

Elements of a Public Finance Management Law for India

Indicative elements are fiscal responsibility principles, budget management, the control, management, investment, accounting and reporting of public finances, the issue, management and control of public debt and guarantees, the management of government property, the accountability of government agencies and undertakings, and for matters connected therewith and incidental thereto.

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CHAPTER I - PRELIMINARY

1. Short title, extent and commencement.—

- (1) This Act may be called the Public Finance Management Act, 20xx.
- (2) It extends to the whole of India.
- (3) It shall come into force on such date as the Central Government may by notification in the Official Gazette appoint; and different dates may be appointed for different provisions of this Act and any reference in any such provision to the commencement of this Act shall be construed as a reference to the coming into force of that provision.

2. Definitions.—

In this Act, unless the context otherwise requires,—

- (a) “Annual Budget” means the estimates and documents required to be laid before the Legislature by section 22 to support the Appropriation Act, to authorise expenditure and financing for the forthcoming financial year, and includes the information required under Article 112 of the Constitution in respect of the Union and Article 202 of the Constitution in respect of the States;
- (b) “budget balance” means the difference between government receipts and government disbursements in the Consolidated Fund, Contingency Fund and Public Account during a financial year, including extra-budgetary financing of any government scheme, program by any Public Entity, Government Agency or Public Sector Undertaking;
- (c) “Comptroller and Auditor-General” means the Comptroller and Auditor-General of India appointed under Article 148 of the Constitution;
- (d) “Consolidated Fund” means the Consolidated Fund of India and the Consolidated Fund of the State, as referred to in clause (1) of Article 266 of the Constitution;
- (e) “Contingency Fund” means the Contingency Fund of India and the Contingency Fund of the State, as referred to in clauses (1) and (2) respectively of Article 267 of the Constitution;
- (f) “Council of Ministers” means the Council of Ministers as defined under Article 74 of the Constitution in case of the Central Government and the Council of Ministers as defined under Article 163 of the Constitution in case of a State Government;
- (g) “Departmental Secretary” means the Secretary of a Ministry or Department;
- (h) “Earmarked Fund” means any revenue by way of tax, surcharge or cess collected for meeting expenditure for a specific purpose;
- (i) “Financial Asset Management Strategy” means the Government’s medium-term plan on the management of the investment portfolio and acceptable investment instruments, considering the risks involved;
- (j) “Finance Minister” means the Minister responsible for Finance in the Central Government in the case of the Union and the Minister responsible for Finance in the State Government in the case of the States;
- (k) “financial year” means the twelve months beginning on the 1st day of April and ending on the 31st day of March, or on such other date as the Central Government may determine by notification;
- (l) “fiscal responsibility principles” means the principles set out in section 11;
- (m) “fiscal risk” means deviation of fiscal outcome from what was expected at the time of the budget or other forecast which arise from macroeconomic shocks, the likelihood of realisation of contingent liabilities or other matters;
- (n) “Fiscal Strategy” means the document described in section 12;
- (o) “Government” means the Central Government and the State Government, unless otherwise specified;
- (p) “Government Account” means the account relating to the Consolidated Fund, the Contingency Fund and the Public Account;
- (q) “Government Agency” means an entity that is owned, controlled or managed by the Government, but is neither a Public Entity nor a Public Sector Undertaking;
- (r) “Guarantee” means a legal obligation to pay a loan or other monetary obligation or to perform an act or obligation that is defaulted on by the borrower;
- (s) “Legislature” means both Houses of Parliament and both Houses of the State Legislature in case of the States where it consists of two Houses, or the State Legislative Assembly in case of the States where it consists of one House;
- (t) “Long Term Fiscal Sustainability Report” means the report that, based on the existing policies of the Government, provides long-term projections of the fiscal position of the Government and the sustainability of debt and fiscal risks;
- (u) “Managerial Head” means the managerial head of a Government Agency or Public Sector Undertaking and includes the Chief Executive Officer of a Government Agency and the Chief Executive Officer of a Public Sector Undertaking;
- (v) “medium term” means a minimum of three years and up to five years;
- (w) “Medium Term Debt Management Strategy” means a three-year rolling strategic plan of the Government to achieve a composition of its debt portfolio that captures the preferences of the Government with respect to the trade-off between cost and risk;
- (x) “monitoring indicators” means the measurable indicators to assess the position and progress with the fiscal

- responsibility principles;
- (y) “new service” means expenditure arising out of a new policy decision that was not brought to the notice of the Legislature earlier, and includes a new activity or a new form of investment;
 - (z) “new instrument of service” means a relatively large expenditure arising out of a significant expansion of an existing activity;
 - (aa) “notification” means by notification published in the Official Gazette and the term notify shall be construed accordingly;
 - (bb) “Secretary” means a Secretary to the Government including a Chief Secretary, Principal Secretary, Additional Secretary, Special Secretary, Joint Secretary and the position of Secretary or Head of the Department as defined under the Delegation of Financial Power Rules, 1978;
 - (cc) “prescribed” means prescribed by rules made by the Government under this Act;
 - (dd) “Public Account” means the Public Account of India and the Public Account of the State, as referred to in clause (2) of Article 266 of the Constitution;
 - (ee) “public debt” means the total outstanding liabilities of the Government on the security of the Consolidated Fund, including external debt valued at current exchanges rates; the total outstanding liabilities in the Public Account; and such finance liabilities of any body corporate or other entity owned or controlled by the Government, which the Government is to repay or service from the Annual Budget;
 - (ff) “Public Entity” means the Ministries and Departments of the Central and State Governments and include their attached or subordinate offices, and the constitutional and non-constitutional bodies that are instrumentalities of the Union and the States;
 - (gg) “Public Investment Program” means the program of the Government that sets a rolling list of priority and costed programs or projects within the medium term that meets the goals and objectives of the Government and is financed through different sources;
 - (hh) “public money” means money belonging or payable to or received, collected or held by, for, or on behalf of the Government and includes—
 - (i) all revenues or other money raised, payable or received for the purpose of the Government;
 - (ii) all money held, whether temporarily or otherwise, by a public servant in his or her official capacity, either alone or jointly with any other person whether or not that other person is a public servant; and
 - (iii) negotiable instruments;
 - (ii) “Public Sector Undertaking” means any corporation established by or under any Central, State or Provincial Act which is owned, controlled or managed by the Government, or a Government company as defined under clause (45) or section 2 of the Companies Act, 2013;
 - (jj) “public servant” means a public servant defined under section 2 of the Prevention of Corruption Act, 1988;
 - (kk) “publish on an official website of the Government” means publish the document on a website administered by the Government, a Public Entity, or a Public Sector Undertaking in a place on the website that is readily accessible by the public and for a period of not less than five years from the date of making the document available on the website;
 - (ll) “Responsible Minister” means the Minister with responsibility for a Public Entity, Government Agency or Public Sector Undertaking;
 - (mm) “Responsible Ministry or Department” means the Ministry or Department with oversight responsibilities for a Public Entity, Government Agency or Public Sector Undertaking;
 - (nn) “securities” means bonds, debentures, promissory notes, treasury bills and other documents evidencing debt and includes documents commonly known as securities and electronic instruments that have the same effect;
 - (oo) “State” means State as defined under section 3 of the General Clauses Act, 1897.

3. Application.—

- (1) At the level of the Union, this Act applies to all Public Entities, Public Sector Undertakings and public servants unless otherwise stated in this Act.
- (2) At the level of the States, this Act applies to all Public Entities, Public Sector Undertakings and public servants unless otherwise stated in this Act.

CHAPTER II - ROLES AND RESPONSIBILITIES

4. General requirement.—

The Finance Minister, Responsible Ministers, Secretary of the Ministry or Department responsible for Finance, Managerial Heads, and public servants shall undertake the general roles and responsibilities contained in this Chapter in addition to the specific roles and responsibilities assigned to them under the provisions of this Act, and shall exercise all their powers in accordance with the provisions of this Act.

5. Role of Responsible Minister.—

Each Responsible Minister shall—

- (a) oversee and direct, in accordance with this Act, the Public Entity, Government Agency or

Public Sector Undertaking under his or her responsibility to achieve the performance specified in the case of a Public Entity, in the Annual Budget, and for a Government agency or Public Sector Undertaking, the performance specified in the Annual Plan; and

- (b) have the responsibilities with regard to Government Agencies and Public Sector Undertakings as set out in Chapter VII of this Act.

6. Role of Finance Minister.—

(1) The Finance Minister is responsible for—

- (a) facilitating adherence to the fiscal responsibility principles in this Act;
- (b) overseeing the fiscal performance, fiscal risks and report on the financial position of Public Entities, Government Agencies and Public Sector Undertakings;
- (c) ensuring that the Annual Budget is executed as appropriated by the Legislature and is managed in a manner that ensures compliance with this Act;
- (d) overseeing the management of government assets and liabilities as required by this Act;
- (e) exercising general direction and control over the Ministry or Department responsible for Finance; and
- (f) such other matters as may be prescribed, or as may be required under the provisions of any other law for the time being in force.

(2) The Finance Minister may enter into and execute agreements on behalf of the Government in relation to matters of a financial nature.

(3) The Finance Minister may by general or special order in writing, delegate any of his or her responsibilities or powers under this Act to the Secretary of the Ministry or Department responsible for Finance or any other public servant as he or she may deem necessary, subject to such conditions, if any, as may be specified in that order:

Provided that the Finance Minister shall not delegate his or her responsibilities of laying documents before the Legislature, appearing before the Legislature and other such responsibilities that are in the exclusive domain of the Finance Minister.

7. Role of the Secretary of the Ministry or Department responsible for Finance.—

(1) The Secretary of the Ministry or Department responsible for Finance shall be responsible for assisting the Finance Minister in the discharge of his or her responsibilities, managing the Ministry or Department responsible for Finance, and for the following—

- (a) overseeing the implementation of and adherence to this Act and the provisions of other laws regarding public finances for the time being in force;
- (b) providing economic and fiscal policy advice;
- (c) preparing the Fiscal Strategy and Annual Budget for consideration by the Finance Minister, and managing the overall budget process;
- (d) setting standards for the financial management systems and processes and monitoring the performance of such systems and processes;
- (e) treasury services including banking and cash management;
- (f) oversight of government assets and liabilities;
- (g) directing the development of internal auditing standards and guidelines;
- (h) ensuring that information systems are designed in accordance with accounting and reporting standards;
- (i) government financial reporting including producing the Annual Accounts and government financial reports required by this Act;
- (j) monitoring the financial interests of the Government in entities to which this Act applies, including managing the ownership interests of the Government in Government Agencies and Public Sector Undertakings;
- (k) monitoring and managing the fiscal risks of the Government; and
- (l) such other matters as may be prescribed, or as may be required under the provisions of any other law for the time being in force.

(2) The Secretary of the Ministry or Department responsible for Finance—

- (a) shall at all times have access to all Public Entities, Government Agencies and Public Sector Undertakings and places where accounting for services takes place or accounting records are kept; and
- (b) may require a public servant to furnish any information and provide access to any documents or information that he or she considers necessary.

(3) The Secretary of the Ministry or Department responsible for Finance may, by general or special order in writing, delegate any of his or her responsibilities or powers under this Act to any other public servant as he or she may deem necessary, subject to such conditions, if any, as may be specified in the order.

8. Role of Departmental Secretaries.—

Each Departmental Secretary designated as a Chief Accounting Authority under this Act shall be responsible for—

- (a) promptly collecting and receiving revenue under his or her responsibility;
- (b) administering the appropriation or part of an appropriation in the Annual Budget that is under the control of the Public Entity over which he or she has responsibility;
- (c) delivering the performance required by the Annual Budget, appropriation, statutory expenditure;
- (d) ensuring that proper financial controls and processes are maintained;
- (e) ensuring that the assets and liabilities for which he or she is responsible are properly managed;
- (f) ensuring the control of, and accurate and timely accounting and reporting for, expenditure, revenues, assets and liabilities of the Public Entity;
- (g) providing policy advice to the Responsible Minister;
- (h) assisting the Responsible Minister to oversee the entities in his or her portfolio; and
- (i) such other matters as may be prescribed, or as may be required under the provisions of any other law for the time being in force.

9. Role of Managerial Heads.—

(1) Each Managerial Head of a Government Agency or a Public Sector Undertaking shall manage their public finances, including their assets and liabilities, to achieve the performance required in the Annual Budget and the approved Annual Plan, and in the case of a Public Sector Undertaking, the approved Statement of Corporate Intent, in accordance with this Act and other laws for the time being in force.

