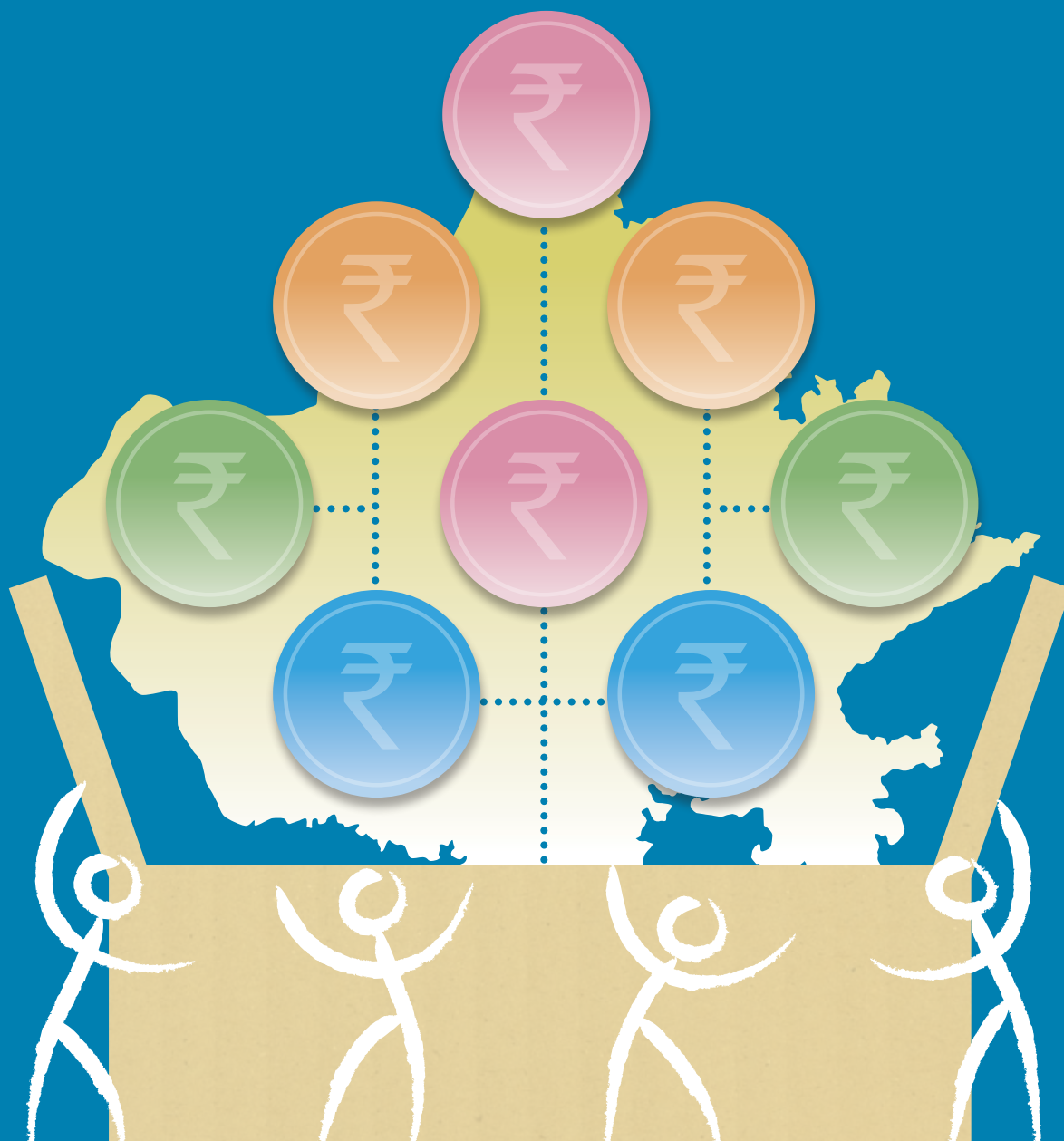
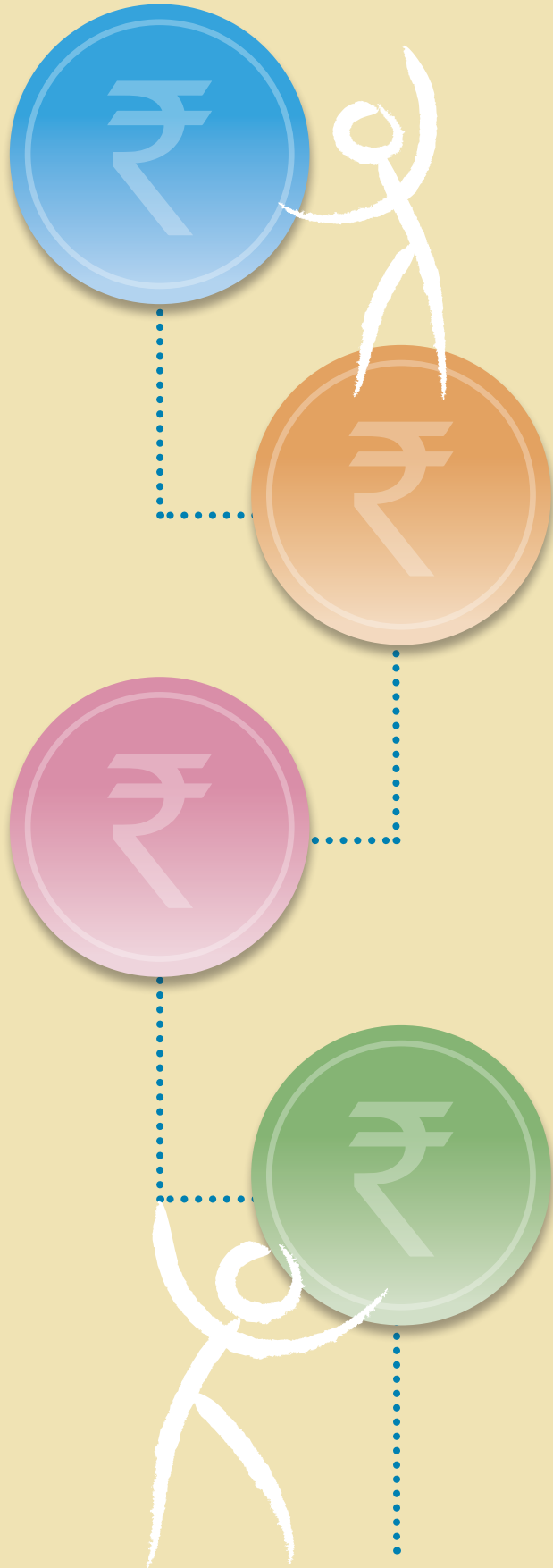


# *Promoting Participation:* Unpacking the Budgetary Process of the State Government

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Budget Analysis and Research Centre Trust



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**Budget Analysis and Research Centre Trust, Jaipur**  
(2019)

## **Published by**

Budget Analysis and Research Centre Trust  
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Jaipur 302001 (Rajasthan) India

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## **Supported by**

UNICEF State Office for Rajasthan, India



## **Year of Publication**

2019

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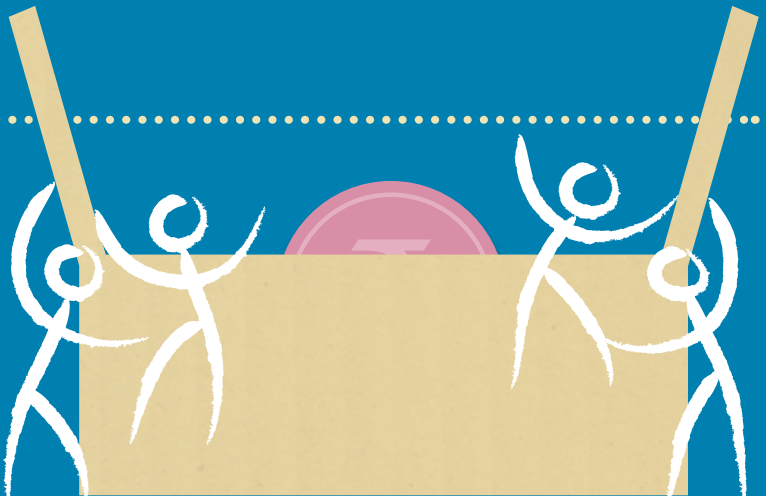
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# Preface



## Why is there a need to unpack the State Government's budget making process?

Budget analysis is an important strategy to promote transparency, accountability and a participatory governance system. It is essential to see if the needs of each and every section of the society are being recognized and addressed.

The Government promises and commitments, like the recently adopted Sustainable Development Goals (SDGs), aim towards achieving economic and social development and environmental sustainability. The main idea behind these goals is to leave no one behind and adopt a process of inclusive growth and development. This requires formulating and implementing such policies and schemes, which promote the inclusion and development of the disadvantaged sections in the overall process of growth and development.

