code to each Major Head and range of Code Numbers.

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 Loans and Advances Head or it pertains to Public Account. If the first digit is ‘0’ or ‘1’ the Head of Account will represent Revenue Receipt, ‘2’ or ‘3’ will represent Revenue Expenditure, ‘4’ or ‘5’ Capital Expenditure; ‘6’ or ‘7’ Loans and Advances Head; (4000 for Capital Receipt) and ‘8’ will represent Contingency Fund and Public Account (8000 for Contingency Fund).

Adding 2 to the first digit of the Revenue Receipt will give the Code Number allotted to corresponding Revenue Expenditure Head, adding another 2 - the Capital Expenditure Head and another 2 - the Loans and Advances Head of Accounts; e.g.

- 0401 represents the Receipt Head for Crop Husbandry.
- 2401 represents the Receipt Expenditure Head for Crop Husbandry.
- 4401 represents the Capital Outlay on Crop Husbandry.
- 6401 represents Loans for Crop Husbandry.

Such a pattern is however, not relevant for those departments which are not operating Capital / Loan Head of accounts e.g. Department of Supply. In a few cases, however, where receipt / expenditure is not heavy, certain Major Heads have been combined under a single number, the Major Heads themselves forming sub-major heads under that number. For example Major Head “4202 – Capital Outlay on Education, Sports, Art and Culture” where under the distinct Revenue Expenditure Major Heads 2202 – General Education, “2203 – Technical Education, “2204 – Sports and Youth Services and “2405 – Art and Culture “ have been brought down as “Sub-Major Heads” as 01, 02, 03 and 04 respectively.

The range of code numbers allotted under the scheme of codification is shown below:-

Part I – Consolidated Fund	Major Head Code Nos.
Section I – Receipt Heads – (Revenue Account)	0020—1999
Expenditure Heads - (Revenue Account)	2011—3999
Section II – Receipt Heads – (Capital Account)	4000
Expenditure Heads -(Capital Account)	4046-5999
Section III- Public Debt, Loans & Advances	6001-7999
Part II Contingency Fund	8000
Part III – Public Account	8001-8999

5.2.5 Major, Sub-Major, Minor, Sub-Head, Detailed and Object Heads

(a) The main unit of classification in accounts shall be the major head which shall be divided into minor heads, each of which shall have a number of subordinate heads, generally shown as sub-head. The sub-heads are further divided into detailed heads and detailed heads are further divided into Object Heads. Sometimes, major heads may be divided into ‘Sub-major heads’ before their further division into minor heads.

The Sectors, Major heads, Minor heads, Sub-heads, Detailed head and Object head together constitute a six tier arrangement of the classification structure of Government Accounts.

b) Major heads / Sub-Major heads of account falling within the Consolidated Fund generally correspond to 'Function' / Sub-function of Government, such as different services like "Crop Husbandary", "Defence Services" and Public Works, Office Building, Other Buildings and General etc. provided by Government while minor heads subordinate to them shall identify the "Programme" undertaken to achieve the objective of the function represented by the Major Head. A programme may consist of a number of schemes or activities and these shall, generally, correspond to "sub heads" below the minor head represented by the programme. In certain cases, especially in regard to non-developmental expenditure or expenditure of an administrative nature, the sub-heads may denote the components of a programme such as 'Organisation' or the different 'Wings of Administration'. A Detailed Head is now termed as a Sub-scheme.

c) An Object head is termed as **unit of appropriation**. On the expenditure side of the accounts particularly in respect of heads of accounts within the Consolidated Fund, object heads are primarily meant for itemized control over expenditure and indicate the object or nature of expenditure on a Scheme / Sub-scheme or activity or organisation in terms of inputs such as "Salaries", "Office Expenses", "Grants-in-aid", "Loans" and "Investments" etc. and many more as enunciated in Rule 8 of the Delegation of Financial Power Rules, 1978 as amended from time to time.

(d) The detailed classification of account heads in Government Accounts and the order in which the Major / Sub-major and Minor heads shall appear in all account records shall be such as are prescribed by the President on the advice of the Comptroller and Auditor General of India. The list of Major and Minor heads of Accounts of Union and States contains the classification prescribed (including the code No. assigned up to the major / Sub-major heads and minor heads thereunder) should be strictly followed.

5.2.6 CLASSIFICATION OF EXPENDITURE AS "CHARGED" OR AS "VOTED"

Expenditure which under the provisions of the Constitution is subject to the vote of the Legislature shall be shown in the accounts separately from expenditure which is "Charged" on the Consolidated fund of India or of a State or Union Territory Government. The expression "Charged" or "Voted" shall be appended to the heads concerned to distinguish the two categories of expenditure.

5.2.7 The following procedure shall be followed for preparation of Budget Estimates under the sub head "Stock" under the Minor head "799 – Suspense" below the Major Head 2059 Public Works. The Central Store Division will prepare their budget on the basis of their requirements. The working divisions will, however, prepare their budget for stock in two parts viz., (1) direct purchases, and (2) by indenting on Stores Divisions.

Provisions for stock under category (2) by the working Divisions will then be reduced from the provisions of Stores made by the Central Stores Divisions at Zonal Levels. In respect of such provisions made by the Working Divisions, not falling under the same Zonal Chief Engineer, under which the Central Stores Division from which the stock is intended to be procured falls, such provisions will be worked out by the concerned Zonal Chief Engineer on the basis of the data received by them and intimated to the Zonal Chief Engineer concerned under whose jurisdiction the Central Stores Divisions from which the stores are to be procured falls for carrying out the necessary adjustments as stated above.