(2) Each Managerial Head shall be responsible for—

- (a) ensuring that plans, budgets, reports and accounts are prepared and provided as required by and in accordance with the provisions of this Act;
- (b) ensuring that valid claims on the moneys under his or her responsibility are paid;
- (c) ensuring that proper financial controls and processes are maintained;
- (d) cooperating with a review under this Act, including providing information requested in this regard; and
- (e) such other
- (f) matters as may be prescribed, or as may be required under the provisions of any other law for the time being in force.

(3) A Managerial Head may, by general or special order in writing, delegate any of his or her responsibilities or powers under this Act to any other public servant as he or she may deem necessary, subject to such conditions, if any, as may be specified in the order.

10. Responsibilities of public servants.—

(1) A public servant who, in the discharge of his or her responsibilities as a public servant, comes into the possession or control of—

- (a) public money that he or she knows or has reason to believe is intended to be paid to or received by the Government;
- (b) securities that are government property and are intended to be placed on deposit with or entrusted to the Government, or
- (c) electronic instruments relating to money or property that are intended to be controlled by the Government;

shall without delay deliver the money, securities, or control of the electronic instruments relating to money or property, as the case may be, to the public servant or entity responsible for them.

(2) Public servants shall also be responsible for:

- (a) producing documents to support the Annual Budget process in accordance with the provisions of this Act, where such servants have budget responsibilities; and
- (b) ensuring that Annual Budget submissions support the efficient, effective and economic use of public resources where such servants have responsibilities for preparing or approving Annual Budget submissions;

CHAPTER III - FISCAL RESPONSIBILITY

11. Fiscal responsibility principles.—

(1) The Government shall comply with the following fiscal responsibility principles:—

- (a) achieving a sustainable budget balance over a reasonable period;
- (b) achieving and maintaining a prudent level of public debt;

- (c) managing fiscal risks in a prudent manner;
 - (d) ensuring value for money in the use of money and resources; and
 - (e) pursuing macroeconomic stability, inclusive growth, environmental sustainability, and intergenerational equity.
- (2) The Government shall set medium term measurable fiscal objectives for the fiscal principles contained in clauses (a), (b) and (c) in sub-section (1), and monitoring indicators for the fiscal principles contained in clauses (d) and (e) of sub-section (1).
 - (3) The Government shall report on the achievement of the fiscal objectives and monitoring indicators to the Legislature and the public as required by this Act.
 - (4) The Government shall prepare a methodology paper explaining—
 - (a) the application of the definitions of “budget balance”, “fiscal risk” and “public debt” in section 2 to the fiscal objectives and monitoring indicators used in the Fiscal Strategy under section 12; and
 - (b) any changes made to these definitions from previous Fiscal Strategies.
 - (5) The Government shall cause the methodology paper prepared under sub-section (4) to be published on an official website of the Government at the same time as the Fiscal Strategy is required to be so published.
 - (6) In addition to the fiscal responsibility principles contained in this section, the Government shall comply with the principles contained in the laws listed in the First Schedule to this Act.

12. Fiscal Strategy.—

- (1) The Ministry or Department responsible for Finance shall prepare a Fiscal Strategy which shall review the performance of the previous financial year against the fiscal objectives and present to the Legislature a macroeconomic outlook, fiscal forecasts, fiscal objectives and policies for the medium term and an analysis of fiscal risks.
- (2) The Fiscal Strategy shall include the information and statements set out in the Second Schedule to this Act.
- (3) The Finance Minister shall lay the Fiscal Strategy before the Legislature no later than the 31st day of October in the financial year preceding the financial year to which the Annual Budget relates.
- (4) The Legislature may debate the Fiscal Strategy and may recommend changes to the Government and the response to such recommendations shall be decided on by the Council of Ministers.
- (5) The Secretary of the Ministry or Department responsible for Finance shall publish the Fiscal Strategy and any changes thereto on an official website of the Government on the day on which the document is laid before the Legislature.

13. Long Term Fiscal Sustainability Report.—

- (1) The Finance Minister shall lay a Long Term Fiscal Sustainability Report before the Legislature on or before the date that is notified by the Government for this purpose, and thereafter every five years.
- (2) The Long Term Fiscal Sustainability Report shall contain—
 - (a) a forecast of fiscal position across at least twenty consecutive years of continuing the current fiscal policies including the current expenditure policies; and
 - (b) a statement of assumptions made and the methodology followed in preparing the Long Term Fiscal Sustainability Report.
- (3) While preparing the Long Term Fiscal Sustainability Report, the Finance Minister shall—
 - (c) take into consideration changes in demographics, economic growth, environment and other factors affecting sustainability, as described in the statement referred to in clause (b) of sub-section (2);
 - (d) exercise his or her best professional judgment.
- (4) The Long Term Fiscal Sustainability Report shall be published on the official website of the Government.

14. Investment statement.—

- (1) The Finance Minister shall lay before the Legislature an Investment Statement on or before the date that is notified by the Government for this purpose, and thereafter every two years.
- (2) The Investment Statement shall contain—
 - (a) the most recent balance sheet for the Government and its explanation;
 - (b) description of the state and value of the significant assets and liabilities of the Government;

- (c) explanation of any changes in the significant assets and liabilities of the Government since the previous investment statement;
- (d) forecast how the values of the significant assets and liabilities are expected to change for at least two financial years after the financial year to which the statement relates.

15. Public Investment Program.—

- (1) The Public Investment Program shall—
 - (a) be multi-year, rolling, fully costed and aligned with the Fiscal Strategy;
 - (b) support the policy priorities of the Government;
 - (c) support public investment that is efficient, economical and effective; and
 - (d) be based on the investment programs of the Ministries and Departments of the Government.
- (2) The Government shall lay down guidelines for the formulation and implementation of the Public Investment Program.

16. Financial memorandum for proposals.—

- (1) A Responsible Minister who proposes any policy, project, legislation, other measure or action that has not been approved in the Annual Budget and has financial implications requiring the approval of the Council of Ministers, shall prepare a financial memorandum containing a projection of the financial implications for the Government including for the short, medium and long term.
- (2) The financial memorandum shall be submitted to the Finance Minister who shall provide an opinion in writing to the Council of Ministers on whether the proposed policy, project, legislation, other measure or action should be proceeded with.

17. Reporting progress in Mid-Year Review Report and next Fiscal Strategy

- (1) The Ministry or Department responsible for Finance shall include information on progress against the Fiscal Strategy in a Mid-Year Review Report referred to in section 77.
- (2) The Ministry or Department responsible for Finance shall include information on progress against the previous Fiscal Strategy in the next Fiscal Strategy as contained in the Second Schedule to this Act.

18. Deviation from fiscal objectives.—

- (1) The Government may deviate from the fiscal objectives stated in the Fiscal Strategy on a temporary basis, when such deviation is due to—
 - (a) ground or grounds of national security, act of war, natural calamity, structural reforms in the economy with significant unanticipated fiscal implications, unanticipated severe economic shock, significant downturn in a productive sector of the economy severely affecting the fiscal position of the Government;
 - (b) a significant unforeseeable event that cannot be accommodated through the Contingency Fund;
 - (c) the use of other flexibilities provided for in this Act; or
 - (d) prudent fiscal policy adjustments.
- (2) The Council of Ministers shall consider the circumstances of the deviation and approve a report on the reasons for any deviation from the fiscal objectives in the Fiscal Strategy, including the plan to address the deviation, and the expected time to achieve this.
- (3) The Finance Minister shall cause to lay before the Legislature a report on the deviation no later than one month after the decision is made by the Council of Ministers on the matters in sub-section (2), or shall include the information on the deviation in the next Fiscal Strategy, Mid-Year Review Report or Annual Budget documents, whichever is earlier.
- (4) The Ministry or Department responsible for Finance shall publish the report on the deviation on an official website of the Government on the same day the report is laid before the Legislature.

19. Review of compliance by the Comptroller and Auditor-General of India.—

- (1) The Comptroller and Auditor-General of India shall annually review the compliance by the Government with provisions of this Chapter, and submit a review report to the Finance Minister and the President or the Governor, as the case may be, within six months after the end of each financial year.
- (2) The review under sub-section (1) shall include the following—
 - (a) analysis of achievement and compliance of fiscal responsibility principles in section 11 and the fiscal objectives in the Fiscal Strategy;
 - (b) analysis of trends in economic and fiscal forecasts in the Fiscal Strategy, the Annual Budget, Mid-Year Review Report;

- (c) comments related to the accounting policies and forecasting methods having a bearing on the requirements of this Chapter;
 - (d) analysis of reports and disclosures made by the Government to ensure greater transparency in its fiscal operations.
- (3) For the purpose of conduct of the review under this chapter of the Act, the Comptroller and Auditor-General of India shall have the same powers in relation to review as he or she has under sub-section (1) of section 18 of the Comptroller and Auditor-General's (Duties, Powers and Conditions of Service Act), 1971 in connection with audit of accounts.
 - (4) The officer in charge of any office or department, the records of which are to be inspected and reviewed by the Comptroller and Auditor-General, shall afford all facilities for the review under sub-section (1) and comply with the requests for such records or information as expeditiously as possible and in a complete form.
 - (5) On receipt of the report, the President or the Governor, as the case may be, shall cause the report to be laid before the Legislature if it is in session within five days of receiving the report, and if it is not in session, within five days from the commencement of the next session.
 - (6) The Government shall prepare an action taken report to address the observations reported by the Comptroller and Auditor-General of India in the review report submitted under sub-section (1) of this section, and the action taken report will be laid before the Legislature.

20. Application of this Chapter to the Central Government.—

- (1) This Chapter shall apply to the Central Government including all its Public Entities and public servants.
- (2) In its application to the Central Government, the provisions of this Chapter shall be in addition to and not in derogation of the Fiscal Responsibility and Budget Management Act, 2003.

21. Application of this Chapter to a State Government.—

- (1) This Chapter shall apply to the State Governments including all its Public Entities and public servants.
- (2) In its application to a State Government, this Chapter shall be in addition to and not in derogation of the laws listed in the First Schedule to this Act.
- (3) Each State Government shall adhere to the fiscal responsibility principles contained in sub-section (1) of section 11, except the principle contained in clause (e) of that sub-section, which, in the case of State Governments, shall be “contributing to macroeconomic stability, inclusive growth, environmental sustainability and intergenerational equity.”

CHAPTER IV - ANNUAL BUDGET AND AUTHORISATION OF EXPENDITURE

22. Annual Budget process requirements.—

- (1) The Government shall prepare an Annual Budget containing the estimates of the receipts and expenditure and other details for the ensuing financial year.
- (2) The Finance Minister shall lay the Annual Budget documents before the Legislature no later than the first working day of February in the case of the Central Government and no later than the last working day of February in case of a State Government.
- (3) The Secretary of the Ministry or Department responsible for Finance shall manage the government budget process and shall issue directions to the public servants and entities involved in the Annual Budget process, and such directions may include dates for specific actions to be completed.
- (4) A public servant with budget responsibilities shall produce the documents to support the Annual Budget process in the format and by the date specified in the directions issued by the Secretary of the Ministry or Department responsible for Finance.
- (5) The budget estimates shall correspond to the Government Account.
- (6) The Departmental Secretary or Managerial Head responsible for preparing the budget estimates for his or her Public Entity, Government Agency or Public Sector Undertaking, as the case may be, shall ensure that any new scheme or project being included in the estimates has—
 - (a) is consistent with the Public Investment Program prepared under section 15;
 - (b) where practicable, a sunset clause, measurable objectives, and a provision for periodic and end-term evaluation;
 - (c) been duly appraised by the appropriate public servants in the Ministry or Department responsible for Finance; and
 - (d) been duly approved in accordance with the provisions of any law for the time being in force.

- (7) The Government shall endeavour to establish appropriate participatory budget mechanisms that facilitate open, inclusive and meaningful engagement of citizens in the budget process, and such mechanisms may include consultations and partnerships with civil society organisations, non-government organisations, academics, experts, associations of industries, trades and employees, and other relevant stakeholders.

23. Contents of the Annual Budget.—

- (1) The Annual Budget shall depict information relating to budgeted and actual receipts and expenditure for the two preceding financial years, budgeted and revised estimates of receipts and expenditure for the current financial year, budget estimates of receipts and expenditures for the ensuing financial year and projected estimates of receipts and expenditure for one financial year thereafter, and shall be laid before the Legislature in such form as the Ministry or Department responsible for Finance may determine.
- (2) The estimates of receipts shall show revenue estimates, financing estimates and annexes, including the information as specified in the directions issued under sub-section (3) of section 22.
- (3) The estimates of expenditure shall separately show the expenditure charged on the Consolidated Fund and other expenditure and distinguish expenditure on revenue account from other expenditure.
- (4) The financing estimates shall provide information on the following:—
- (a) external financing in the form of borrowing and grants;
 - (b) domestic issuance of government bonds and notes and any other financial liabilities;
 - (c) issuance of guarantees to public or private entities;
 - (d) divestment of government assets;
 - (e) the approval of new public private partnership contracts; and
 - (f) any other financing information that may be prescribed.
- (5) In addition to the information contained in sub-sections (1) to (4), the Annual Budget shall also contain the information listed in the Third Schedule to this Act.