Most promises of the Government require budgetary commitments for actually being fulfilled. Therefore, following the budget process and its progress closely, helps in examining whether the promises made by the Government are being implemented or not. This gives rise to the need of understanding how the budget is formulated.

Understanding the budget process, especially by Civil Society Organizations, creates avenues for their active participation as well as influencing budgetary allocations and spending, through advocacy and technical inputs. Further, this also

creates a window of opportunity to understand equity dimension so as to see whether the needs of the marginalized and the disadvantaged are adequately addressed.

BARC has always supported increased transparency and greater participation in the budgetary process. To achieve these goals BARC has published booklets demystifying the State budget. Through these booklets, the State budget and its terminologies have been made comprehensible for the readers.

And now, this booklet maps and presents the entire budget making process in a simpler manner for the Civil Society Organizations as well as the common people. We hope that it will lead to the achievement of BARC's goal of increased transparency and greater participation in the budget making process.

**Nesar Ahmad**  
Director (BARC Trust)

# Contents

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Page 3	<b>Preface</b>
Page 5	<b>List of Abbreviations</b>
Page 6	<b>Chapter 1: Introduction</b>
Page 8	<b>Chapter 2: Budget Process</b>
Page 8	• Stage 1: Budget Formulation
Page 13	• Stage 2: Budget Enactment
Page 15	• Stage 3: Budget Implementation
Page 15	• Stage 4: Audit
Page 16	<b>Chapter 3: Legislative Scrutiny of the Budget</b>
Page 19	<b>Chapter 4: Scope for Civil Society Organizations to Engage with Budget Process</b>
Page 22	<b>Glossary</b>
Page 24	<b>References</b>

## List of Figures

Page 6	Figure 1: Annual Financial Statement
Page 7	Figure 2: Three Different Funds / Accounts at the State Level
Page 8	Figure 3: The Budget Cycle
Page 12	Figure 4: Final Compilation of the Budget
Page 13	Figure 5: Approval and Sanction of Funds
Page 14	Figure 6: The Process of Budget Estimation and Finalization

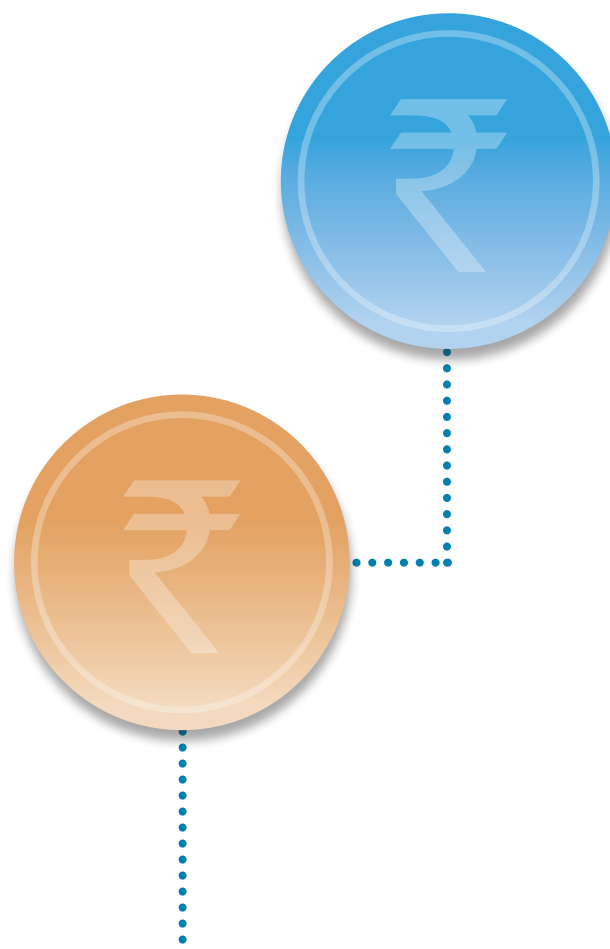
## List of Tables

Page 9	Table 1: Steps for Budget Formulation
Page 17	Table 2: Legislative Committees
Page 21	Table 3: Scope for Civil Society Participation in the Budget Process

# Abbreviations

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<b>AE</b>	Actual Expenditure
<b>BE</b>	Budget Estimates
<b>BFC</b>	Budget Finalization Committee
<b>BOCWF</b>	Building and Other Construction Workers Fund
<b>C&amp;AG</b>	Comptroller and Auditor General
<b>CAMPA</b>	Compensatory Afforestation Fund Management and Planning Authority
<b>CMIS</b>	Chief Minister Information System
<b>DDO</b>	Drawing and Disbursing Officer
<b>DMFT</b>	District Mineral Fund Trust
<b>GBS</b>	Gender Budget Statement
<b>GRB</b>	Gender Responsive Budgeting
<b>GSDP</b>	Gross State Domestic Product
<b>IFMS</b>	Integrated Financial Management System
<b>MLA</b>	Member of Legislative Assembly
<b>MNREGA</b>	Mahatma Gandhi National Rural Employment Guarantee Act
<b>MPLAD</b>	Member of Parliament Local Area Development
<b>NGO</b>	Non-Governmental Organization
<b>PAC</b>	Public Accounts Committee
<b>PMMVY</b>	Pradhan Mantri Matru Vandana Yojana
<b>PRI</b>	Panchayati Raj Institution
<b>RE</b>	Revised Estimates
<b>SC</b>	Schedule Caste
<b>SCSP</b>	Schedule Caste Sub-Plan
<b>SDGs</b>	Sustainable Development Goals
<b>ST</b>	Schedule Tribe
<b>TSP</b>	Tribal Sub-Plan



# 1. Introduction



## The purpose of this publication is to demystify

the budget process in the State, which is undertaken to finance the various developmental activities, schemes, programmes, etc. At the outset, an understanding needs to be developed on what does a Government budget mean and entail.

## What is a budget?

The budget, also known as the Annual Financial Statement, is a statement of the receipts and expenditure that are estimated to be incurred during a financial year. It lists out the sources of receipts and projections of expenditure for the year.

Budgeting is a Constitutional requirement and is carried out every year by the Union Government as well as the State Governments. Article 202 of the Constitution of India makes it incumbent upon the Governor to present in the State

Legislative Assembly, annually, a statement of the estimated receipts and expenditure of the State Government for the financial year.

This exercise is important as it helps the Government in estimating the expenditure it will have to bear on its various activities and its sources of receipts for financing the expenditure. The Annual Financial Statement at the State level is prepared by involving concerned departments, as in a State there are several departments, each of which is responsible for overlooking a particular area like education, health, etc. It is then finalized by the Finance Department and approved by the Legislative Assembly. Chapter 2 presents a detailed overview of this process.

## Basic Structure of the State Budget

The Annual Financial Statement comprises a statement indicating resources required to be spent during the financial year, estimates of