5.2.8 The procedure relating to the preparation of Demand for Grants, to the appropriation and re-appropriation of funds, to the distribution of fund and to the Budget matters generally is laid down in the General Financial Rules. The special procedures applicable to C.P.W.D. are detailed in Departmental Manual.

5.3 Grants for Expenditure Abroad

5.3.1 Estimates of transactions taking place abroad are required to be accounted for under the functional Major Head of Account, relevant minor head, Sub-head, Detailed Head and Object Head as the case may be. In the case of receipts of the department arising in the accounts of the High Commission / Embassy of India, the receipts would be passed on by the Pay & Accounts Office, Ministry of External Affairs to the PAO concerned of the Department for eventual booking under the relevant minor head of the Major Head concerned. In the case of expenditure abroad viz. expenditure on stores, the debit on this account would be passed on by the P.A.O., Ministry of External Affairs, to the P.A.O. concerned of the Department for eventual booking under the relevant Major / Minor /Sub and detailed head of account.

5.3.2 The estimates for departmental payments abroad with the abolition of the average rate of exchange w.e.f. 1.4.74, are required to be budgeted by adopting the composite rate of exchange as notified by the Ministry of Finance from time to time. The resultant loss by exchange arising from such transactions is debit to the capital head concerned while in the case of revenue heads, such loss/gain by exchange is accounted for under the major Head "0075" (in the case of gain by exchange) and "2075" (in the case of loss by exchange).

5.4. Re-appropriation of Funds

5.4.1 (a) Re-appropriation of funds from the 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 grants or appropriation relates subject to the provision of Rule 10 of Delegation of Financial Power Rules, 1978 and also subject to such other general /specific instructions as may be laid down by the Finance Ministry in this respect. Re-appropriation shall be made only when it is known / anticipated that the appropriation for the unit from which funds are being re-appropriated will not be utilized in full or that saving can be effected in the appropriation for the said unit. Funds as a whole will not be re-appropriated from any unit with the intention of

restoring the diverted re-appropriation to that unit when saving becomes available under other units later in the financial year.

(b) All cases of re-appropriation involving savings of more than Rs. 10 lakhs for the plan heads relating to a Ministry / Department as a whole would have to be referred to the Ministry of Finance for a decision giving detailed justification in support of the proposal.

5.5 Watching of Actuals

5.5.1(a) It is an important function of the Divisional Officer to keep a constant watch over the progress of expenditure, as he is ultimately responsible for keeping the expenditure within the allotments for the division. He should accordingly keep himself informed of such circumstances as may affect the progress of expenditure, in order to take early steps for obtaining extra funds or surrendering probable savings, as may be necessary.

(b) The Head of the Department and the Pay and Accounts Officer shall be jointly responsible for the reconciliation of the figures given in the accounts maintained by the Head of Department with those appearing in the Accounts Officer's books. The reconciliation according to the procedure detailed in the General Financial Rules shall be made monthly, the initial responsibility resting with the Pay and Accounts Officer.

After compilation of accounts of a month are over, the PAO's should furnish to each of the DDO's including Cheque Drawing DDO's, an extract from the expenditure control register or from the compilation sheet indicating the expenditure relating to grants controlled by him classified under the various Major/Minor/Detailed heads of accounts. The statement for May to March should also contain progressive figures.

5.5.2 It will be found convenient, in practice, to adopt the plan indicated below:-

(a) The progress of expenditure on works or other items for which there are specific appropriations, should be watched individually month by month, through the Register of Works, Contingent Register and other relevant accounts.

(b) In respect of works or items, lumpsum appropriations for which are placed at the Divisional Officer's disposal, he will watch the progress of expenditure against appropriations by the maintenance of a record (i) of the expenditure in the form of a progressive abstract, showing month by month the up-to-date expenditure of the year, and (ii) of the grants, in the form of a register showing the appropriations and re-appropriations ordered from time to time.

(C) In this review of expenditure undischarged liabilities play an important part and their effect on individual and lump sum appropriations should, therefore, be watched.

NOTE: Liabilities may be divided into four clauses (i) those outstanding in the suspense account, relating to contractors and labourers, in the accounts of

works (ii) those outstanding in any of the regular suspense accounts of the division (iii) outstanding debts adjustable by book transfer, and (iv) matured claims of contractors, suppliers, etc. awaiting settlement and all unmatured claims, the recurring or non-recurring likely to fall due for settlement before close of the year. Liabilities of class (ii) may affect not only the grants for minor head "suspense" of the major head under which the suspense account concerned is classed, but also the grants for works and services falling under the same and other major heads.

(d) Anticipated credits (if any) which will ultimately be taken in reduction of the expenditure chargeable against any individual or lump sum appropriation should also be taken into account. See Statement E of Appendix 2.

(e) This review is of special importance in the last three or four months of the year.

(f) If desired, this review may also be conducted collectively in respect of each primary or secondary unit of appropriation, a suitable register of appropriations being maintained for the purpose: see clause (b)(ii) above. Such a review is of special help in formulating proposals for re-appropriation.

5.5.3 All liabilities and assets of the division adjustable by transfer credit or debit to remittance heads of accounts should be registered in Form 57, Register of Transfer Awaited, as soon as they become known. As they are cleared, an entry should be made in columns 7 to 9 so that items awaiting adjustment may be known at any time.

Note- This register is intended primarily for all transfer transactions, recurring or non-recurring, which have to be responded to by the Division, but if desired, important items which will be cleared by original debits or credits may also be entered to facilitate the watching of their clearance.