24. Budget Principles.—

- (1) The Government shall endeavour to ensure that the Annual Budget is consistent with the fiscal responsibility principles and the Fiscal Strategy, and any deviation shall be explained in an annex to the Annual Budget.
- (2) All public servants and Managerial Heads with responsibilities for preparing or approving Annual Budget submissions shall ensure that the submissions support the efficient, effective and economical use of public resources.
- (3) The Annual Budget shall be prepared on a cash basis, and all amounts that are expected to be actually received or paid during a financial year shall be budgeted in that financial year, including arrears of previous financial years.
- (4) The Annual Budget shall present the receipts and expenditures on a gross basis, unless the Ministry or Department responsible for Finance authorises otherwise.
- (5) Subject to the provisions of any law for the time being in force and to any resolution passed by the Legislature, receipts shall not be assigned to specific types of expenditure.
- (6) The appropriations shall be authorised in the Appropriation Act and shall be made for one financial year.

25. Approval of the Annual Budget by the Legislature.—

- (1) No demand for a grant shall be made except on the recommendation of the President or the Governor, as the case may be.
- (2) The House of the People or the State Legislative Assembly, as the case may be, may assent to the demand for grants for the expenditure not charged on the Consolidated Fund, or refuse assent, or assent subject to a reduction in the amount of the demand.
- (3) The Legislature may debate the expenditure to be charged on the Consolidated Fund, but shall not vote on the same.
- (4) The Legislature shall approve the Annual Budget for the forthcoming financial year no later than the last day of the financial year prior to the financial year to which the Annual Budget relates.

26. Appropriations and other Bills to implement the Annual Budget.—

- (1) The Government, in consultation with the Comptroller and Auditor-General, shall ensure that the chart of accounts enables the use of classifications that include a Programme Head linked to an accountable Public Entity and is suitable for the purposes of making appropriations, and may issue directions to achieve this.

- (2) The appropriations in the Appropriation Bill to authorise expenditure from the Consolidated Fund shall be stated by Programme Head which shall be a classification suitable to be used as an appropriation and designed to support performance budgeting, and each Programme Head shall be an expenditure to be administered by a specified Ministry, Department, or other Public Entity.
- (3) The items of appropriation shall be presented in a manner that enables the identification of the entity responsible for the expenditure, the intended result of the expenditure, and the financial and non-financial performance in respect of each unit of appropriation included in the Annual Budget and the Appropriation Bill.
- (4) As soon as the estimates in the Annual Budget relating to expenditure that is not charged on the Consolidated Fund have been approved by the Legislature, the Finance Minister shall introduce a Bill to provide for the appropriation out of the Consolidated Fund all moneys required to meet—
 - (a) demands for grants approved by the Legislature; and
 - (b) the expenditure charged on the Consolidated Fund but not exceeding in any case the amount shown in the Annual Budget previously laid before the Legislature.
- (5) The Government shall present the other Bills to implement the Annual Budget to the House of the People or the State Legislative Assembly, as the case may be, at the same time as the Appropriation Bill is presented.

27. Delay in passing the Annual Budget and vote on account.—

- (1) Where the Appropriation Bill in respect of any financial year has not come into force by the beginning of the financial year to which it relates, the Government may seek the approval of the Legislature by proposing a vote on account in respect of any estimated expenditure for a part of any financial year pending approval of the Annual Budget and the Appropriation Bill.
- (2) The approval of a vote on account in advance shall be sufficient authority to draw moneys from the Consolidated Fund and such authority shall apply until the coming into force of the Appropriation Bill.

28. Publication of Annual Budget.—

The Finance Minister shall publish on an official website of the Government—

- (a) the proposed Annual Budget on the same day on which the Annual Budget documents are laid before the House of the People or the State Legislative Assembly, as the case may be;
- (b) the Annual Budget as passed by the House of the People of the State Legislative Assembly, as the case may be, no later than one week from the date of its passage; and
- (c) A simplified summary of the Annual Budget, at the same time as the publication under clause (b) above.

29. Supplementary Estimates and Supplementary Appropriation Bill.—

- (1) In respect of any financial year, if it is found—
 - (a) that the amount authorised by the Appropriation Bill to be expended for a particular service for the current financial year is insufficient, or a need has arisen during the current financial year for supplementary or additional expenditure upon some new service or new instrument of service not contemplated in the Annual Budget, or for recouping an advance from the Contingency Fund; or
 - (b) any money has been spent on any service during a financial year in excess of the amount granted for that service for that financial year,

the Finance Minister shall lay before the Legislature estimates of the amount of such expenditure, or lay before the House of the People or the State Legislative Assembly, as the case may be, a demand for such excess.

- (2) The supplementary demand for grants shall be accompanied by an explanation from the Finance Minister as to the impact of the additional expenditure or financing on the performance of the Government against the fiscal objectives in the Fiscal Strategy and other requirements of Chapter III of this Act.
- (3) The Government may propose supplementary demand for grants to reduce expenditure or reallocate expenditure when such reallocation is not within the power of the Government to make without an appropriation.
- (4) The Government shall present no more than two supplementary Appropriation Bills to the Legislature in a financial year.

30. Approval of unexpected demands and making of exceptional grants.—

- (1) Notwithstanding anything contained in the foregoing provisions of this chapter, the House of the People or the State Legislative Assembly, as the case may be, may—

- (a) make a grant for meeting an unexpected demand upon the resources of India or the State, as the case may be, when on account of the magnitude or the indefinite character of the service, the demand cannot be stated with the details ordinarily given in an Annual Budget; or
 - (b) make an exceptional grant which forms no part of the current service of any financial year;
- and the Legislature shall have the power to authorise, by law, the withdrawal of money from the Consolidated Fund for the purposes for which the grant is made.
- (2) The requirements for estimates and Appropriation Bills in sections 25 and 26 shall apply to such grants.

31. Unauthorised expenditure.—

- (1) Where at the close of accounts for any financial year, it is found that moneys have been expended—
- (a) in excess of the amount appropriated by an Appropriation Act or approved by other law; and
 - (b) such amount is not authorised by a supplementary Appropriation Act, and the Government does not propose to authorise it by a supplementary estimates and supplementary Appropriation Bill;
- the amount of the excess expended shall be included in a statement of unauthorised expenditure which shall be laid before the Legislature.
- (2) The statement of unauthorised expenditure shall include all such information that ensures that the Legislature is fully informed, including details of the amount of the unauthorised expenditure, the heads of account under which the excess expenditure had taken place, the circumstances relating to the expenditure and the reasons that the unauthorised expenditure occurred.
- (3) A demand for grant for the excess expenditure referred to in sub-section (2) shall be laid before the Legislature for approval.
- (4) Any unauthorised expenditure which is not allowed under this section shall be treated as a loss of public moneys, and shall be dealt with in accordance with Chapter VIII of this Act.

32. Lapse of Appropriations.—

- (1) The balance in an appropriation that remains unexpended at the end of the financial year, after adjustment for the recording of liabilities referred to in sub-section (2), shall lapse.
- (2) An expenditure incurred by the Government before the end of the financial year, that remains unpaid at the end of the financial year, may be paid within the thirty days following the end of that financial year, and shall be included in the accounts for the financial year in which the expenditure incurred for the appropriation to which it relates.
- (3) All settlements of liabilities shall be in accordance with the provisions of this Act:
- Provided that nothing contained in this section permits the recording of a payment that is in excess of the balance available in the appropriation.

CHAPTER V - FINANCIAL MANAGEMENT

33. Operation of the Consolidated Fund.—

- (1) The Consolidated Fund shall contain all revenues received by the Government, all loans raised by the Government by way of issue of Treasury Bills, loans or ways and means advances and all moneys received by the Government in repayment of loans.
- (2) All moneys received by or on behalf of the Government either as dues or for deposit, remittance or otherwise, shall be brought into Government Account without delay.
- (3) No moneys shall be appropriated out of the Consolidated Fund except as authorised by an Appropriation Act.
- (4) Revenues collected in the offices of the Government in foreign territories may be utilised to defray the expenses of such offices and shall be accounted for as revenues and expenditures, as required by the accounting standards.
- (5) The Finance Minister may limit or suspend any expenditure authorised under any Appropriation Act, including expenditure that is charged on the Consolidated Fund by the Constitution or by any other law for the time being in force, if in the opinion of the Finance Minister, the exigencies of the financial situation render such limitation or suspension necessary.

34. Refunds.—

- (1) Before a refund of revenue is made, the original demand or realisation, as the case may be, must be linked and a reference to the refund should be recorded against the original entry in the cash book or other documents.
- (2) Remissions of revenue allowed before collection are to be treated as reduction of demands and not as refunds.
- (3) For the purposes of grants or appropriations, refunds shall not be deemed to be expenditure.

35. Operation of the Public Account.—

- (1) Moneys from the Consolidated Fund shall not be transferred to the Public Account in order to circumvent a lapse of appropriations.
- (2) The Government shall lay before the Legislature a report of all transfers made from the Consolidated Fund to the Public Account during the last quarter of the previous financial year, along with reasons therefor, in the first session of the Legislature in the current financial year.
- (3) The Government shall lay before the Legislature a report during the first session of the Legislature in the financial year, providing information on the balances at the end of the previous financial year in all Earmarked Funds and the proposed plan for utilising the proceeds in such funds for their intended purposes.

36. Operation of the Contingency Fund.—

The Secretary of the Ministry or Department responsible for Finance shall ensure that the Contingency Fund is—

- (a) used for the purposes specified in the Constitution and any law for the time being in force;
- (b) administered in accordance with the Constitution and any law for the time being in force;
- (c) properly accounted for and reported in accordance with the accounting standards of the Government; and
- (d) reported in the in-year reports and Annual Financial Statements of the Government.

37. Commitments.—

- (1) No public servant shall commit the Government to a financial liability, including a contingent liability, unless specifically authorised to do so under this Act or under any other law for the time being in force.
- (2) Public servants shall ensure that any commitment made—
 - (a) is authorised under this Act or under any other law for the time being in force;
 - (b) does not exceed the approved amount; and
 - (c) is made in accordance with the procedures laid down by the Ministry or Department responsible for Finance relating to commitments, and with any requirements that may be contained in directions or as may be prescribed.
- (3) Public servants shall maintain a proper record of all financial commitments that are chargeable to each appropriation and item of expenditure.
- (4) The Government shall ensure that the proposed multi-year commitments are consistent with the fiscal responsibility principles contained in section 11 and the Fiscal Strategy.

Explanation.— For the purposes of this section, multi-year commitments shall include public investments and related recurrent costs and obligations of the Government under public-private partnerships and other investment and financing arrangements, but shall not include the usual costs of financing the emoluments of personnel or the regular and continuing services of the Government.

- (5) The Finance Minister shall have the authority to approve multi-year commitments if such commitments are within the expenditure limits set in the Annual Budget documents, and he or she may issue directions for the delegated approval of such commitments by a Departmental Secretary or a Managerial Head.

38. Re-appropriation.—

- (1) The Government may transfer savings from one unit of appropriation to another unit of appropriation that requires additional funds during the course of budget execution.
- (2) The Secretary of the Ministry or Department that is responsible for implementing a programme may, after informing the Ministry or Department of Finance, re-appropriate funds from one sub-head under a Programme Head to another sub-head within the same Programme Head, or from one detailed head under a sub-head to another detailed head within the same sub-head, subject to the following:—
 - (a) re-appropriation of funds shall not be made unless it is known or anticipated that the appropriation for the unit from which funds are to be transferred shall not be utilised in full, or that savings can be effected in the appropriation for the said unit;
 - (b) re-appropriation of funds shall not be made between Revenue and Capital, or between Capital Outlay and loans, or vice-versa, in the Capital Section;

- (c) funds provided for charged expenditure shall not be re-appropriated to meet voted expenditure, and funds provided for voted expenditure shall not be re-appropriated to meet charged expenditure;
 - (d) re-appropriation of funds shall not be made from one grant or appropriation for charged expenditure to another grant or appropriation for charged expenditure;
 - (e) re-appropriation of funds shall not be made to meet expenditure on a new service or new instrument of service that was not contemplated in the Annual Budget as approved by the Legislature; and
 - (f) any other condition which may be prescribed.
- (3) When making a re-appropriation of expenditure, the Departmental Secretary or Managerial Head shall have regard to the obligation to deliver the performance specified in the Annual Budget and the Annual Plan relating to his or her entity in relation to the re-appropriated funds.
 - (4) The Departmental Secretary or Managerial Head shall submit a report on the details of any re-appropriations made under this section and the performance of the service affected, to the Ministry or Department responsible for Finance, in such the form and by such time as may be prescribed.
 - (5) When making re-appropriations of expenditure under this section, the Government shall have regard to the obligation to deliver the performance specified in the Annual Budget and the Annual Plan of an entity in relation to the re-appropriated funds.
 - (6) The Secretary of the Ministry or Department responsible for Finance shall include a report on the details of any re-appropriations and the performance of the appropriations affected in the Mid-Year Review Report and the Annual Financial Statements.