Figure 1: Annual Financial Statement

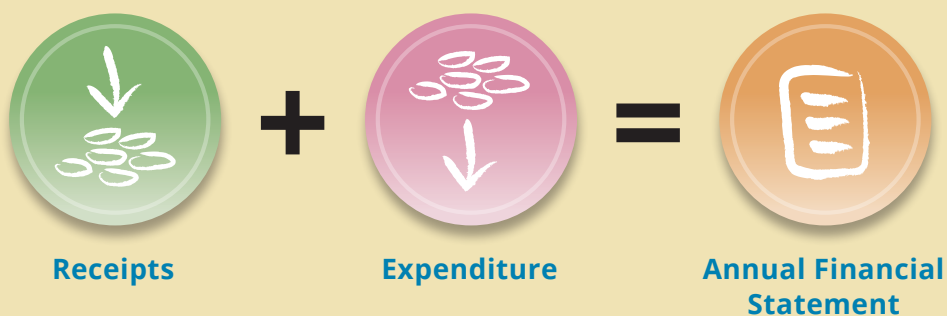
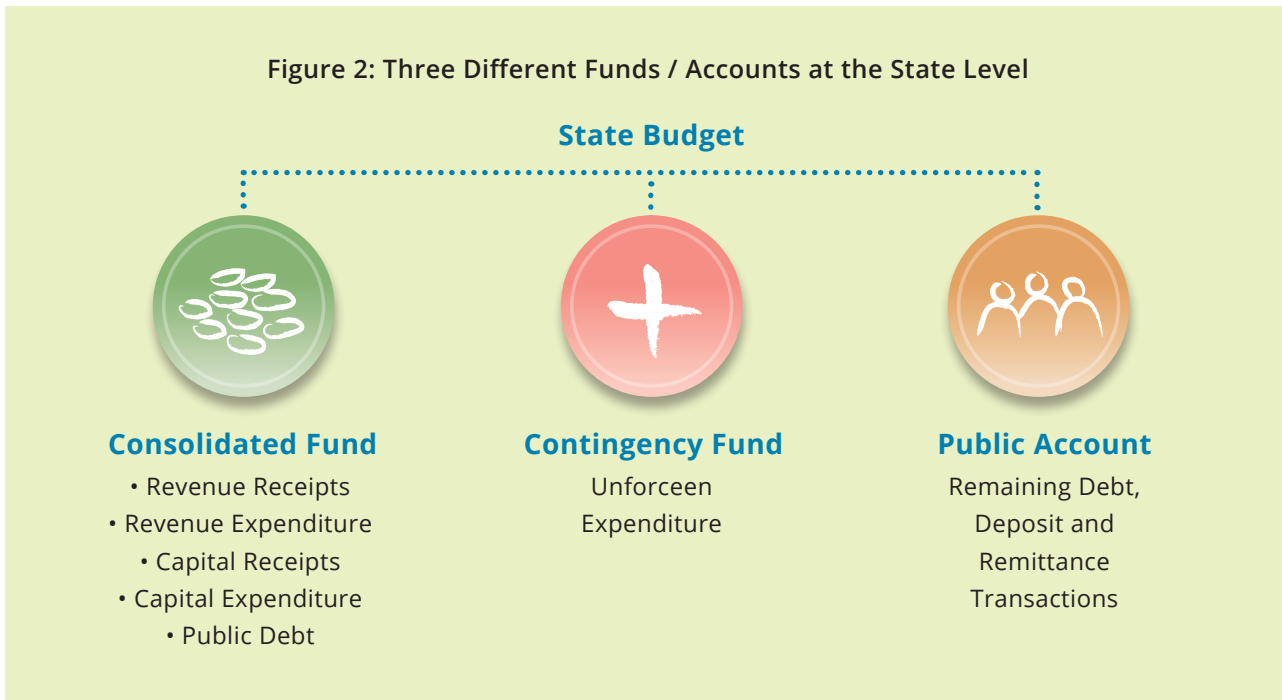




Figure 2: Three Different Funds / Accounts at the State Level



revenue and receipts expected to be received during the financial year and a statement showing the financial position of the Government. Every State Government needs to maintain a Consolidated Fund, a Contingency Fund and a Public Account.

### Consolidated Fund

According to Article 266 (1) of the Indian Constitution, “revenues received by the Government of a State, all loans raised by that Government by the issue of treasury bills, loans or ways and means advances and all moneys received by that Government in repayment of loans” is defined as the Consolidated Fund of the State. Simply put, it is a fund in which all the state government’s receipts (revenue and capital) are put and from which all the expenditures (revenue and capital) are met. It includes the State Government’s revenue receipts and expenditure, Capital Receipts and Expenditure and public debt (loans raised by the State Government). The entire foreseen expenditure of the State Government is incurred through this fund with prior approval of the Legislative Assembly.

### Contingency Fund

According to Article 267 (1) of the Indian Constitution, Contingency Fund is “for the purposes of meeting unforeseen expenditure”. The State Government does not need prior approval of the Legislative Assembly to incur

expenses through this fund. However, the expenditure incurred needs to be approved by the Legislative Assembly later on.

### Public Account

This account is constituted under Article 266 (2) of the Indian Constitution and includes “all other public moneys received by or on behalf of the Government of a State”. It consists of debt, deposit and remittance transactions other than in the consolidated fund such as provident funds, small saving collections, etc. Funds in this account do not belong to the State Government, as it is entitled to repay them.

Now, we can move on to understand the budget process which is also called the budget cycle. In next chapter we focus on various stages of the budget process.

## 2. Budget Process



As the name suggests, the Annual Financial Statement is prepared annually. First comes the **budget formulation** stage wherein, estimates of the budget outlay are prepared and compiled by the Finance Department. Then is **budget enactment** in which the budget estimates are presented to the Legislative Assembly for approval. Once the estimates are approved and funds are sanctioned, **budget implementation** follows, in which grants and funds are disbursed for the execution of schemes and other activities. The budgetary allocations are also monitored. This is followed by the **audit of the accounts**.



### Stage 1: Budget Formulation

The process of budget formulation is a lengthy one. At this stage, receipt and expenditure estimates are prepared by the concerned departments for final compilation by the Finance Department. For easy understanding, this process has been divided into two steps namely, estimation and planning and budget preparation. A brief overview of these steps is provided in Table 1.

#### Step 1: Estimation and Planning

##### Issuance of budget circular

To begin with, the Finance Department of the State assesses the available financial resources, which include the assistance received under the ongoing schemes, expenditure incurred on their implementation, funds of public enterprises and local bodies, outstanding arrears, etc.

Then in September, the Finance Department issues a budget circular to all the departments. It contains instructions regarding the preparation of the revised estimates (RE) for the current financial year and the budget estimates (BE) for the following year. The circular also consists of information regarding any change in the budgetary process such as changes in classification, changes in the procedure, etc., and the budget calendar consisting of deadlines for various tasks to be undertaken to prepare the budget.

##### Determination of budget estimates

After the issuance of the circular, the preparation of budget estimates is done by the various

departments. The budget is made up of receipt and expenditure estimates. These estimates are prepared in accordance with the Rajasthan Fiscal Responsibilities and Budget Management Act, 2005. Implications of this Act, on the determination of budget estimates are:

- The total receipts budget expected by the State Finance Department from sources such as share of the State in central taxes, State's own tax and non-tax revenue, grants-in-aid from the Centre, etc. determine the size of the expenditure budget. Before the enactment of this Act, the total expenditure budget used to determine the revenue mobilization policies and the size of the receipts budget.
- According to the Act, the revenue deficit has to be nil i.e. revenue expenditure should not be more than the revenue receipts and the fiscal deficit has to be no more than 3% of the State Gross Domestic Product (GSDP). So, estimates have to be prepared adhering to these provisions of the Act.

### Preparation of receipt estimates

The preparation of receipt estimates (Capital and Revenue Receipts) is based on the expectation of the revenue to be received in the following year. This practice is undertaken by the estimating officers. While making such an estimation, attention has to be paid to the:

- existing rates of taxes, duties, etc,
- demand for the departmental services with the likely revenue to be generated,
- outstanding arrears, and
- the impact on revenue generation due to some economic or policy related factors, etc.

### Preparation of expenditure estimates

The expenditure estimates (Capital and Revenue Expenditure) are prepared on the basis of the financial requirements of the respective departments. All the expenditure estimates put together reflect the State Government's request to the Legislative Assembly for the approval of funds. Estimating the expenditures is an important exercise enabling the Government to forecast the expenditure in the following year and thus, arranging to finance for that expenditure. Like receipt estimates, these estimates are also prepared by the estimating officers and contain revised estimates for the current year and budget estimates for the following year.

Until the financial year 2016-17, the expenditure estimates were divided into Plan and Non-Plan expenditure. However, since 2017-18 this distinction of Plan and Non-Plan expenditure in the budget has been dropped. Now, the budget estimates for schemes by every department have to be prepared according to the ceiling limits imposed by the Planning Department.

**Table 1: Steps for Budget Formulation**

Steps	Description	Timeline
<b>1. Estimation &amp; Planning</b>	This step can be divided into two sub-steps:	Sep – Nov
a) Issuance of Budget Circular	Departments are directed to prepare budget estimates for the following financial year and revised estimates for the ongoing financial year by the Finance Department	Sep
b) Determination of Budget Estimates	Budget estimates are determined and uploaded to Integrated Management Financial System (IMFS) to be examined by the Head of Departments. <sup>1</sup> From the Head of Departments, the estimates are forwarded to the Administrative Departments and then to the Finance Department for final compilation.	Nov
<b>2. Budget Preparation</b>	The budget estimates prepared by various departments are finalized by the Finance Department with the help of Budget Finalization Committees.	Nov / Dec – Jan

<sup>1</sup> Most of the times, a Head of Department is also the Budget Controlling Officer.