39. Cash management.—

- (1) The Secretary of the Ministry or Department responsible for Finance shall establish effective procedures for the planning and management of cash which may include a cash management committee;
- (2) The Departmental Secretary shall ensure that —
 - (a) if a Public Entity forecasts a change or wishes to make a change affecting the cash forecast, the Secretary of the Ministry or Department responsible for Finance is informed as soon as practicable; and
 - (b) the cash management plans provided to the Secretary of the Ministry or Department responsible for Finance are consistent with the timing of planned purchases and are regularly updated.

40. Unclaimed trust assets.—

- (1) Any trust assets that are unclaimed for a period of fifteen years after having become payable to any person entitled thereto, together with interest, if any, added thereto, shall be transferred to the Government.
- (2) Where a person claims any trust assets which have been transferred to the Government, and establishes a claim to the satisfaction of the Secretary of the Ministry or Department responsible for Finance, the money shall be paid to that person out of the Government Account and shall be included in the Appropriation Act for the next financial year.

41. Special funds.—

- (1) The Finance Minister may issue a direction establishing a Special Fund for a specific purpose, and such a fund shall be held or administered by the Government.
- (2) For each Special Fund established by the Finance Minister under sub-section (1), and for Special Funds established before the commencement of this Act that do not specify the following matters, the Finance Minister shall specify through directions—
 - (a) the purpose of the Special Fund;
 - (b) the money to be credited to the Special Fund; and
 - (c) the public servant responsible for the accounting, management, monitoring and reporting of the Special Fund.
- (3) Subject to any law for the time being in force, the Finance Minister may terminate a Special Fund that has fulfilled its objectives and is not required for a public purpose, and all the moneys contained in the Special Fund that is terminated under this section shall be credited to the Consolidated Fund.

42. Banking arrangements.—

- (1) Subject to the provisions of this Act and the rules made thereunder, the Secretary of the Ministry or Department responsible for Finance shall be responsible for the general management and supervision of the cash transactions and accounting operations of the Government.
- (2) No Public Entity shall open a bank account in respect of public money, whether within or outside the country, without the prior authorisation, in writing, of the Secretary of the Ministry or Department responsible for Finance.
- (3) No Public Entity shall incur an overdraft unless authorised, in writing, by the Secretary of the Ministry or Department responsible for Finance.
- (4) Every bank holding public money shall provide information to the Secretary of the Ministry or Department responsible for Finance in such form and by such time as may be determined by the Secretary of the Ministry or Department responsible for Finance.

43. Unclaimed money.—

Subject to the provisions of any law for the time being in force, at the end of each financial year, any money that—

- (a) is held by or on behalf of any Public Entity, Government Agency or Public Sector Undertaking; and
- (b) has remained unclaimed for a period of one year from the date on which it was payable to the person entitled to it,

must be paid into the Government Account and credited to the Consolidated Fund.

44. Payment of previously unclaimed money.—

If unclaimed money is paid into the Government Account and credited to the Consolidated Fund under section 43, and the Public Entity, Government Agency or Public Sector Undertaking subsequently pays the whole or a part of that amount to a person claiming it, the amount paid to the claimant shall be refunded to the Public Entity, Government Agency or Public Sector Undertaking, as the case may be, from the Government Account, and such amount shall be included in the next Appropriation Bill.

45. Fees and charges.—

- (1) Subject to the provisions of this section and of any law for the time being in force, a Public Entity shall not levy fees and charges unless such a levy is authorised, in writing, by the Finance Minister.
- (2) A Public Entity that imposes fees and charges for regulatory services or for services that are exclusively provided by the entity shall ensure that such fees and charges comply with the following requirements—
 - (a) the fee or charge shall be set at a level no higher than the cost of the most efficient method of providing the service; and
 - (b) affected parties are adequately consulted and provided with an opportunity to be heard on the imposition of new fees or charges or significant increases to fees or charges:

Provided that the Finance Minister may grant an exception to the requirements of this sub-section.

- (3) The Secretary of the Ministry or Department responsible for Finance may require a Public Entity to explain any fee or charge levied by it, including the manner in which such a levy meets the requirements of this section.
- (4) The Secretary of the Ministry or Department responsible for Finance may require a Public Entity to annul or adjust any fee or charge levied by it that does not comply with the requirements of this section.

46. Waivers, settlements, write offs.—

- (1) A sum due to the Government by way of revenue or other public money may be waived during any one financial year for the same person or entity, by the Finance Minister or the Council of Ministers subject to such monetary thresholds and procedure as may be prescribed, if they are satisfied that it is in the public interest to grant such a waiver, or that a hardship or injustice has occurred which justifies the grant of such a waiver, or is likely to result if such a waiver is not granted.
- (2) With respect to waivers that may be granted by the Council of Ministers under sub-section (1), the Finance Minister may recommend that the Council of Ministers grant such a waiver, and such a recommendation shall include a report that contains—
 - (a) a description of the proposed waiver including the full value of the waiver;
 - (b) the class of all beneficiaries of the proposed waivers;
 - (c) a statement of the reasons the Finance Minister considers the proposed waiver to be in the public interest or that a hardship or injustice has or is likely to result;
 - (d) an analysis of the costs and benefits of the proposed waiver;
 - (e) the conditions, if any, to which the waiver is subject; and

- (f) a list of the value of all waivers that have been granted to each class of beneficiaries of the proposed waiver in the past years.
- (3) When a claim is made on behalf of the Government, whether or not proceedings have been commenced, and the Finance Minister is satisfied that it is in the public interest to enter into an agreement to settle the claim for a specified amount, whether or not the amount is less than the amount of the claim, he or she may settle the claim for such an amount subject to such monetary thresholds and procedure as may be prescribed, and such a settlement shall be deemed to be a full satisfaction of the claim.
- (4) The Finance Minister may write off all or part of a debt due to the Government, subject to such monetary thresholds and procedure as may be prescribed if, in his or her opinion, the collection of such a debt is impossible or not cost effective.
- Explanation.*— The write off of all or part of a debt does not extinguish the right of the Government to collect it.
- (5) The Finance Minister may, with the prior approval of the Council of Ministers, delegate the authority to grant waivers under sub-section (1), enter into settlements under sub-section (3), or write off debts under sub-section (4), and such delegation may be general or may relate to a class or classes of waivers, settlements or write offs as the case may be, and may also be made subject to conditions.
- (6) A summary statement of—
- (a) waivers, settlements and write-offs under this Act; and
 - (b) waivers, settlements and write offs under the provisions of any other law for the time being in force,
- shall be included in the Annual Accounts.
- (7) The summary statement under sub-section (6) shall identify the type of waiver, settlement or write off, the class of the persons affected and the total value of each type of waiver, settlement or write off and, in the case of a waiver, settlement or write off made under the provisions of any other law for the time being in force, a reference to the provisions of that law.
- (8) The Secretary of the Ministry or Department responsible for Finance shall ensure that the summary statement under sub-section (6) is published on an official website of the Government.
- (9) Any variation of a waiver granted under sub-section (1) and the reasons for the waiver shall be reported to and audited by the Comptroller and Auditor-General as part of auditing the Annual Accounts of the Government.

47. Financial Asset Management Strategy.—

- (1) At the same time as the Annual Budget is presented, the Finance Minister shall lay a Financial Asset Management Strategy for the medium term before the Legislature.
- (2) The Financial Asset Management Strategy under sub-section (1) shall be consistent with the fiscal responsibility principles contained in section 11 and shall take into account—
- (a) the Fiscal Strategy, including the macroeconomic forecasts, fiscal forecasts, fiscal policy, fiscal risks and fiscal objectives;
 - (b) future requirements of the Government in the short, medium and longer terms;
 - (c) the principles to apply to the management of the investment portfolio of the Government investment portfolio and the acceptable investment instruments having regard to risk;
 - (d) market conditions; and
 - (e) any other factors that are deemed to be relevant.

48. Authorised investments and investment requirements.—

- (1) Having regard to the Financial Asset Management Strategy under section 47, the Finance Minister shall—
- (a) authorise the investment of money forming part of the Consolidated Fund in deposits with the Reserve Bank of India.
 - (b) authorise the investment of money forming part of the Public Account or other fund for which provision is made by or under any law for the time being in force—
 - (i) with a scheduled bank;
 - (ii) in deposits with the Reserve Bank of India; or
 - (iii) in a manner authorised under the provisions of any law for the time being in force for the investment of money administered by a trustee.
- (2) The Finance Minister may, if he or she is satisfied that it is in the public interest and with the prior approval of the Legislature, authorise the Secretary of the Ministry or Department responsible for Finance to

purchase securities, consistent with the Financial Asset Management Strategy, with money credited to the Consolidated Fund.

49. Crediting interest and dividend from investments.—

The interest or dividends received from an investment made from money from a sinking fund, other authorised fund, or trust account shall be credited to the fund or trust from which the money was obtained to make the investment.

50. Securities on loans.—

- (1) A security taken in respect of a loan given by the Government shall be taken in the name of the President in case of the Central Government and in the name of the Governor in case of a State Government.
- (2) The Finance Minister may authorise the Secretary of the Ministry or Department responsible for Finance to, on behalf of the Government, do any of the things in respect of, or in connection with, the security taken under sub-section (1) that could be done by the Government, including exercising any powers, functions, and rights.

51. Loans and advances by the Government to be authorised by the Legislature.—

- (1) The Government shall not lend public money to any person, Public Entity, or any other entity unless such lending is authorised under any law for the time being in force, or by an Appropriation Act, and such authorisation may be for a class of loans.
- (2) The Government shall not make a loan to a person, Public Entity, or any other entity unless—
 - (a) the loan is to meet a legal obligation or to perform a function of the Government;
 - (b) the Ministry or Department responsible for Finance has assessed the risk of the type of loan; and
 - (c) in case of a loan that exceeds such amount as may be prescribed, it has been approved by the Council of Ministers.
- (4) The Finance Minister, or a public servant authorised by the Finance Minister, shall execute an agreement for the Government to give a loan.
- (5) The Government shall not provide loans or advances without settling the terms and conditions of such loans and advances and recording them in writing.
- (6) Departmental Secretaries shall cause the loans and advances provided by Public Entities under his or her charge to be reconciled at least once in a year, including obtaining balance confirmation certificates from the recipients of the loans and advances other than public servants.
- (7) The Secretary of the Ministry or Department responsible for Finance may determine the reporting requirements to be fulfilled by a borrower from the Government, including requirements in addition to those specified in a loan agreement, and the borrower shall comply with such reporting requirements.

52. Borrowing by States from the Central Government.—

- (1) The Central Government shall only lend to a State Government that has a Fiscal Strategy that is consistent with the fiscal responsibility principles contained in section 11.
- (2) A loan to a State Government shall be approved by the Council of Ministers of the Central Government after considering a report from the Finance Minister on the risks and benefits of the loan having regard to the public interest.

53. Investment in a Government Agency or Public Sector Undertaking.—

- (1) Subject to the provisions of any law for the time being in force and consistent with the Financial Asset Management Strategy under section 47, the Finance Minister may invest money in a Government Agency or Public Sector Undertaking by way of a capital contribution that is appropriated by the Legislature.
- (2) All shares held in a Public Entity by the Government shall be held on behalf of the Government in the name of the office of the President or the Governor, as the case may be.
- (3) Subject to the provisions of any law for the time being in force, all rights and powers attaching to the shares held by the Government in a Government Agency or Public Sector Undertaking, including the power of sale or disposition, shall be exercised by the Government.

54. Interest rates.—

Subject to the provisions of any law for the time being in force, the Finance Minister may issue a direction establishing an interest rate or rates and the direction may—

- (a) be of general application or may apply to a class or classes of persons who owe money or are liable to pay money to the Government that is due and owing or to a class or classes of money owed or liable to be paid to the Government that is due and owing; and
- (b) determine whether and how the interest rate is to be calculated and compounded.

Explanation.— Interest is recoverable by the same means as the money to which it applies is recoverable or as a civil debt due to the Government.

55. Leases.—

- (1) The Finance Minister, acting in accordance with advice of the Council of Ministers, shall be the sole authority to approve a lease of government property over such value as may be prescribed.
- (2) An approval of a lease under sub-section (1) shall be reported in the mid-year review report and Annual Accounts of the Government.

56. Liability management.—

- (1) The Finance Minister shall ensure the financing needs of the Government are met and payment obligations are made at the lowest possible cost over the medium term to the long term, consistent with a prudent degree of risk.
- (2) The Finance Minister shall lay before the Legislature a Medium Term Debt Management Strategy at the same time as the Annual Budget is laid.
- (3) The Finance Minister shall prepare the Medium Term Debt Management Strategy in accordance with his or her obligation under sub-section (1) of this section and the fiscal responsibility principles under section 11 of this Act.
- (4) The Finance Minister shall prepare the Medium Term Debt Management Strategy by taking into account the following aspects—
 - (a) the Fiscal Strategy including the macroeconomic forecasts, fiscal forecasts, fiscal policy, fiscal risks and fiscal objectives;
 - (b) future borrowing requirements of the Government;
 - (c) market conditions; and
 - (d) other factors related to the development of the strategy.
- (5) The Medium Term Debt Management Strategy shall include—
 - (a) proposed guidelines and specified targets for the composition of the debt portfolio of the Government and new debt so as to ensure that the risks in the portfolio remain at acceptable levels;
 - (b) planned measures to support a functioning domestic market for Government securities; and
 - (c) policies and guidelines for lending and on-lending and the issuance of debt guarantees.
- (6) The Finance Minister shall ensure that all government borrowing and issuing of guarantees is consistent with the Medium Term Debt Management Strategy unless there are exceptional circumstances in accordance with section 18 of this Act.

57. Authority to borrow for the Central Government.—

- (1) The Finance Minister may, on behalf of the Central Government, borrow within such limits, if any, as may from time to time be fixed by Parliament by law, and consistent with the Medium Term Debt Management Strategy, for—
 - (a) financing the Union budget deficits;
 - (b) financing projects and investments;
 - (c) maintaining a credit balance in the Government Account at a level determined by the Finance Minister;
 - (d) replenishing international reserves;
 - (e) refinancing outstanding debt or repay a loan prior to its due date of repayment;
 - (f) repaying liabilities under publicly guaranteed debt;
 - (g) lending as a government loan or credit to a State Government, Public Sector Undertaking, or any other entity approved by the Parliament;
 - (h) protecting, mitigating or eliminating effects caused by a natural or environmental disaster or any other emergency situations;
 - (i) financing any other matter as stipulated in the Annual Budget or otherwise under this Act; and
 - (j) any other purpose that Parliament may approve by resolution.
- (2) The Finance Minister shall be the sole authority for signing loan documents:

Provided that the Finance Minister may delegate this responsibility to another public servant.

- (3) Notwithstanding any other law for the time being in force, it shall not be lawful for the Government to borrow from any person, entity, or other government, unless the Finance Minister has approved such borrowing in writing and the requirements of this Act are complied with.

58. Securities.—

- (1) The Finance Minister, having regard to the Medium Term Debt Management Strategy, shall determine matters related to government securities, including but not limited to—
 - (a) the principal amount of the government securities to be issued;
 - (b) the rate of interest payable and the rate of any premium or discount applicable to the government securities;
 - (c) the currency in which the principal amount of the government securities and any interest or premium are payable;
 - (d) the sale price of the government securities;
 - (e) the form, denomination and dates of issue and maturity of the government securities; and
 - (f) any other terms and conditions of the government securities.
- (2) When raising money by the issue and sale of government securities, the Finance Minister shall satisfy any jurisdiction with respect to the offer, issue, sale and trade of securities and other transactions relating to securities in the jurisdiction, including, without limitation—
 - (a) the preparation, approval, filing or delivery of a prospectus or other document or any amendment or supplement to any of them;
 - (b) the registration, qualification or exemption from registration or qualification of the Government under the laws of the jurisdiction regarding the offer, issue, sale or trade of securities;
 - (c) the listing and trading of securities on a stock exchange;
 - (d) the disclosure of financial and other information;
 - (e) entering into agreements with respect to the offer, issue, sale or trade of Securities or other transactions relating to securities including underwriting and similar agreements;
 - (f) providing for the establishment and operation of Sinking Funds in relation to government securities; and
 - (g) the execution of all documents and instruments in relation to matters described in this sub-section.
- (3) The proceeds of government securities issued in support of monetary policy objectives shall be deposited in the Reserve Bank of India and shall be used to redeem those securities.
- (4) Any cost to the Government resulting from the issuance of Government securities in support of monetary policy objectives shall be fully reimbursed by the Reserve Bank of India, unless the Finance Minister directs otherwise.

59. Banking and crediting of loan moneys.—

Any money raised by loan or by the sale of government securities shall be credited to the Consolidated Fund and paid into the Government Account unless otherwise provided for in law.

60. Altering terms of a loan.—

- (1) The Finance Minister may approve terms and conditions, with the consent of the lender, in respect of a loan, to:
 - (a) repay a loan prior to its date of repayment;
 - (b) renegotiate the terms and conditions of a loan;
 - (c) convert a loan from one form to another; or
 - (d) consolidate two or more loans into a single borrowing.
- (2) The Finance Minister shall not make a change in the form of the public debt or part of the public debt that has the effect of increasing the present value of the public debt except with the approval of Legislature, except that the borrowing limit in the Annual Budget shall not prevent the Government from buying back debt and refinancing existing debt during a financial year consistent with the fiscal responsibility principles in section 11 of this Act and the Fiscal Strategy.

61. Debt portfolio operations and requirement regarding derivatives.—

- (1) The Finance Minister in the Central Government may undertake debt portfolio management operations consistent with the objective of meeting the financing needs of the Government and making payment obligations, at the lowest possible cost over the medium term to the long term and with a prudent degree of risk.
- (2) The Finance Minister in the Central Government shall not enter into derivatives unless he or she is expressly authorised to do so by the Council of Ministers after considering the risks and public interest.

62. Hedging transactions and arrangements.—

- (1) For the purpose of avoiding or reducing the effect of currency or interest rate fluctuations, the Finance Minister in the Central Government may enter into a hedging transaction or hedging arrangement, on such terms and conditions as he or she thinks fit and whether within or outside India.
- (2) A hedging transaction or arrangement entered into under sub-section (1) shall be consistent with the Medium Term Debt Management Strategy.

63. Public debt is a charge on the Consolidated Fund.—

Public debt, including the interest on that debt, sinking fund charges and redemption charges, and other expenditure relating to the raising of loans and the service and redemption of debt shall be a charge on the Consolidated Fund.

64. Guarantee that imposes a liability on the Government.—

- (1) The Finance Minister shall be the sole authority for approving a government guarantee under the provisions of any law for the time being in force or under the authority of a resolution of the Legislature.
- (2) A guarantee shall—
 - (a) comply with this Act or any other law for the time being in force relating to authorising of guarantees and limits on guarantees;
 - (b) be a formal guarantee and not a letter of comfort or other communication purporting to commit the Government to obligations in the nature of a guarantee that are inconsistent with this Act;
 - (c) meet the criteria for guarantees as may be prescribed;
 - (d) comply with the fiscal responsibility principles in section 11 of this Act and the fiscal objectives in the Fiscal Strategy; and
 - (e) be consistent with the Medium Term Debt Management Strategy.
- (3) The Ministry or Department responsible for Finance shall assess the risk of any proposed guarantee prior to the granting of the guarantee by the Finance Minister.
- (4) Any person or entity that is the subject of the guarantee shall pay a fee for the guarantee at a rate and in the manner as may be prescribed.
- (5) Any sum payable by the Government in fulfilment of a guarantee given under this section is a charge on the Consolidated Fund and may be paid prior to the inclusion of the guarantee payment in the Appropriation Act.

65. Limitation of liability of Government.—

- (1) In the absence of a formal guarantee, the Government is not liable to contribute towards the payment of any debts or liabilities of—
 - (a) a Public Sector Undertaking;
 - (b) a subsidiary of a Public Sector Undertaking;
 - (c) any entity in which a Public Sector Undertaking has an interest;
 - (d) a State Government;
 - (e) a local authority; or
 - (f) any entity in which a State Government or local authority has an interest.
- (2) The Government shall not be liable for any implied guarantees asserted by any person or entity and shall only be liable for formal guarantees given in accordance with this Act.

66. Payments are debts due to Government.—

- (1) Any money paid by the Finance Minister pursuant to any guarantee, indemnity, or security given under this Act or under any other law for the time being in force and the expenses associated therewith shall constitute a debt due to the Government, and shall be recoverable as such pursuant to an administrative direction made by the Finance Minister.
- (2) Subject to the terms of the instrument authorising the guarantee, indemnity or security, the debt shall be repaid over such period of time, and on such terms and conditions as the Finance Minister specifies.
- (3) A debt referred to in sub-section (1) is recoverable in any court and may be paid over such period of time and on such terms and conditions as agreed upon by the Finance Minister.

67. Reporting debt.—

- (1) In addition to the reporting requirements under this Act, the Finance Minister shall publish or cause to be published information describing the loans taken and guarantees given during that financial year in the Annual Accounts of the Government, subject to such rules as may be prescribed.
- (2) The Ministry or Department responsible for Finance shall maintain or cause to be maintained a memorandum of accounts of the loans taken and guarantees given by the Government and shall arrange repayment in accordance with the legal obligations.
- (3) The Ministry or Department responsible for Finance shall ensure that the memorandum of accounts include information on the principal, terms of repayment, amounts drawn, interest and service charges accrued, principal and interest paid, the balance outstanding and any alteration to the terms of the loan or the guarantee.

- (4) The Ministry or Department responsible for Finance shall provide a report on public debt management within thirty working days after the end of each quarter to the Council of Ministers summarising the position with loans, guarantees and debt operations during that quarter.
- (5) Each Public Entity, Government Agency and Public Sector Undertaking shall maintain records and provide reports to the Ministry or Department responsible for Finance on loans, guarantees and other liabilities as required by the Secretary of the Ministry or Department responsible for Finance.

68. Borrowing by State Governments.—

- (1) A State Government shall borrow upon the security of the Consolidated Fund of the State within the territory of India.
- (2) A State Government shall not, without the consent of the Central Government, raise any loan if there is still outstanding any part of a loan which has been made to that State Government by the Central Government, or in respect of which a guarantee has been given by the Central Government.
- (3) A consent under sub-section (2) may be granted subject to such conditions, if any, as the Central Government may think fit to impose.

69. Reserve Bank of India.—

- (1) Without prejudice to the existing powers of the Finance Minister under this Act, the Finance Minister may delegate any powers under this Chapter to the Reserve Bank of India.
- (2) The Finance Minister may appoint an agent for the purposes of this Chapter, including but not limited to the Reserve Bank of India, and may enter into a memorandum of agreement with the Governor of the Reserve Bank of India setting out the terms and conditions of the agency arrangements.

70. Internal Audit.—

- (1) This section and section 71 shall apply to Public Entities unless otherwise stated in a direction issued by the Finance Minister.
- (2) The internal audit to evaluate and improve risk management, control, and governance processes in Public Entities shall operate in a manner consistent with international standards for the professional practice of internal auditors.
- (3) The Finance Minister may issue directions regarding the institutional arrangements for the internal audit function.
- (4) In the case of the Central Government, the Controller General of Accounts shall develop the standards and guidelines on internal audit for the effective internal audit function as directed by the Secretary of the Ministry responsible for Finance.
- (5) In the case of the State Government, the Secretary of the Department responsible for Finance shall develop or cause to be developed the standards and guidelines on internal audit for the effective internal audit function.

Provided that the State Government may adopt the standards and guidelines on internal audit developed in accordance with sub-section (4).

- (6) The responsibilities for the internal audit function shall include—
 - (a) publishing on an official website the standards and procedures consistent with international standards that are the basis for the internal auditing function;
 - (b) preparing annual audit plan that shall provide coverage of major risks and exposures;
 - (c) assessing the risk management, control, and governance processes including whether—
 - (i). risks are appropriately identified and managed;
 - (ii). public money and assets are adequately safeguarded and used as intended;
 - (iii). financial and operating information is accurate, complete, reliable, and timely;
 - (iv). ethical standards and values are established and followed;
 - (v). applicable laws, policies, and procedures are complied with; and
 - (vi). resources are applied to achieve the strategic objectives of the entity and the Government;
 - (d) providing assurance to the Departmental Secretary that operations are being carried out economically, efficiently, effectively and in compliance with this Act and any other law for the time being in force;
 - (e) providing the Departmental Secretary with professional and impartial opinion and advice on systems of risk management, control, and governance;
 - (f) providing training to the internal audit staff;

- (g) publishing an annual internal audit report for each financial year containing the organization of internal audit, work done by internal audit function, and the major findings and recommendations; and
 - (h) monitoring and reporting on the implementation of recommendations arising from audit reports.
- (7) Departmental Secretaries responsible for Public Entities shall cause compliance with the findings and recommendations made in the internal audit reports in such manner and within such time as may be prescribed.