The budget documents give figures for previous financial year, ongoing financial year and the next financial year. For the current or ongoing financial year, we get both budget estimates (BE) and revised estimates (RE). For the next or forthcoming financial year (for which the budget is being prepared), we get only the budget estimates (BE), and for the previous financial

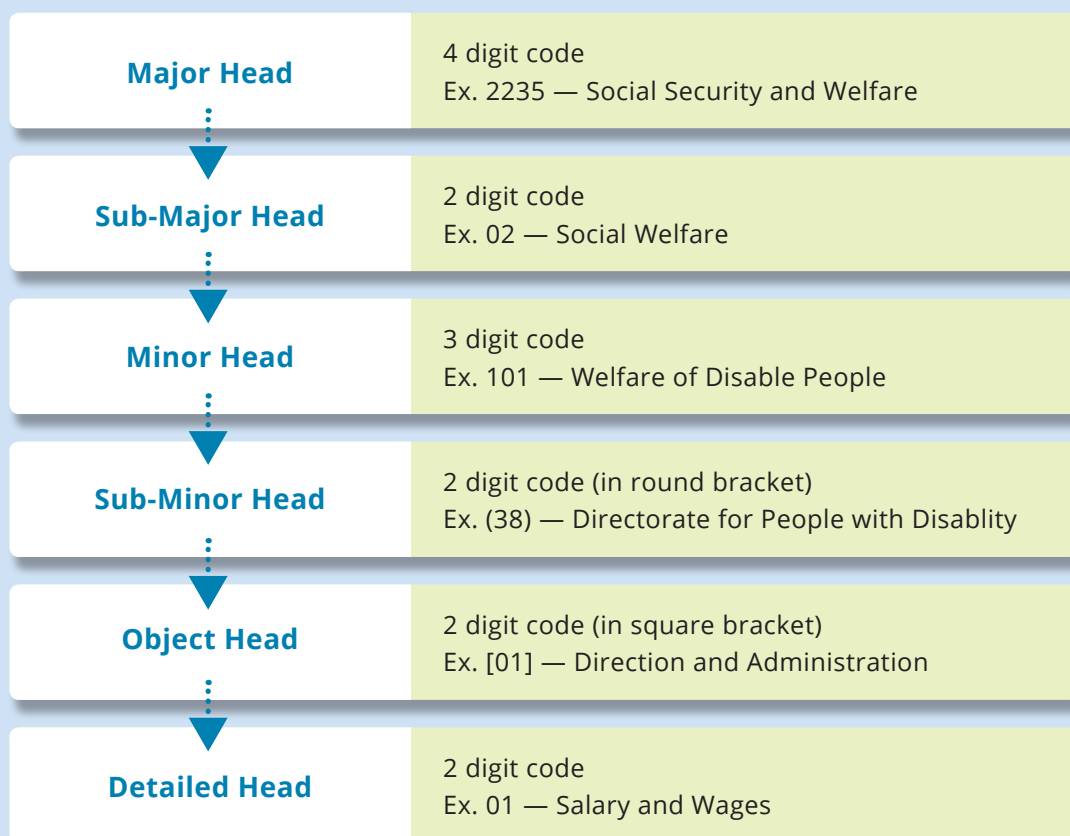
year the budget books provide the actual expenditure (AE) and Actual Receipts by the govt. These estimates are to be classified according to a list of major, sub-major and minor head prescribed by the Comptroller and Auditor General (C&AG) of India. These heads are organized in the form of budget codes, details about which is given in Box 1.

### Box 1: Coding Patterns in the Government Budget

In Rajasthan, budget is provided head wise. Budget heads are given codes for an item of receipt or expenditure. For all the budget heads, data is provided for State Fund and Central Assistance, which indicates the share of State Fund and Central Assistance in the particular head.

The main head is Major Head which is given to a main item or a main function of the state e.g. General Education, Health and Family Welfare, etc. There are Sub-Major Heads under the Major Heads, and Minor Heads under each of the Sub-Major Heads. These heads from Major Head to Minor Heads are determined by C&AG of India and are used by Union and all the State Governments.

Below a Minor Head, we have Sub-Minor Heads, Object Heads and Detailed Heads which are determined by the State Governments and may vary from State to State. The details of budget structure and coding patterns can be seen in the BARC publication titled "How to Understand the Govt. Budget" (in Hindi).



## Box 2: Role of District Administration in Budget Estimation

Budget estimation is also done at the district level. For the district level estimates, District Collectors are responsible for their respective districts for coordinating the preparation of the estimates for the district. These estimates are reviewed and approved by the District Planning Committee and submitted to the concerned Administrative Department. Ceiling limit for district level plans are also set. The Panchayati Raj Department sets these ceilings after which estimation is done at the district level i.e. district sector plans are formulated. However, in reality, the budgeting follows more of a top down approach in terms of the State Government departments informing its district level offices regarding the extent of budget increases and areas of increases or reductions of allocations in the forthcoming Financial Year.

### Examination of receipt as well as expenditure estimates

The receipt and expenditure estimates by the estimating officers of respective departments should be uploaded on the Integrated Financial Management System (IFMS). Through this software, the estimates become available for examination to the Heads of Departments. After their approval, these estimates are sent to the Administrative Departments who in turn forward them to the Finance Department. The expenditure estimates prepared by the estimating officers should be accompanied by a budget note in order to explain the difference between the revised estimates and the budget estimates, if any.

### Budgeting for Marginalized Sections: Gender Budget Statement, the Tribal Sub Plan, and the Schedule Caste Sub Plan

Apart from the general budget, a Gender Budget Statement (GBS) as well as Tribal and Schedule Caste Sub Plans have also been introduced for protection of the interests of women, Schedule Tribes (STs) and Schedule Castes (SCs) respectively.

- **Gender Responsive Budgeting (GRB):** It is a strategy which suggests that the budget making process should take into consideration gender disparity and be responsive to the gender based needs and issues. The Government of India introduced GRB in the

Union Budget in 2005-06. In Rajasthan, this process has been limited mainly to the formulation and presentation of a Gender Budget Statement (GBS), which is not very informative as yet. However, the State Government issued an order<sup>2</sup> in 2018, which changed the structure of the GBS and made it mandatory for the departments to give the basis of gender component (of their allocations) being reported in the Gender Budget Statement.

- **Tribal Sub Plan and Schedule Caste Sub Plan:** For the upliftment of the Schedule Castes (SCs) and Schedule Tribes (STs), the Schedule Caste Sub Plan (SCSP) and the Tribal Sub Plan (TSP) were introduced in the late 1970s. Till 2016-17, Plan funds had to be allocated under these sub-plans in the same proportion of the overall plan expenditure as the respective shares of the two communities in the total population of the State. However, since 2017-18, the distinction of Plan and Non-Plan in the budget has been dropped. Now, instead of preparing these estimates as proportion of plan expenditure, the budget for these two sub-plans is given as proportion of the overall expenditure on schemes and programmes.<sup>3</sup> This implies that, every department, through allocations in TSP and SCSP, has to direct certain proportions of funds for their schemes and programmes for

<sup>2</sup> Government Order number F.4(92)FD1(1)Budget/2008. Available on: <http://finance.rajasthan.gov.in/PDFDOCS/BUDGET/F-BUDGET-7770-18092018.pdf>

<sup>3</sup> Government Order available on: [http://plan.rajasthan.gov.in/content/dam/planning-portal/planning-dpt/Circulars-Orders-Meeting-Notice-and-Transfer-Orders/circulars/December/7\\_Guidelines%20for%20SC%20ST.pdf](http://plan.rajasthan.gov.in/content/dam/planning-portal/planning-dpt/Circulars-Orders-Meeting-Notice-and-Transfer-Orders/circulars/December/7_Guidelines%20for%20SC%20ST.pdf)

SC and ST communities in proportion to their shares in the overall State population.

The nodal departments for the formulation and implementation of these plans are the Tribal Area Development Department (for TSP) and the Social Justice and Empowerment Department (for SCSP). Similar to the estimation of budget expenditure, ceilings are introduced for these plans by the Planning Department/Finance Department/Nodal Departments. Adhering to this ceiling limit, the estimating officers of each department prepare the estimates of both these sub plans.

In reality, however, the figures for allocations under GRB, SCSP or TSP have usually been getting determined on the basis of how much percentages (of schemes' allocations) have to be reported under specific budget heads or documents rather than being determined through a process of assessing the special needs / requirements of women, SCs and STs across different sectors and proposing special / additional budget allocations accordingly.

For example, if we look at the total budget for all schemes and programmes, Budget Estimate (BE) for the year 2018-2019 was Rs.1.078 lakh crore out of which Rs.19,283 crore was to be allocated under SCSP and Rs.14,610 crore was to be allocated under TSP. This is in accordance with the required percentages to be allocated. However, if we calculate the actual allocations based upon the data published in the budget books, the amount allocated under SCSP is Rs.12,514 crore and that under TSP is Rs.10,633 crore.

In other words, the allocation figures reported under GRB, SCSP and TSP appear to be driven by reporting requirements rather than in-depth planning for catering to the special needs of these disadvantaged sections of the population. This problem, however, is witnessed in most States across the country as well as in most of the Union Government Ministries.

## Step 2: Budget Preparation

This is actually the budget finalization stage. As stated above, the budget estimates prepared are passed on from the estimating officers to the department heads of the Administrative Departments and finally to the Finance Department. The Finance Department is respon-

Figure 4: Final Compilation of the Budget



sible for the scrutiny of these estimates such as checking if the budget heads are correct, etc. Other than scrutiny, the Finance Department has the power to make necessary changes such as reducing a budget estimate if the department feels that such an amount will not be spent, correcting the classification of expenditure under any of the heads, etc.