71. Internal Audit Committee.—

The Finance Minister shall issue directions for the setting up of one or more internal audit committees at different levels of the Government with defined terms of reference amongst others to oversee the work of internal auditors and the status of implementation of recommendations arising from the reports.

72. Objection to direction.—

- (1) A public servant who is requested by a Minister of the Government or any other public servant to do anything that he or she knows or has reason to believe is contrary to this Act or any other law for the time being in force, shall—
 - (a) object in writing to the Minister or the public servant giving the direction;
 - (b) provide a copy of the objection to the Departmental Secretary or the Managerial Head for information if the said Departmental Secretary or Managerial Head, as the case may be, is not the public servant who gave the direction; and
 - (c) provide a copy of the objection to two of the following positions-
 - (i). the Comptroller and Auditor-General of India;
 - (ii). the Lokpal or the Lokayukta, as the case may be;
 - (iii). the Secretary of the Ministry or Department responsible for Finance; or
 - (iv). the Chairperson of the Union Public Service Commission or the Chairperson of the State Public Service Commission, as the case may be.
- (2) Notwithstanding any prohibition of, or restriction on, the disclosure of information under any Act, rule, contract, oath, or practice, except when such prohibition or restriction is under the Official Secrets Act, 1923, a public servant who objects in good faith in accordance with sub-section (1) shall be absolved of his or her responsibilities and shall not be liable to any civil or criminal proceeding, or to a disciplinary proceeding, or to any retaliatory action or measure, by reason of having made or referred such objection.
- (3) Where an objection is raised against the decision made by a public servant to two of the authorities under clause (c) of sub-section (1), the authorities shall, before giving any direction to either party, give an opportunity of hearing to the public servant raising the objection and the public servant against whom such objection is raised.
- (4) The authorities shall, after hearing both parties in accordance with sub-section (3), inform the public servant who had objected under sub-section (1) about the action taken on the objection and the final outcome thereof.
- (5) Where an objection is raised against the decision made by a Minister of the Government to two of the authorities under clause (c) of sub-section (1), the authorities shall refer the objection to the Prime Minister or the Chief Minister of the State, as the case may be, who shall make a decision on such objection.
- (6) Nothing in this section shall prevent the public servant who has raised an objection in accordance with sub-section (1) from taking lawful action under any other law for the time being in force.

CHAPTER VI - ACCOUNTS AND REPORTS

73. Accounting standards.—

- (1) The Finance Minister shall establish a Board that shall set the accounting standards for Public Entities and Government Agencies consistent with the internationally accepted public sector accounting standards.
- (2) The Board established under sub-section (1) shall be a body corporate having perpetual succession and a common seal, with the power, subject to the provisions of this Act, to acquire, hold and dispose of property, both movable and immovable, and to contract, and shall, by the said name, sue or be sued.
- (3) Where the Board considers that a delay or deviation from international accounting standards is required, it shall state the deviation and timing thereof in the published standards.

- (4) The composition, qualifications and terms of service of the members of the Board and the powers and functions of the Board shall be such as may be prescribed, and the Board shall have the power to regulate its own procedure.
- (5) The Secretary of the Ministry responsible for Finance in the Central Government shall, on the advice of the Comptroller and Auditor-General, notify the accounting standards for the Government as set by the Board under sub-section (1) and cause them to be published on an official website of the Central Government.
- (6) The Annual Accounts of the Government shall be prepared in accordance with the accounting standards notified under sub-section (5).

74. Accounting responsibility for Annual Budget.—

- (1) The Annual Budget shall identify the Public Entity responsible for appropriated expenditure or forecasted revenues or part of an appropriation or forecast revenues in the Annual Budget Estimates.
- (2) The Departmental Secretary responsible for a Public Entity assigned responsibility for the purposes of sub-section (1) shall be charged with the duty of accounting for—
 - (a) all revenues;
 - (b) all expenses and expenditure; and
 - (c) all assets and liabilities including contingent liabilities relating to the operations of the entity under his or her responsibility.

75. Directions to Departmental Secretaries and Managerial Heads.—

The Secretary of the Ministry or Department responsible for Finance may issue directions to Departmental Secretaries and Managerial Heads in respect of—

- (a) the collection, payment, management and administration of, and the accounting for, public money of the Government;
- (b) cash forecasting and cash planning of the Government;
- (c) the financial information management systems and processes of the Government;
- (d) banking arrangements of the Government;
- (e) the purchase, receipt, custody, issue, sale, transfer or delivery of any securities, stores or other property of the Government;
- (f) the keeping of records of the Government; or
- (g) any other purpose necessary for the efficient administration of the finances of the Government, consistent with the roles and responsibilities of the Finance Secretary.

76. Reporting and Transparency Requirements.—

- (1) A Departmental Secretary responsible for a Public Entity shall provide a quarterly report to the Secretary of the Ministry or Department responsible for Finance:

Provided that the quarterly report shall be provided within such time and in such form as the Secretary of the Ministry or Department responsible for Finance may require.

Provided further that the Departmental Secretary responsible for the Public Entity shall also furnish a copy of the quarterly report to the Responsible Ministry or Department.
- (2) The Secretary of the Ministry or Department responsible for Finance shall prepare a consolidated quarterly report for all the Public Entities on the performance of the Government in respect of the Annual Budget and relevant Appropriation Act.
- (3) The Finance Minister shall provide the consolidated quarterly report to the Council of Ministers no later than two weeks after the end of each quarter to which the report relates.
- (4) The Secretary of the Ministry or Department responsible for Finance shall cause the consolidated quarterly report to be published on the official website of the Government no later than two weeks after the report is provided to the Council of Ministers.
- (5) The Secretary of the Ministry or Department responsible for Finance shall provide other periodic reports on financial or non-financial matters to the Finance Minister as he or she may require.
- (6) A Departmental Secretary responsible for a Public Entity shall report to the Government in such form and within such time as may be prescribed.

77. Mid-Year Review Reports.—

- (1) The Finance Minister shall cause to be laid before the Legislature no later than thirty days after the end of the first six months of the financial year, a Mid-Year Review Report, in the form specified in the Fourth Schedule to this Act, on the progress in respect of the Fiscal Strategy and the Annual Budget.

- (2) The Secretary of the Ministry or Department responsible for Finance shall cause the Mid-Year Review Report to be published on the official website of the Government no later than one week after the report is laid before the Legislature.
- (3) The Departmental Secretary responsible for a Public Entity shall also provide a mid-year review report to the Secretary of the Ministry or Department responsible for Finance in such form and time as may be prescribed.
- (4) The Departmental Secretary responsible for a Public Entity shall also furnish a copy of the mid-year review report referred to in sub-section (3) to the Responsible Ministry or Department.

78. Annual Accounts of the Government.—

- (1) The form in which the accounts of the Government will be kept and presented will be specified by the Comptroller General of Accounts on behalf of the President, on the advice of the Comptroller and Auditor-General of India.
- (2) In respect of each financial year and within a period of two months after the close of the financial year—
 - (a) the Departmental Secretary responsible for a Public Entity shall prepare, sign and transmit to the Secretary of the Ministry or Department responsible for Finance in such manner as may be prescribed, Appropriation Accounts in respect of the appropriations for which he or she is responsible;
 - (b) the Departmental Secretary responsible for a Public Entity shall prepare, sign and transmit to the Secretary of the Ministry or Department responsible for Finance and the Comptroller and Auditor-General in such manner as may be prescribed—
 - (i) information required to prepare the Government Annual Accounts;
 - (ii) until such time service performance and service reporting are established in the Annual Plans and Annual Reports, a statement of service performance including results achieved during the year as compared with the forecast performance;
 - (iii) a schedule of capital assets at the last day of the financial year;
 - (iv) a statement of the commitments and any other liabilities at the last day of the financial year;
 - (v) statements of commitments, receivables, refunds, set-offs and waivers;
 - (vi) such other statements as are necessary to fairly reflect the financial operations; and
 - (vii) budgeted and actual figures for the financial year and comparative budgeted and actual figures for the previous financial year; and
 - (c) the officer primarily responsible for a fund to which moneys have been appropriated by Legislature or approved under any other law for the time being in force or which contains public money from other sources shall prepare, sign and transmit to the Comptroller and Auditor-General, and the Secretary of the Ministry or Department responsible for Finance, the Annual Accounts in respect of the fund.
- (3) In respect of each financial year and within a period of three months after the close of each financial year, the Secretary of the Ministry or Department responsible for Finance shall prepare, sign and transmit to the Comptroller and Auditor-General the Government Annual Accounts, comprising the Finance Accounts and the Appropriation Accounts prepared in accordance with accounting standards for the Government notified under section 73 of this Act, which will include but will not be limited to, information, in the prescribed format, on—
 - (a) the financial position at the close of the financial year;
 - (b) financial operations for the financial year;
 - (c) cash flows for the financial year;
 - (d) borrowings during the year and the balance as at the close of the financial year;
 - (e) government arrears including for Government debt separately specified for public entities;
 - (f) any sinking fund and sinking fund assets for the year;
 - (g) contingent liabilities of the Government as at close of the financial year including any Government guarantees or indemnities;
 - (h) a statement of all amounts waived pursuant to section 46;
 - (i) a statement of accounting policies applied and any departures from those required by the accounting standards;
 - (j) such other statements and any information deemed necessary by accounting standards to fairly reflect the financial operations of the Government for that year and its financial position at the end of the financial year;
 - (k) in relation to each statement required by paragraphs (a) to (h) of this sub-section and, where appropriate, paragraph (j) of this sub-section a statement on,
 - (i) comparative budgeted and actual figures for the financial year; and

- (ii) comparative budgeted and actual figures for the previous financial year all data in (a) to (j) should include prior year comparators; and
- (l) a statement of responsibility signed by the Secretary of the Ministry or Department responsible for Finance and the Finance Minister attesting to the completeness and accuracy of the Annual Accounts and accompanying financial information.

79. Audit of the Annual Accounts.—

- (1) The Comptroller and Auditor-General shall audit the Annual Accounts in accordance with the Comptroller and Auditor-General (Duties, Powers & Conditions of Service) Act, 1971 and shall provide an audit opinion thereon, no later than six months after the end of the year to which the statements relate.
- (2) The Comptroller and Auditor-General may report separately on other audit findings which do not impinge on his or her opinion on the Government Account.
- (3) The Annual Accounts, the audit opinion and supporting information shall be laid before the Legislature by the Finance Minister no later than one week from receipt of the Audit Report on the Annual Accounts from the Comptroller and Auditor-General if the legislature is in session, or else as soon as the legislature reassembles, if it is not in session.

80. Annual Report of the Government.—

- (1) The Finance Minister shall no later than one month after the Comptroller and Auditor-General has issued its report on the Annual Accounts, prepare an Annual Report on the performance of the Government for the year.
- (2) The Annual Report shall include information on the following matters—
 - (a) position with respect to government priorities;
 - (b) delivery of key services;
 - (c) delivery on public investments in capital and other major projects;
 - (d) key financial statements and audit opinion thereon; and
 - (e) a report from the Ministry or Department responsible for Finance specifying the measures taken by the Government to implement the audit recommendations from the previous financial year and the response to the findings of the committees of the Legislature with responsibility for examining performance reports and Government Annual Accounts.
- (3) The Annual Report shall be laid before the Legislature by the Finance Minister, no later than one week after the Annual Report has been presented to the Council of Ministers.

81. Delay in Government reporting or auditing.—

- (1) If the Finance Minister fails to prepare or lay before the Legislature the Annual Accounts of the Government within the time specified under this Act, he or she shall explain the reasons for such delay to the Legislature.
- (2) If the Comptroller and Auditor-General fails to audit the Annual Accounts of the Government within the time specified under this Act, he or she shall submit an explanatory memorandum on the reasons for such delay to the Legislature.

82. Publication of Annual Accounts and Annual Report of the Government.—

The Secretary of the Ministry or Department responsible for Finance shall publish the Annual Accounts and the Audit Opinion on the Annual Accounts and the Annual Report of the Government on the official website of the Government no later than one week after these documents have been laid before the Legislature.

83. Simplified versions of Annual Account and Annual Report.—

The Secretary of the Ministry or Department responsible for Finance shall cause to be published simplified summaries of the Government Annual Accounts and the Annual Report on the official website of the Government no later than one month after the date on which these documents are required to be published under this Act.