In order to assist the Finance Department in finalizing the budget, **Budget Finalization Committees (BFC's)** are formed in various departments to undertake discussions with the Finance Department based on which the budget is finalized. The Finance Department has a separate division for each of the departments.

All of these estimates once finalized cannot be modified under usual circumstances. They are then compiled by the Finance Department. This compilation will form the State's total budget. This is then forwarded to the Planning Department for re-examination and suggestions after which it is sent back to the Finance Department. The estimates are modified if the Finance Department finds the need to do so.

Before finalizing the budget, the Finance Department can also hold pre-budget consultations. These consultations are held with academicians, NGO's, labor organizations, farmer organisations, etc. for the purpose of getting suggestions for the upcoming year's budget. Other than this, the Finance Department invites online suggestions from citizens. Discussions can also be held with the heads of departments, Finance Minister, Secretaries, etc. The final estimates are then sent to the cabinet in the form of a memorandum. After approval from the cabinet and the fulfillment of other constitutional procedures, the final budget estimates are presented to the Legislative Assembly.

Along with the budget estimates, several other documents are also prepared. Some of these documents are:

### By the Finance Department

- **Detailed Estimates and Demands for Grants:** These documents are published in 10 different volumes, each volume covering a different aspect of the budget. For example, Volume 1 is on the "Summary and Statement of Revenue and Receipts and Expenditure and Disbursements by Major Heads; Schedule of Demands for Grants and Appropriations", Volume 2 (further divided into 4 volumes) is on the "Revenue Receipts and Expenditures on General, Social and Economic Services", etc.
- **Fiscal Responsibility and Budget Management statements:** Medium Term Fiscal Policy Statement and Fiscal Policy Strategy Statement are also presented. Both these statements consist of 5 parts each. To summarize, these consist of Gross State Domestic Product (GSDP) estimates, details of State's finances such as receipts, expenditure and deficit, an overview of the State's economy, details regarding the number of employees in the govt. departments and their salaries, the fiscal policy being employed in the State, the evaluation of ongoing policies and the required changes in them, etc.
- **Finance Bill:** Another document required along with the budget estimates is the Finance Bill, which contains the proposal for levy of new taxes, modification of existing tax structure or continuation of existing tax structure.

### By the Directorate of Economics and Statistics

- **Budget at a Glance:** This is prepared with the aid of the Finance Department and includes an aggregate of receipts and expenditures for the following year along with some information on the fiscal situation of the State such as primary deficit, fiscal deficit, etc.
- **Budget Study:** This document too is prepared in collaboration with the Finance Department. It consists of a diagrammatic representation of the budget estimates.
- **Economic Review:** This is prepared by the Directorate of Economics and Statistics on an annual basis and provides an overview of the financial and economic status of the State, giving macro and sector wise status of the state economy.

## Stage 2: Budget Enactment

After finalization by Finance Department, the State budget is then presented to the Legislative Assembly by the Finance Minister in February/

Figure 5: Approval and Sanction of Funds

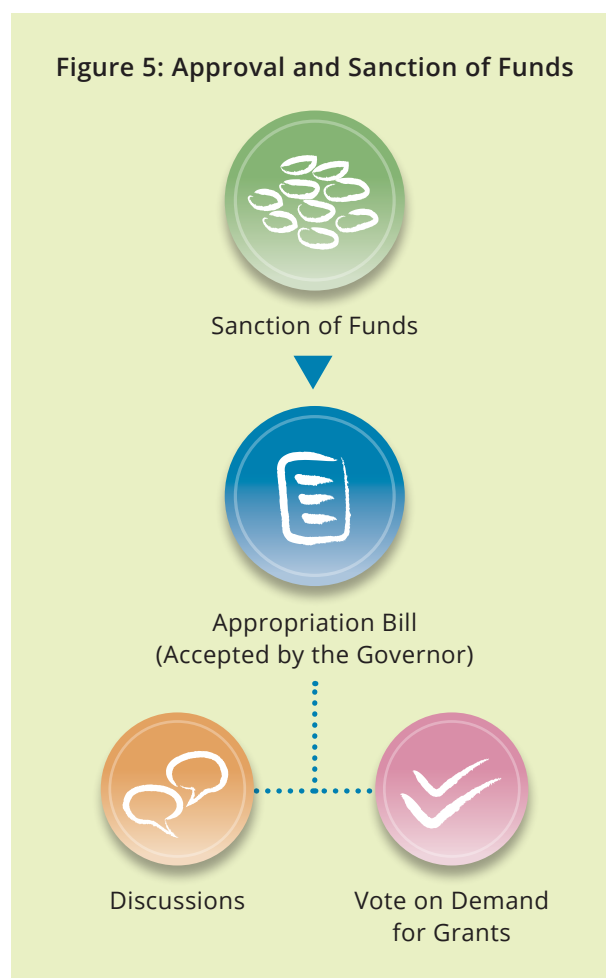


Figure 6: The Process of Budget Estimation and Finalization



March wherein discussion and voting regarding the budget takes place.

After the budget presentation, the Speaker of the Legislative Assembly selects a day or a period of days for conducting discussions on the budget and the budget documents. After these discussions come to an end, vote on demands for grants is held. After this entire process, an

Appropriation Bill is introduced and passed. This bill is meant to sanction funds from the State's Consolidated Fund for being used by the Government as per the budget. This bill, once approved by the Governor, represents the amount of grants sanctioned to the various departments for incurring expenditure on various schemes, programmes and other



demands. A notification is then published in the Official Gazette. After the grants are passed, the Finance Department communicates the allotments authorized to be given to all the departments.

## Stage 3: Budget Implementation

Once the sanction of funds is approved by the Governor, the same is communicated to the concerned departments. Funds are disbursed for the execution of schemes and programmes. This is followed by timely monitoring of the utilization of funds and the implementation of the schemes and programmes.

### Disbursal of Funds / Grants

Once funds are sanctioned and grants are passed in the Legislative Assembly, the same is communicated to the concerned departments. The Finance Department, being responsible for the said communication, stores the details of the allocations sanctioned for every department in the software called IFMS.

At the level of each Department, there are Budget Controlling Officers and Drawing and Disbursing Officers, who are entrusted with the responsibility of the execution of schemes through controlling and supervising the allotment of funds for the purpose of incurring expenditures. From the Administrative Department, both these officers receive information about the funds placed at their disposal. The Drawing and Disbursing Officers (DDOs) are given the authority of drawing funds from the treasury (on behalf of the Government) so that the schemes and activities can be implemented.

### Monitoring

Once funds are sanctioned and disbursed, it is very important to monitor the execution. It is necessary to ensure that the funds disbursed for a specific object are utilized for the same. This monitoring is done at many levels. Overall, the Finance Department has the responsibility of managing the State finances. Other than the Finance Department, the Budget Controlling Officers and the Disbursing Officers are required to ensure the appropriate usage of funds. They

maintain registers for tracking the expenditure under each object. The Budget Controlling officers send a statement showing the total departmental expenditures and liabilities, every month, to the Accountant General. Similarly, the Drawing and Disbursing Officers submit such statements to the Budget Controlling Officers. Based upon these statements, the Accountant General produces monthly receipt and expenditures statements for the Finance Department.

Similarly, there is the Management Information System for schemes such as MNREGA, through which reports are produced for the monitoring of these schemes. The Chief Minister Office also monitors the implementation of the budget announcements through the Chief Minister Information System (CMIS).

For the monitoring of central and state government schemes, the Public Finance Management System has also been introduced by the union Finance Ministry.

## Stage 4: Audit

As per Article 150 of the Indian Constitution, the Accountant General in each State (part of the Office of the C&AG of India) is responsible for undertaking audit of the government accounts. Such Audit and Accounting needs to be practiced to promote accountability and transparency on the part of the State Government. The office of the Accountant General is responsible for the compilation of the monthly accounts of the Rajasthan Government, inspection of the State's treasuries, preparation of different types of accounts such as the Appropriation Accounts, Finance Accounts, etc. For the preparation of these, information is gathered from the Budget Controlling Officers. These exercises are undertaken soon after the financial year ends i.e. in early April.

A final copy of the Appropriation Account is sent to the Finance Department for review. Based on this, the Finance Department prepares another statement which is submitted to the Minister of Finance. In simpler terms, the office of the Accountant General is responsible for producing Audit Reports, which lists out various budgetary irregularities in the Appropriation Accounts of the State.

# 3. Legislative Scrutiny of the Budget



## The Legislative Assembly

is the institution that approves the budget and sanctions the funds by passing the Appropriation Bill. As described earlier, once the budget estimates are prepared and presented at the Legislative Assembly, funds are sanctioned after rounds of discussions and vote on demands for grants. Therefore, without the approval of the Legislative Assembly, no programmes or schemes can be executed as funds can't be drawn from the State's Consolidated Fund. The Assembly also acts as a budget scrutinizing body once the Appropriation and Finance Accounts are prepared by the office of the Accountant General. This is done through the Public Accounts Committee (PAC).