CHAPTER VII - ENTITY ACCOUNTABILITY

84. Constitution of Government Agencies and Public Sector Undertakings.—

Before a Government Agency or a Public Sector Undertaking is to be established, the Responsible Minister, in consultation with the Finance Minister, shall present a report to the Council of Ministers on the need, costs, benefits and fiscal risks associated with establishing such an entity over the long-term.

85. Responsible Minister for Government Agencies and Public Sector Undertakings.—

- (1) The Responsible Minister shall be responsible to the Legislature for the performance of the functions, in relation to the Government Agency or the Public Sector Undertaking, given to them by this Act and the provisions of other laws for the time being in force, including the requirement to oversee and direct in accordance with this Act, the Government Agency or the Public Sector Undertaking under his or her responsibility to achieve the performance specified in the Annual Plan.
- (2) The Responsible Minister shall be responsible on behalf of the President, or the Governor, as the case may be, for fulfilling the shareholding ownership roles for a Public Sector Undertaking.
- (3) A Responsible Minister shall exercise his or her powers on behalf of the Government and in the public interest, including when exercising the voting rights in respect of the shares of the Public Sector Undertaking.

86. Responsibilities of Finance Minister in respect of Government Agencies and Public Sector Undertakings.—

The responsibilities of the Finance Minister in regard to the financial management for Government Agencies and Public Sector Undertakings will include:

- (a) approving Government loans and guarantees;
- (b) approving significant financing or investment proposals;
- (c) setting and enforcing the ownership expectations of the Government;
- (d) monitoring the financial performance and risks;
- (e) authorising action to apply institutional sanctions in section 99;
- (f) other responsibilities as may be prescribed and under any other law for the time being in force.

87. Power to issue directions.—

- (1) The Responsible Minister may issue directions to the Board of Directors of a Government Agency or Public Sector Undertaking to take an action or refrain from taking an action:

Provided that no directions shall be issued to a Government Agency or a Public Sector Undertaking under sub-section (1) in respect of—

- (a) a statutorily independent function;
 - (b) the performance or non-performance of a particular act, or the bringing about of a particular result, in respect of a particular person or persons;
 - (c) any matters relating to the hiring, dismissal, promotion, pay or any other employment arrangements for any employee, other than of the key managerial persons
 - (d) awarding of a procurement contract;
 - (e) the use of any coercive powers; or
 - (f) the use of any discretionary powers of the Government Agency or the Public Sector Undertaking to confer benefit to a third party.
- (2) If a direction issued under sub-section (1) causes increase in costs of operations for the Government Agency or the Public Sector Undertaking, the Government Agency or the Public Sector Undertaking may request the Responsible Minister to grant compensation to cover such costs:

Provided that the Responsible Minister shall be required to consider the request under sub-section (2), in consultation with the Finance Minister, but shall not be required to mandatorily grant any compensation.

Provided further that the Responsible Minister shall record in writing and communicate to the Government Agency or the Public Sector Undertaking the reasons for not granting the compensation.

88. Guidelines on financial management.—

The Finance Minister may issue guidelines on financial management of Government Agencies or Public Sector Undertakings which are consistent with this Act and with any other law for the time being in force, in respect of, but not limited to, the following—

- (a) accountability requirements;
- (b) corporate governance including the roles and responsibilities of Ministers, board of directors, and staff;
- (c) remuneration of the board of directors and staff;
- (d) planning and investments including participation in private public partnerships;
- (e) performance expectations including dividends;
- (f) accounting for revenues, expenditures, assets and liabilities;
- (g) liability including borrowing and risk management;

- (h) asset management (financial, physical, human and intellectual);
- (i) reporting and disclosures;
- (j) monitoring and reviews of performance; and
- (k) other matters considered necessary by the Finance Minister.

89. Annual Plan of Government Agencies and Public Sector Undertakings.—

- (1) Each Government Agency and Public Sector Undertaking shall, in accordance with the direction of the Responsible Minister, have an Annual Plan in such form and manner as may be prescribed.
- (2) The contents of the Annual Plan of each Government Agency and Public Sector Undertaking shall include, but not be limited to, the following—
 - (a) strategic priorities for the medium-term that reflect the priorities and plans of the Government;
 - (b) description of how the Government Agency or the Public Sector Undertaking is responding to the changing environment;
 - (c) description of significant changes from previous Annual Plan;
 - (d) services with outputs to be delivered in the coming financial year with details of the outputs to be provided;
 - (i) the strategic priorities and outcomes that the outputs will contribute to;
 - (ii) measurable indicators of performance where feasible; and
 - (iii) the budget allocated to programs including programs of groups of outputs consistent with the classification used in the Annual Budget;
 - (e) payments on behalf of Government including grants, benefits and subsidies to be paid;
 - (f) description of plans to develop capability for physical, intellectual, human and other resources;
 - (g) summary budget which shall include forecast financial statements, the capital expenditure plan and financial and other assumptions;
 - (h) statement of fiscal risks; and
 - (i) other matters required by the Responsible Minister or the Finance Minister, in consultation with the Responsible Minister.
- (3) The Board of Directors of a Government Agency or Public Sector Undertaking shall—
 - (a) agree the Annual Plan with the Responsible Ministry or Department;
 - (b) consult the Responsible Minister on any significant changes in the Annual Plan;
 - (c) submit the Annual Plan to the Responsible Ministry or Department by the date set by the Finance Secretary;
 - (d) publish the Annual Plan on their website or the official website of the Government no later than one week after the adoption of the Annual Budget of the Government by the Legislature.
- (4) The Responsible Minister may direct the Board of Directors of a Government Agency or a Public Sector Undertaking in writing to make a change to the Annual Plan prior to its finalisation or anytime during the financial year, provided that such direction—
 - (a) complies with the legal mandate and obligations of the Government Agency; and
 - (b) is in the public interest.
- (5) The restrictions on ministerial directions in section 87 shall apply to ministerial directions under this section.
- (6) The Board of Directors shall cause to be published any change to the Annual Plan of the Government Agency or Public Sector Undertaking on their official website no later than one week after the change has been agreed upon.

90. Mid-Year and Annual Report of a Government Agency or PSU.—

- (1) Subject to any other law for the time being in force in respect of the Government Agency or the Public Sector Undertaking, the Board of Directors of such Government Agency or Public Sector Undertaking shall cause to be provided to the Responsible Minister—
 - (a) a Mid-Year report no later than one month after the end of the first six months of the financial year; and
 - (b) an Annual Report no later than six months after the end of each financial year in such form and manner as may be prescribed.
- (2) The Annual Report of a Government Agency or a Public Sector Undertaking shall include, but not be limited to, the following information—
 - (a) a report of the operations of the Government Agency or Public Sector Undertaking and those of its subsidiaries during that financial year with such information as is necessary to enable an informed assessment of the operations of the entity, including a comparison of the performance of the entity with the Annual Plan and significant variations in performance;

- (b) the dividend payable to the Government by the Public Sector Undertaking for the financial year to which the report relates;
 - (c) outputs delivered with measurable indicators of actual performance for outputs or groups of outputs in a program;
 - (d) payments made on behalf of Government including grants, benefits and subsidies to be paid;
 - (e) progress with significant capital investments;
 - (f) advances or issues in capability for physical, intellectual, human and other resources including measurable indicators where feasible;
 - (g) financial performance which shall include the audited financial statements;
 - (h) report on fiscal risks;
 - (i) the remuneration paid to each director including value of benefits in kind;
 - (j) the remuneration paid to senior management including all benefits in kind presented in the form of number of employees within salary bands;
 - (k) such additional information as is necessary to enable an informed assessment of the activities of the Public Sector Undertaking against the Statement of Corporate Intent and Business Plan; and
 - (l) other matters as may be prescribed.
- (3) The Annual Report for each Government Agency and Public Sector Undertaking shall be—
- (a) laid before the Legislature by the Responsible Minister no later than seven months after the end of the financial year; and
 - (b) published by the Government Agency or the Public Sector Undertaking to which the report relates on an official website of the Government Agency or the Public Sector Undertaking or the Government no later than one week after the Annual Report is laid before the Legislature.

91. Performance Reviews.—

- (1) The Responsible Minister shall have the responsibility to monitor and review the overall performance of the Government Agencies or Public Sector Undertakings in his or her portfolio.
- (2) The Responsible Minister shall monitor and review the following—
 - (a) compliance with this Act;
 - (b) financial and related non-financial performance;
 - (c) fiscal risks; and
 - (d) any other matter as may be prescribed.
- (3) A Responsible Minister or the Finance Minister, in consultation with the Responsible Minister, may commission a formal review of a Government Agency or Public Sector Undertaking on one or more matters specified under sub-section (2).
- (4) The Responsible Minister or the Finance Minister, as the case may be, shall issue a report on the findings of the review to the Board of Directors of the Government Agency or the Public Sector Undertaking.
- (5) The Board of Directors, Managerial Head and staff of a Government Agency or Public Sector Undertaking shall cooperate for a review under this Act and shall supply to the Responsible Minister or his or her agent, such information relating to the affairs of the Government Agency or the Public Sector Undertaking as the Responsible Minister or the agent requests.
- (6) The Board of Directors, Managerial Head and staff of a Government Agency or Public Sector Undertaking shall promptly provide their response to the findings of the review commissioned under sub-section (3).
- (7) The Responsible Minister may enter into a Service Agreement with a Government Agency or a Public Sector Undertaking providing services funded from the budget and the Responsible Minister shall be responsible for and conduct a performance review thereof in accordance with sub-section (3).
- (8) The Board of Directors, if there is one, and in the absence of a Board of Directors, the authority with responsibility for reviewing the performance of the Managerial Head, shall review the performance of the Service Agreement, and compare it with the Annual Plan and the report under sub-section (4) when reviewing the performance each year for the Managerial Head of a Government Agency.
- (9) A Managerial Head of a Government Agency may have a Service Agreement and performance review process with an entity providing services funded by the Government Agency.

92. Dividends of Public Sector Undertaking.—

- (1) Subject to sections 123 and 124 of the Companies Act, 2013 the Board of Directors of Public Sector Undertakings incorporated under that Act or any other Act, shall agree on the proposed dividend with the Responsible Minister.
- (2) The proposed dividend shall—

- (a) be a part of the Annual Plan, in accordance with section 89; and
 - (b) be adopted by the management of the Public Sector Undertaking.
- (3) Dividends or other profits from a Public Sector Undertaking paid to the Government shall be—
- (a) included in the Annual Budget presented to the Legislature; and
 - (b) credited to the Consolidated Fund and paid into the Government account.
- (4) Dividend payments owed to the Government shall not be set-off against any tax or other obligations the Public Sector Undertaking may have to the Government.

93. Service agreements.—

- (1) If the Government requires a Government Agency or Public Sector Undertaking to provide goods or services in other than a normal commercial manner, the Responsible Minister shall conclude a service agreement with the Government Agency or Public Sector Undertaking.
- (2) Such agreement shall specify the terms of delivery of goods or services to be provided by the Government Agency or Public Sector Undertaking and the price that the Government will pay, which shall be a fair market price, or if there is no market, then a price that equals the costs for an efficient provider of the goods or services.

94. Protection of commercially sensitive information.—

Nothing in this Act shall be construed as requiring the inclusion of information in the Annual Plan, Annual Report or other publicly available report that would be likely to unreasonably prejudice the commercial position of a Government Agency or a Public Sector Undertaking.

95. Government shareholding.—

- (1) The Government shall exercise its rights in the shareholding of a Public Sector Undertaking in accordance with the Companies Act, 2013 and in public interest.
- (2) The provisions of this Chapter shall apply only insofar as they are consistent with the Companies Act, 2013 and the provisions of other laws for the time being in force under which incorporated.

96. Borrowing by Government Agency or Public Sector Undertaking.—

- (1) Unless a Government Agency or Public Sector Undertaking is authorised under any law for the time being in force to be in the business of lending, they may only borrow in accordance with the business plan approved by the Responsible Minister.
- (2) A Government Agency or Public Sector Undertaking borrowing under sub-section (1) shall provide to the Responsible Minister and the Ministry or Department responsible for Finance—
- (a) a report on the outstanding debt including overdrafts, new borrowings, other liabilities and fiscal risks not later than ten working days after the end of each quarter; and
 - (b) other reports on debt, other liabilities and fiscal risks when requested by the Responsible Minister or the Secretary of the Ministry or Department responsible for Finance in the form and by the time prescribed.

97. Deposit of excess moneys.—

Subject to the approval of their respective Boards of Directors, a Government Agency or a Public Sector Undertaking may place public money that is not immediately required to meet current transactions on deposit:

Provided that in the case of a Government Agency, such public money shall only be placed on deposit with a scheduled bank or a public financial institution.