The **Public Accounts Committee** is one of the 22 committees formed, at the level of the Legislative Assembly, by the Assembly or the Speaker. It is responsible for examining the Appropriation Account and other such accounts in order to track the usage of sanctioned grants. It also examines if the money shown in the accounts, having been used for a particular service or scheme, was legally authorized to be used for that very purpose, sees if additional funds have been sanctioned for any department and examines the factors responsible for a case of funds being spent in excess of what was initially granted. In particular, it monitors the budgetary irregularities of the Appropriation Account of the State. Therefore, the Accounts are not only examined by the office of the Accountant General but also by the **Public Accounts Committee**.

Other than the **Public Accounts Committee**, the **Estimates Committee** and the **Public Undertaking Committee** are related to the budget process i.e. not only at formulation stage but also in its execution and monitoring stage. They are responsible for examining the State budget estimates and the reports and Accounts of Public Undertakings, respectively.

There are several other committees in order to deal with other subjects and sectors such as women and child welfare, welfare of minorities, ethics, petitions, house, library, etc. All of these committees are of three types: Standing, Ad-hoc and Parliamentary Consultative Committees. Standing Committees are further divided into financial and other committees. PAC, Estimates Committee and Public Undertakings Committee fall in the financial category of Standing Committees. A description of various legislative committees is presented in Table 2.

Though these committees exist, there is no information regarding the schedule of their meetings. The minutes of these meetings are also not available in public domain. Therefore, it becomes difficult to track the functioning of these committees.

Table 2: Legislative Committees

	Type of Committee	Subjects	Description
<b>Related to the State's Budgetary Process</b>	Standing Financial Committee	Public Accounts, Estimates, Public Undertakings	Responsible for examining the accounts (appropriation, finance, etc.), budget estimates and reports and accounts of public undertakings
<b>Related to Other Areas / Subjects</b>	Standing Financial Committee	Subordinate Legislature, Welfare of SCs and STs, Business Advisory, House, Rules, Library, Petitions, Privileges, Government Assurances, General Purposes, Question and Reference, Women and Child Welfare	These committees deal with the subjects as suggested by each of their names
	Ad-hoc	Select Committee	This committee examines a bill and its provisions and also invites expert opinions on it
	Parliamentary Consultative Committee	Welfare of Minorities, Local Bodies and Panchayati Raj Institutions, Environment, Ethics	These are responsible to examine the steps taken by the Government towards the welfare of minorities, local bodies and the environment. The financial accounts of PRIs are analyzed. And the Ethics Committee takes up matters related to unethical conduct by members in the Assembly

### Box 3: Off-Budget Funds and Liabilities

Off-Budget funds are the funds which lie outside the Consolidated Fund of the Government; these funds are outside the budgetary process and are not shown in the budget documents. These can be divided into "Off-Budget liabilities" and "public resources outside the State budget".

Till the financial year 2013-2014, central assistance for the central sector and centrally sponsored schemes were also provided in form of off budget funds. These funds used to bypass the State treasury and those were transferred directly into the autonomous bank accounts of the societies that are implementing central schemes. However, since the financial year 2014 – 2015, this practice has been stopped. The funds allocated by the Union

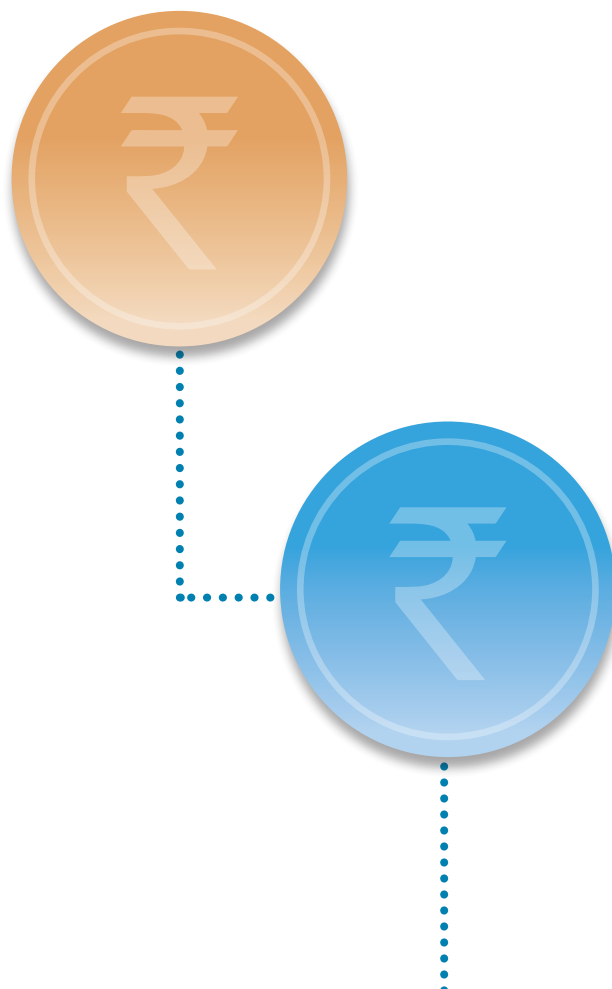
Government, now, have to go through the State treasury, from where funds are subsequently transferred either to district treasuries or directly to the bank accounts of the societies. The only exception to this now is Member of Parliament Local Area Development (MPLAD) scheme, and the release of wage share of MNREGA and beneficiary share of PMMVY funds for any State. Currently the fund for these three (MPLADS, wage share of MNREGA and beneficiary share of PMMVY) are public resources outside the State budget.

#### **DMFT, CAMPA and BOCWF**

DMFT, CAMPA and BOCWF are bodies set up to work for the welfare of those affected by mining and afforestation and the construction workers, respectively. These bodies maintain separate funds coming in the form of cess. The funds coming through cess are shown separately in the public account and lie outside the consolidated fund of the Government. They are not a part of the State budget and are Off-Budget funds.

#### **Off-Budget Liabilities of the Government**

These liabilities arise when the State Government acts as a guarantor for the loans taken by the Public-Sector Undertakings e.g. electricity distribution companies (Discoms).



# 4. Scope for Civil Society Organizations to Engage with Budget Process



## The process of budget formulation involves

every concerned department and passes through a series of examination by the Heads of Departments, Administrative Departments, Finance Department and the Planning Department, before presentation of the State budget to the Legislative Assembly for approval and sanction of funds.

To make the process more participatory, there is a provision for pre-budget consultations and a practice of inviting suggestions from the general public for the budget. However, there is scope to make this process in Rajasthan more participatory for Civil Society Organizations (CSOs). At every step of the budget cycle, CSOs can represent the needs and priorities of the citizens, especially of the people from the disadvantaged sections.

## Budget Formulation

As explained in Chapter 2, the process of budget formulation is divided into two steps, estimation and planning and budget preparation. While there are some provisions for CSO participation, their role can be enhanced.

### **Current level of engagement:**

Civil Society Organizations are invited for pre-budget meets by the Chief Minister. Suggestions are also invited online by the Finance Department. However, this happens mostly after the expenditure estimates are prepared and before the Finance Department compiles the final budget.

### **Possible ways of engagement for CSOs:**

Pre-budget consultations can be organized earlier when the estimates are being prepared by various departments. People's demands and priorities can be presented to the concerned departments. CSOs should also take advantage of the provision of submitting suggestions online and engaging with the Finance Department.

## Budget Enactment

This is the stage of Legislative Deliberation. First the budget is presented, a few days after which discussions take place.

### **Current level of engagement:**

At this stage, there is not much engagement by CSOs except some organizations working on budget.

### **Possible ways of engagement for CSOs:**

At the presentation stage, CSOs can analyze the budget to see if it is fulfilling the needs of the citizens and can come out with their reports. They can also share their analysis with the MLAs who can use it during the budget discussions.

## Implementation and Monitoring

This is the stage of the disbursing of sanctioned grants and executing the schemes and activities accompanied by monitoring of the funds.

### **Current level of engagement:**

At this stage, there is some engagement by civil society in form of making efforts to facilitate people availing of benefits of various programmes.

**Possible ways of engagement for CSOs:**

CSOs can monitor the budget announcements and see if the execution is in line with those announcements. CSOs can engage with implementing officers at the district, block, panchayat and urban local body levels. They can also monitor, wherever available, the reports and data generated through various MIS. Budget tracking, report cards etc. could be some possible tools which CSOs can use to monitor the implementation of the budget, schemes and programmes.

## Audit

The office of the Accountant General is responsible for undertaking audits to promote accountability and transparency for all the stakeholders i.e. the public, legislative and executive.

**Current level of engagement:**

At this stage, there is some engagement especially in form of conducting social audits and organizing public hearings.

**Possible ways of engagement for CSOs:**

CSOs can analyze the audit report and highlight any issues. They can participate in any social audit process organized by the Government. If such a process does not take place then CSOs can organize social audits as well as public hearings. They can also suggest the office of the Accountant General to undertake audits budget for the marginalized like TSP, SCS as they are currently not being audited.

## Engagement with Legislative Committees

Currently, 22 Legislative Committees are present, from which the PAC is the most important from the point of view of the budget.

**Current level of engagement:**

There is no provision for CSO participation at this stage.

**Possible ways of engagement for CSOs:**

The schedule for their meetings, reports, minutes, etc. are not available in public domain. This process is not transparent and one can't track the functioning of these committees. CSOs can advocate for increasing the transparency and accountability of these committees. At this

stage too, report cards tracking the Legislative Committees especially the PAC, can be prepared.

## Scrutiny of Off Budget Funds

The provision of participation for Civil Society Organizations is only made in the budgetary process. However, as can be seen from Box 4, there exist off budget funds, which are not a part of the budgetary process.

**Current level of engagement:**

There is no provision for CSO participation at this stage.

**Possible ways of engagement for CSOs:**

With regard to Off-Budget funds, CSOs can play an important role by:

- Scrutinizing the Off-Budget funds through MIS and seeking information from respective offices,
- Checking if the central funds sanctioned for MPLAD, PMMVY and MNREGA are reaching the beneficiaries,
- Checking if the cess amount meant to be utilized for those affected by the mining activities etc., are actually being benefitted,
- Organizing workshops and public hearings.



Table 3: Scope for Civil Society Participation in the Budget Process

Budget Formulation	Possible ways of engagement for CSOs	Efforts made by the Government in the current process
<b>Estimation and Planning</b>	Pre-budget consultations can be organized and demands can be presented to the concerned departments	
<b>Budget Preparation</b>	CSOs should also take advantage of the provision of submitting suggestions online and engaging with the Finance department	Civil Society Organizations are invited for pre-budget meets. Suggestions are also invited online
<b>Budget Enactment</b>	<ul style="list-style-type: none"> <li>At the presentation stage, CSOs can analyze the budget to see if it is representative of the needs of the citizens</li> <li>At the discussion stage, CSOs can provide their analysis and findings to the MLAs, so that they can be taken up during the Assembly discussions</li> </ul>	
<b>Budget Implementation</b>	<ul style="list-style-type: none"> <li>Monitor the budget announcements and see if the execution is in line with those announcements</li> <li>Engage with implementing officers at the district, block, panchayat and urban local body levels</li> <li>Monitor, wherever available, the reports and data generated through MIS</li> <li>Some departments prepare data for CMIS and share that on their websites or with citizens upon request. CSOs can examine this data too</li> <li>Preparation of report cards on select schemes / programmes</li> </ul>	
<b>Audit</b>	<ul style="list-style-type: none"> <li>Analyze the audit report and highlight any issues</li> <li>Participate in any social audit process organized by the Government</li> <li>If such a process does not take place then CSOs can organize social audits and public hearings</li> <li>Suggest the office of the Accountant General to undertake audits for TSP, SCSP, etc. as they are currently not being audited</li> </ul>	
<b>Engagement with Legislative Committees</b>	<ul style="list-style-type: none"> <li>Advocate for increasing the transparency and accountability of Legislative Committees</li> <li>Preparation of report cards</li> </ul>	
<b>Scrutiny of Off Budget Funds</b>	<ul style="list-style-type: none"> <li>Scrutinizing Off Budget funds</li> <li>Checking if the central funds sanctioned for MPLAD, PMMVY and MNREGA are reaching the beneficiaries</li> <li>Checking if DMFT/CAMPA/BOCWF funds are being utilised properly</li> <li>Organize workshops and public hearings</li> </ul>	

# Glossary

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## **Appropriation Account**

It is prepared by the office of the Accountant General of the State wherein discrepancies between final grant and actual expenditure (if any) are reported and explained.

## **Appropriation Bill**

This bill, which is passed by the Legislative Assembly, authorizes the Government to withdraw from the State Consolidated Fund to meet the expenditure charged on the Consolidated Fund and provide for the grants approved by the Legislative Assembly.

## **Budget Controlling Officer**

A Budget Controlling Officer is usually the Head of a Department (sometimes any other departmental officer) who has the responsibility of supervising and controlling the incurring of expenditures and collecting the revenues.

## **Capital Expenditure**

Any expenditure by the Government, which has an impact on the accounting value of Government's assets and liabilities is reported in the Capital Account and referred to as Capital Account Expenditure or Capital Expenditure. For instance, expenditure on building roads and bridges, purchase of ambulances and vehicles etc. and also expenditure on repayment of principal amount of a public debt. Again, assets and liabilities here are meant strictly in an accounting sense.

## **Capital Receipts**

Any receipt of money by the Government, which has an impact on the accounting value of Government's assets and liabilities is reported in the Capital Account and referred to as Capital Account Receipt or Capital Receipt. For instance, money received from borrowing or Public Debt, and money received from sale of Government's ownership (complete or partial sale) of a PSU.

## **Consolidated Fund**

This fund consists of all the revenues and receipts of the Government i.e. all revenues received by the Government, all loans raised by the Government, funds received as advances, receipts from recoveries of loans, grants-in-aid, etc. The Consolidated Fund has the Revenue Account (receipts and expenditures) and the Capital Account (receipts and expenditures).

## **Contingency Fund**

This fund is to meet the urgent unforeseeable expenditures, such as expenditures due to natural calamities, disasters, etc., which can't be delayed.

## **Comptroller and Auditor General of Accounts**

The principal accounting advisor to the Government of India and auditor of the government accounts.

## **Drawing and Disbursing Officer**

The Budget Controlling Officer appoints an officer sub-ordinate to him/her to be the Drawing and Disbursing Officer to administer and control the budgetary allocations. They are responsible for the execution of schemes as they are authorized to draw money from the Treasury for disbursement.

## **Fiscal Deficit**

Fiscal Deficit refers to the gap (if any) between the total expenditure from the State budget and the total of all those kinds receipts that the State Government does not have to repay. When there is a Fiscal Deficit, the State Government borrows money (or takes public debt) to cover this gap, which it has to repay in future. Fiscal Deficit is calculated afresh for each financial year; hence, it refers to the amount of money to be borrowed afresh by the Government for a financial year.



## Integrated Financial Management System (IFMS)

This is a budgeting and accounting system through which the budget, expenditure, payment, etc. of the Government can be managed.

## Public Account

This account includes provident fund collections, State insurance collections and small saving collections. These are all the receipts which are not included in the consolidated fund. The money kept in the Public Account does not belong to the State Government; it can only act as a custodian of the money. If the State Government needs, it can borrow money from the Public Account, which it necessarily has to repay.

## Revenue Deficit

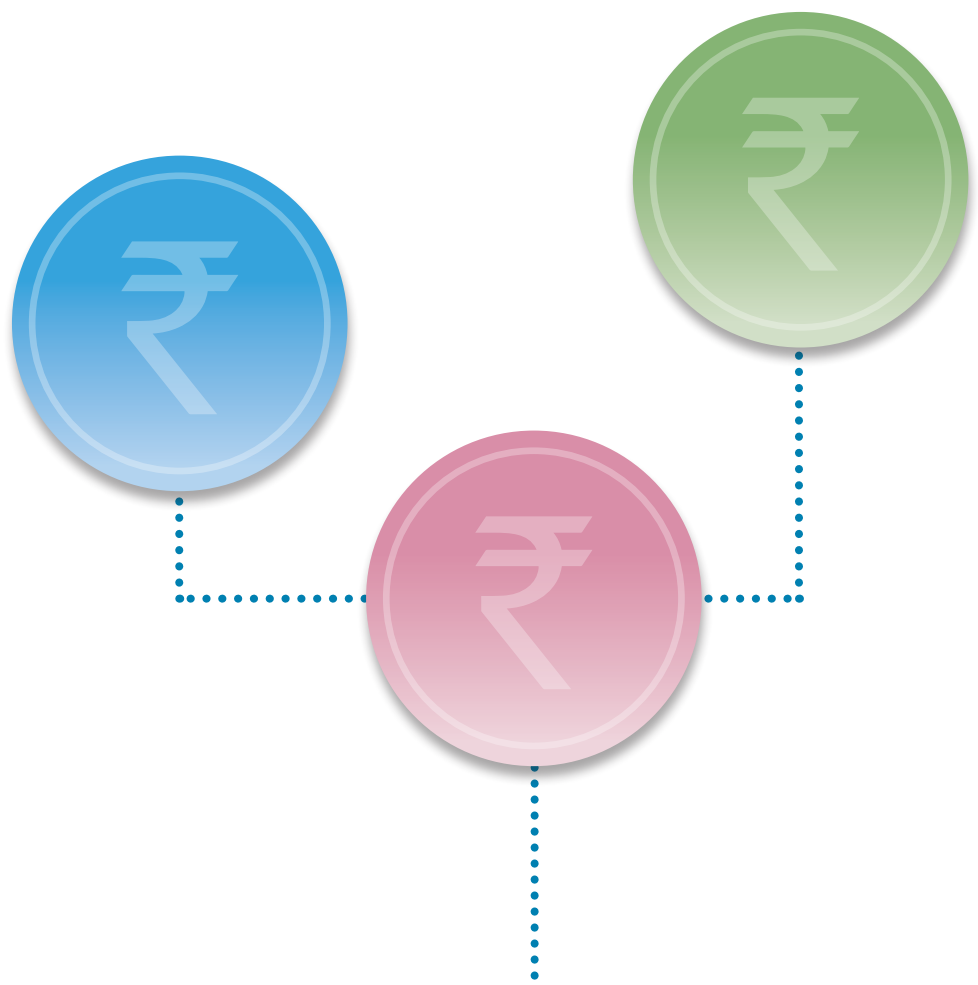
If the total Revenue Expenditure from the State Budget is higher than the total Revenue Receipts, the gap is referred to as the Revenue Deficit of the State. Revenue Deficit is a part of the overall Fiscal Deficit of the State.