Provided further that in the case of a Public Sector Undertaking, such public money shall only be placed on deposit with a scheduled bank or a public financial institution or with mutual funds in short-duration schemes.

CHAPTER VIII - ENFORCEMENT

98. Application of enforcement provisions.—

A reference in this Chapter to positions and office holders includes current and former positions and office holders.

99. Institutional sanctions.—

- (1) The sanctions contained in sub-section (2) shall be applicable to a Government Agency or a Public Sector Undertaking if they have —
- (a) created liabilities in excess of its ability to finance them;
 - (b) failed to provide the Annual Plan, Annual Accounts or other information as required by this Act;

- (c) provided inaccurate information to a public servant on financial matters;
 - (d) failed to adequately address audit observations or audit findings by the Comptroller and Auditor-General or other external auditor; or
 - (e) failed to manage its finances in accordance with the provisions of this Act, any rules or directions issued under this Act, or any other law for the time being in force.
- (2) If the Secretary of the Ministry or Department responsible for Finance is satisfied that a Government Agency or Public Sector Undertaking has acted in manner specified in sub-section (1), then he or she may impose all or any of the following sanctions—
- (a) impose additional reporting requirements;
 - (b) place restrictions on the management and use of money and other assets;
 - (c) place restrictions on the creation of liabilities;
 - (d) withhold funds; or
 - (e) treat any debt defaults as a charge on future revenues;

100. Financial misconduct.—

The Secretary of the Ministry or Department responsible for Finance may impose a penalty for financial misconduct under section 101 if, upon a report by the Comptroller and Auditor-General or otherwise, he or she is satisfied that—

- (a) any public servant or other person with responsibility for government resources—
 - (i) has failed to collect any moneys owing to the Government for the collection of which that person is or was at the time of his or her employment or engagement responsible;
 - (ii) has made a commitment in excess of the authorised thresholds to commit or spend; or
 - (iii) is or was responsible for any improper payment of public moneys or for any payment of such moneys which is not duly vouched or for any expenses in excess of the amount authorised;
- (b) any public servant or other person with responsibility for government resources, without lawful authority under this Act or under the provisions of any other law for the time being in force, has wilfully or negligently-
 - (i) borrowed money on behalf of the Government, a Public Entity, a Government Agency, or a Public Sector Undertaking, or repaid or converted an existing loan;
 - (ii) issued public securities or varied their terms and conditions;
 - (iii) lent money or other assets on behalf of the Government, a Public Entity, a Government Agency, or a Public Sector Undertaking;
 - (iv) issued guarantees or indemnities on behalf of the Government, a Public Entity, a Government Agency, or a Public Sector Undertaking;
 - (v) disposed of, pledges, or encumbered government property; or
 - (vi) issued securities for loans made to the Government, a Public Entity, a Government Agency, or a Public Sector Undertaking;
- (c) any public servant or other person with responsibility for government resources has wilfully or negligently—
 - (i) made any false or misleading statement or declaration or given any false or misleading information or certificate required by or under this Act;
 - (ii) provided incorrect information to the tax authorities with regard to a Government Agency or Public Sector Undertaking; or
 - (iii) resisted or obstructed any person acting in the discharge of their functions or duties or in the exercise of their powers under this Act;
- (d) any public servant or other person with responsibility for government resources has wilfully or negligently failed to—
 - (i) produce any information in the possession or under the control of that person in relation to the financial management, financial performance, or banking activities when required to do so under this Act;
 - (ii) keep proper records or conceals or wrongfully destroys information that is required to be recorded by this Act;
 - (iii) pay public money in a timely manner into the bank account;
 - (iv) implement a written instruction or direction given under the provisions of this Act and relating to the management of public finances;

- (v) report an incident of financial misconduct of which the public servant or other person with responsibility for government resources, as the case may be, has become aware of to the Secretary of the Ministry or Department responsible for Finance; or
- (vi) declare a conflict of interest when dealing with or making decisions about public resources.

101. Penalty for financial misconduct.—

- (1) Prior to imposing a penalty under sub-section (2), the Secretary of the Ministry or Department responsible for Finance shall inform the public servant or other person responsible for government resources, as the case may be, of the particulars of the financial misconduct and specify a period of time for the person to provide an explanation.
- (2) If the public servant or other person responsible for government resources, as the case may be, fails to provide an explanation that is satisfactory to the Secretary of the Ministry or Department responsible for Finance within the time specified under sub-section (1), the Secretary of the Ministry or Department responsible for Finance may, if any loss has been incurred due to the financial misconduct, impose a penalty which may be the full amount of the loss or a proportion of the same, and in other cases, impose a penalty which shall not be less than ___ rupees but which may extend to ___ rupees.

102. Communication of penalties. —

- (1) The Secretary of the Ministry or Department responsible for Finance shall cause the Comptroller and Auditor-General and the Departmental Secretary or the Managerial Head of the concerned entity to be informed of any penalty imposed under section 101.
- (2) The Departmental Secretary or the Managerial Head, on being informed under sub-section (1), shall inform the concerned public servant or other person responsible for government resources, as the case may be, and subject to section 104, shall recover the penalty amount from that person.

103. Right of appeal. —

- (1) Any public servant or other person responsible for government resources who is dissatisfied with a penalty imposed against them under section 101 is entitled to appeal to the Finance Minister within a period of one month immediately after he or she is notified of the penalty and the Finance Minister may extend the period within which an appeal may be made.
- (2) After any further investigation as he or she may direct, the Finance Minister may make such order confirming the penalty or directing that the penalty be cancelled wholly or in part as may be deemed just and reasonable.
- (3) A copy of every order made under sub-section (2) shall be sent to the Secretary of the Ministry or Department responsible for Finance, the Departmental Secretary or Managerial Head of the concerned entity, and the Comptroller and Auditor-General.

104. Recovery of loss.—

- (1) A penalty imposed under section 101 may, subject to section 103, be recovered before a court on the complaint of the Secretary of the Ministry or Department responsible for Finance or any person authorised to act for the Government.
- (2) Nothing in this Chapter shall prevent the Government from recovering a loss through civil proceedings.
- (3) In any action for the recovery of a loss, a certificate signed by the Secretary of the Ministry or Department responsible for Finance stating the amount of the loss shall be admissible as evidence of the assessment of the loss.

CHAPTER IX - MISCELLANEOUS

105. Protection of action taken in good faith.—

No suit, prosecution or other legal proceedings shall lie against any public servant or other person with responsibility for Government resources for anything which is done in good faith or intended to be done under this Act or the rules prescribed under it.

106. Delegations.—

- (1) When a power to delegate, designate, appoint or authorise a person to do an act or thing is given under this Act, the delegation, designation, appointment or authorisation may be made by the person's name, title or office and when a delegation, designation, appointment or authorisation is by title or office, the delegation, designation, appointment or authorisation applies to every person while he or she holds that title or office.
- (2) A person who receives a delegation shall obtain the prior written authority of the original delegator before making a further delegation.

- (3) A public servant shall only delegate to another public servant.
- (4) A delegation shall not absolve the delegator or the office of the delegator from responsibility for the function, role, responsibility or power delegated.

107. Power to remove difficulties.—

- (1) If any difficulty arises in giving effect to the provisions of this Act, the Central Government may, by order published in the Official Gazette, make such provisions not inconsistent with the provisions of this Act as may appear to be necessary or expedient for removing the difficulty.
- (2) No such order shall be made under this section after the expiry of three years from the commencement of this Act.
- (3) Every order made under this section shall be laid, as soon as may be after it is made, before the Parliament.

108. Power to make rules.—

- (1) The Government may, by notification, make rules to carry out the purposes of this Act.
- (2) In particular, and without prejudice to the generality of the foregoing power, such rules may provide for all or any of the following matters, namely —
 - (a) additional roles of the Finance Minister under section 6;
 - (b) format, contents, timing and quality of information to be provided in the budgets, plans, reports and other documents required to be prepared under this Act;
 - (c) additional roles of the Secretary of the Ministry or Department responsible for Finance under section 7;
 - (d) functions of Departmental Secretaries under section 8;
 - (e) financial responsibilities of Managerial Heads under section 9;
 - (f) financing information to be included in financing estimates under section 23;
 - (g) requirements regarding public servants committing the Government to a financial liability under section 37;
 - (h) conditions regarding re-appropriation under section 38;
 - (i) form and time of report to be submitted by the Departmental Secretary or Managerial Head regarding re-appropriations made under section 38;
 - (j) the monetary thresholds and procedure for waivers, settlements and write offs under section 46;
 - (k) the loan amount which, if exceeded, requires the approval of the Council of Ministers under section 51;
 - (l) the value of government property exceeding which its lease requires the approval of the Finance Minister acting in accordance with the Council of ministers under section 55;
 - (m) criteria for guarantees under section 64;
 - (n) rate and manner of payment of fees for guarantees under section 64;
 - (o) additional information describing the loans taken and guarantees given in the Annual Accounts of the Government under section 67;
 - (p) the manner and time in which the Departmental Secretaries responsible for Public Entities shall cause compliance with the findings and recommendations of internal audit reports under section 70;
 - (q) the composition, qualifications and terms of service of the members, powers and functions of the Board under section 73;
 - (r) the manner in which the annual accounts of the Government are to be prepared under section 76;
 - (s) the form and time in which the Departmental Secretary responsible for a Public Entity shall provide a mid-year review report under section 77;
 - (t) the manner in which the Departmental Secretary responsible for a Public Entity submits the Appropriation Accounts to the Secretary of the Ministry or Department responsible for Finance under section 78;
 - (u) the manner in which the Departmental Secretary responsible for a Public Entity submits information to the Secretary of the Ministry or Department responsible for Finance and the Comptroller and Auditor-General under 78;
 - (v) the format in which the Secretary of the Ministry or Department responsible for Finance submits the Government Annual Accounts to the Comptroller and Auditor-General under 78;
 - (w) additional responsibilities of the Finance Minister in respect of Government Agencies and Public Sector Undertakings under section 86;
 - (x) the form and manner in which Government Agencies and Public Sector Undertakings shall provide the Annual Plan under section 89;
 - (y) form and manner in which the Mid-Year and Annual Reports of Government Agencies and Public Sector Undertakings are to be submitted to the Responsible Minister under section 90;
 - (z) contents of the Annual Report of a Government Agency or a Public Sector Undertaking under section 90;

- (aa) matters in respect of which the Responsible Minister shall conduct monitoring and review functions under section 91;
 - (bb) the form and time in which Government Agencies or Public Sector Undertakings provide reports to the Responsible Minister or the Ministry or Department responsible for Finance under section 96;
 - (cc) the form and manner of accounting for public money including the collection, receipt, custody, banking, expenditure, proper accounting for, care and management and forms of records of public money;
 - (dd) the format of reports and accounts required by this Act including the electronic financial information system; and
 - (ee) any other matter which is required to or may be prescribed, or in respect of which provision is to be or may be made by rules.
- (3) Every rule made under this Act shall be laid, as soon as may be, after it is made before the Legislature, while it is in session, for a total period of thirty days which may be comprised in one session or in two or more successive sessions, and if, before the expiry of the session immediately following the session or the successive sessions aforesaid, the Legislature agrees in making any modification in the rule, or the Legislature agrees that the rule should not be made, the rule shall thereafter have effect only in such modified form or be of no effect, as the case may be; so, however, that any such modification or annulment shall be without prejudice to the validity of anything previously done under that rule.

109. Amendment of Schedule.—

- (1) The Central Government may, by notification, amend the contents of the Schedules to this Act in a manner that is consistent with the provisions of this Act.
- (2) Every notification issued under sub-section (1) shall, as soon as may be after it is issued, be laid before Parliament.

110. Act to be in addition to any other law.—

Save as expressly provided under this Act, the provisions of this Act shall be in addition to, and not in derogation of, any other law for the time being in force.

111. Savings.—

- (1) All rules, regulations, manuals, orders, office memoranda, notifications and directions issued or purported to have been issued under any Central or State Act relating to public finance management shall be deemed to have been made or issued under this Act as if this Act had been in force on the date on which such rules, regulations, manuals, orders, office memoranda, notifications or directions were issued.

Provided that sub-section (1) will apply to such the rules, regulations, manuals, orders, office memoranda, notifications and directions only in so far as they relate to matters for which provision is made in this Act or the rules, regulations, directions, notifications or guidelines issued under this Act and are not inconsistent therewith,

- (2) The rules, regulations, manuals, orders, office memoranda, notifications and directions referred to in sub-section (1) shall continue to remain in force in the manner provided under sub-section (1) until they are superseded by any rules, directions, notifications or guidelines issued under this Act.