## Revenue Expenditure

Any expenditure by the Government, which does not impact the accounting value of Government's assets and liabilities is reported in the Revenue Account and referred to as Revenue Account Expenditure or Revenue Expenditure. For instance, expenditure on salaries, wages, scholarships, medicines, pension etc. Here, assets and liabilities are meant strictly in an accounting sense only.

## Revenue Receipts

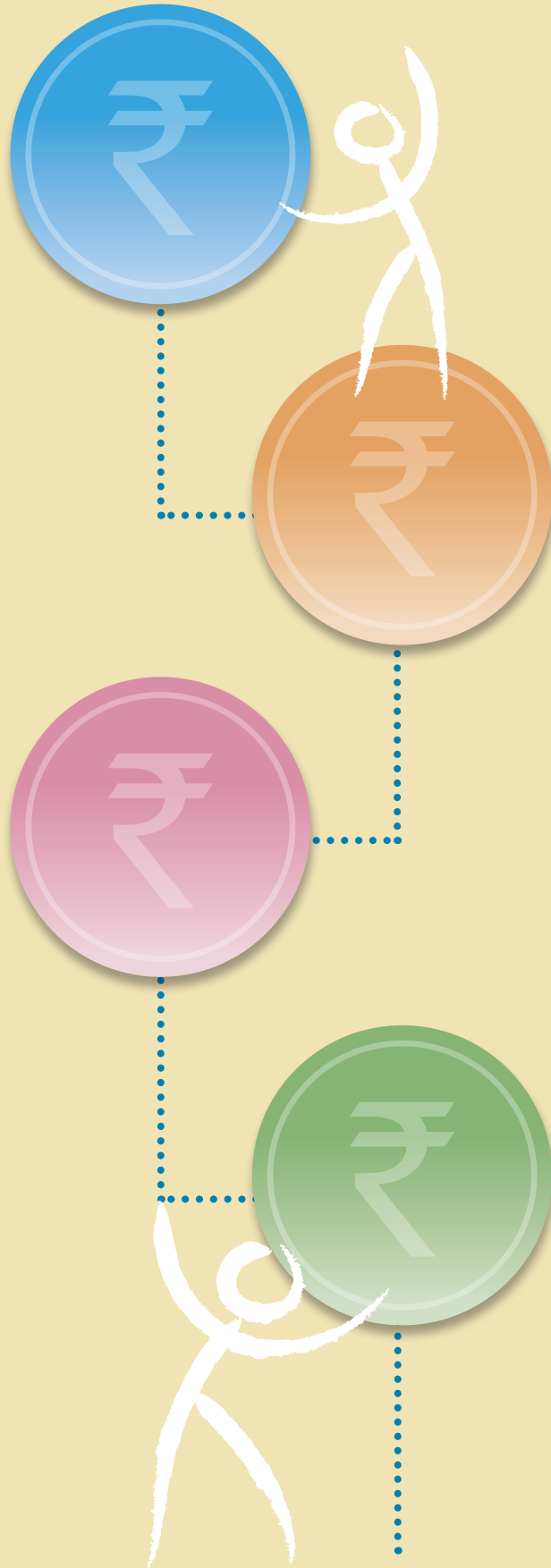
Any receipt of money by the Government, which does not impact the accounting value of Government's assets and liabilities is reported in the Revenue Account and referred to as Revenue Account Receipt or Revenue Receipt. For instance, receipts from all kind of taxes and duties and user charges.



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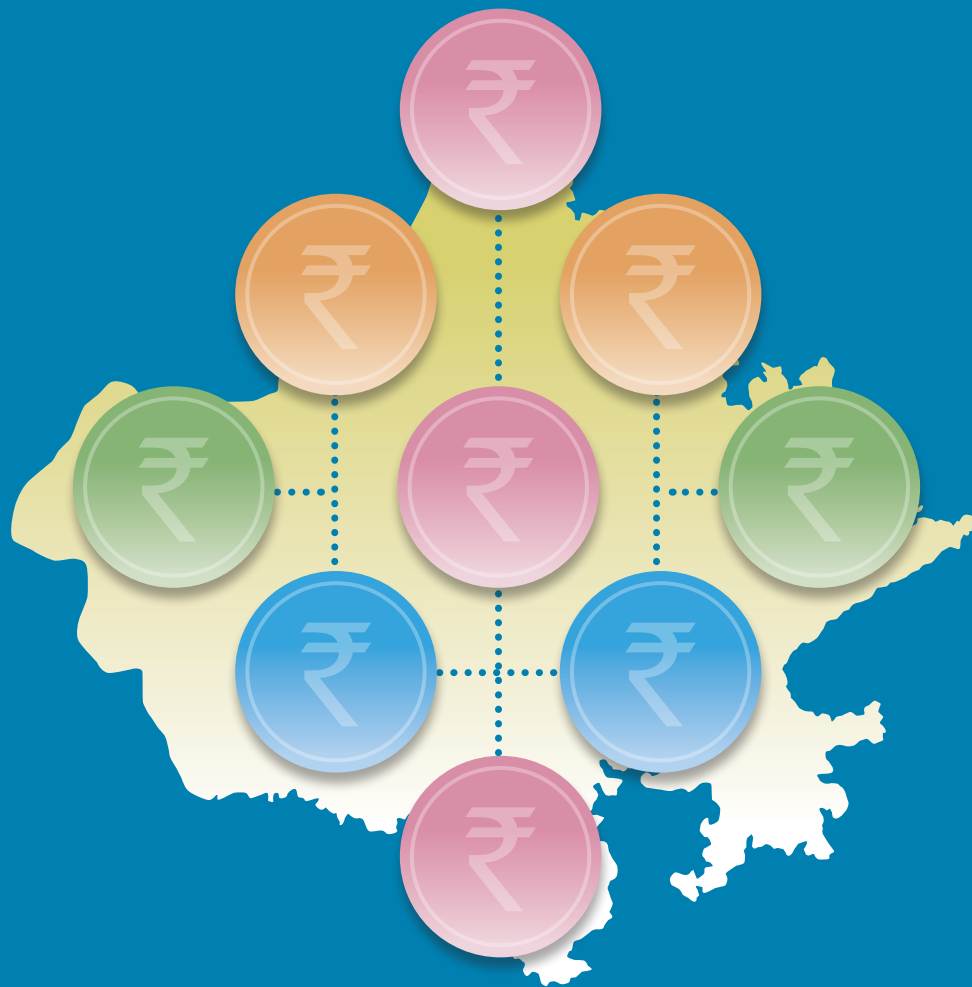
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**BARC Trust** is the new avatar of Budget Analysis Rajasthan Centre (BARC), which has been setup for furtherance of Budget and Social Policy Research and Action. Originally, BARC was setup in 2003 as a budget study and policy research centre with the aim to analyze the state government budget, its policies and examine if the commitments made by the government at various forums (policy documents, election manifestos, and at international forums) are matched by the adequate financial provisions in the state budget.

BARC has been involved in analyzing the government budget and policies with a perspective of poor and marginalized and has been using its analysis to further the issues and concerns of the marginalized sections such as Dalits, Tribals, Women and Children. BARC has been working closely with PRIs and ULBs. BARC has also been working with the NGOs, POs, media and civil society to create a pool of budgetary information through its research and training activities.



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