

FAX/SPEED POST

**Office of the Controller General of Defence Accounts
(Accounts & Budget Division)
Ulaanbataar Road, Palam, Delhi Cantt.**

No.A/B/I1/11244/Mont-XXVII

Dated: 21.06.2012

To

All PCsDA/CsDA

Subject: Cash Management System in Central Govt-Modified exchequer control based expenditure management and restrictions on expenditure during the last quarter of the financial year.

Ministry of Defence (Fin/Budget) ID No.5(7)/Bud-I/2011 dated 18.01.2012 enclosing a copy of Ministry of Finance, Department of Economic Affairs letter No. 21(1)-B(PD)/2005 dated 2nd Nov 2011 regarding implementation of Cash Management system, is enclosed.

2. As per Annexure-1 to the above mentioned MoF letter the following Demands for Grants under the Defence Services Estimates have been brought under the ambit of Modified Cash Management System:

- i) Demand No.22-Army
- ii) Demand No.23-Navy
- iii) Demand No.24-Air Force
- iv) Demand No.26-R&D
- v) Demand No.27-Capital Outlay on Defence Services.

3. The main features of the Modified Cash Management System are as under:

- i) A Monthly Expenditure Plan (MEP) in respect of each of the Demands shall be worked out in the beginning of the financial year and included as an Annexure to the Detailed Demand for Grants.
- ii) The MEP would form the basis of the Quarterly Expenditure Allocations (OEA) and Departments/Ministry may not issue

the cheques beyond the quarterly limit without prior consent of Ministry of Finance.

- iii) The MEP for the month of March may not exceed 15% of the budget provision.
- iv) MEP for the months of January-March may be so fixed that the QEA for the last quarter may not exceed 33% of the budgeted provision.
- v) Savings if any under the QEA would not be available for automatic carry forward to the next quarter. The Department/Ministry may have to approach the MoF for revalidation of such savings through modification in the MEP and thereby QEA.
- vi) MoF will consider the request for revalidation within 15 days of receipt of requests, failing which the request would be deemed to have been granted.
- vii) MEP and QEA pertaining to the 4th quarter would be subsumed in the finalization of the RE of financial year.

4. In order to monitor the system, MoD (Fin/Budget) have added Appendix-F to DSE 2012-13 regarding Monthly Expenditure Plan (MEP) for the financial year 2012-13 which gives overall monthly plan under each Demand.


5. While primary responsibility of ensuring expenditure as per the Monthly/Quarterly Expenditure Plan lies with the executive authorities, PCsDA/CsDA are also required to ensure that monthly/quarterly allocations are utilized in full and no carry over savings occur due to delay in passing of bills and booking of expenditure thereof. Likewise PCsDA/CsDA would have to ensure that excess expenditure beyond monthly and quarterly limit in respect of locally controlled heads (i.e. heads where unit wise allocations are being received by PCsDA/CsDA from Service Authorities) does not take place.

6. Accordingly, to ensure proper implementation of Monthly Cash Management System by the PCsDA/CsDA, a monitoring mechanism would need to be put in place with following objectives:

- i) No expenditure is booked in excess of the specified unit-wise monthly/quarterly limit in respect of locally controlled heads under OAP system or otherwise.
- ii) All bills/claims received from the units/formations are processed in timely manner and booked to the relevant service heads in the same month's accounts.
- iii) Ensure that all Imprest A/Cs and Cash Assignment A/Cs are received from the unit authorities in time and expenditure booked to the relevant service heads in the month in which received.
- iv) All 2%, 5% or 10% bills received with Imprest A/Cs / Cash Assignment A/Cs etc are processed and booked in timely manner.
- v) Pay & Allowances in respect of PBOR are booked by PAOs regularly on monthly basis.
- vi) Review of bookings with monthly sectional compilation to identify erroneous/misclassification for immediate correction.

7. It is therefore requested that necessary instructions in this regard may please be issued to all concerned including Area Accounts Offices (AAOs)/ PAOs/AOs(GE) and other sub offices so that payments are made and expenditure booked concurrently as per Monthly Expenditure Plan (MEP) worked out by the respective budget holders/spending authorities.

8. This issues with the approval of CGDA.


Jt.CGDA (A/Cs & Budget)

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IMPORTANT

**Ministry of Defence(Finance)
(Budget Division)**

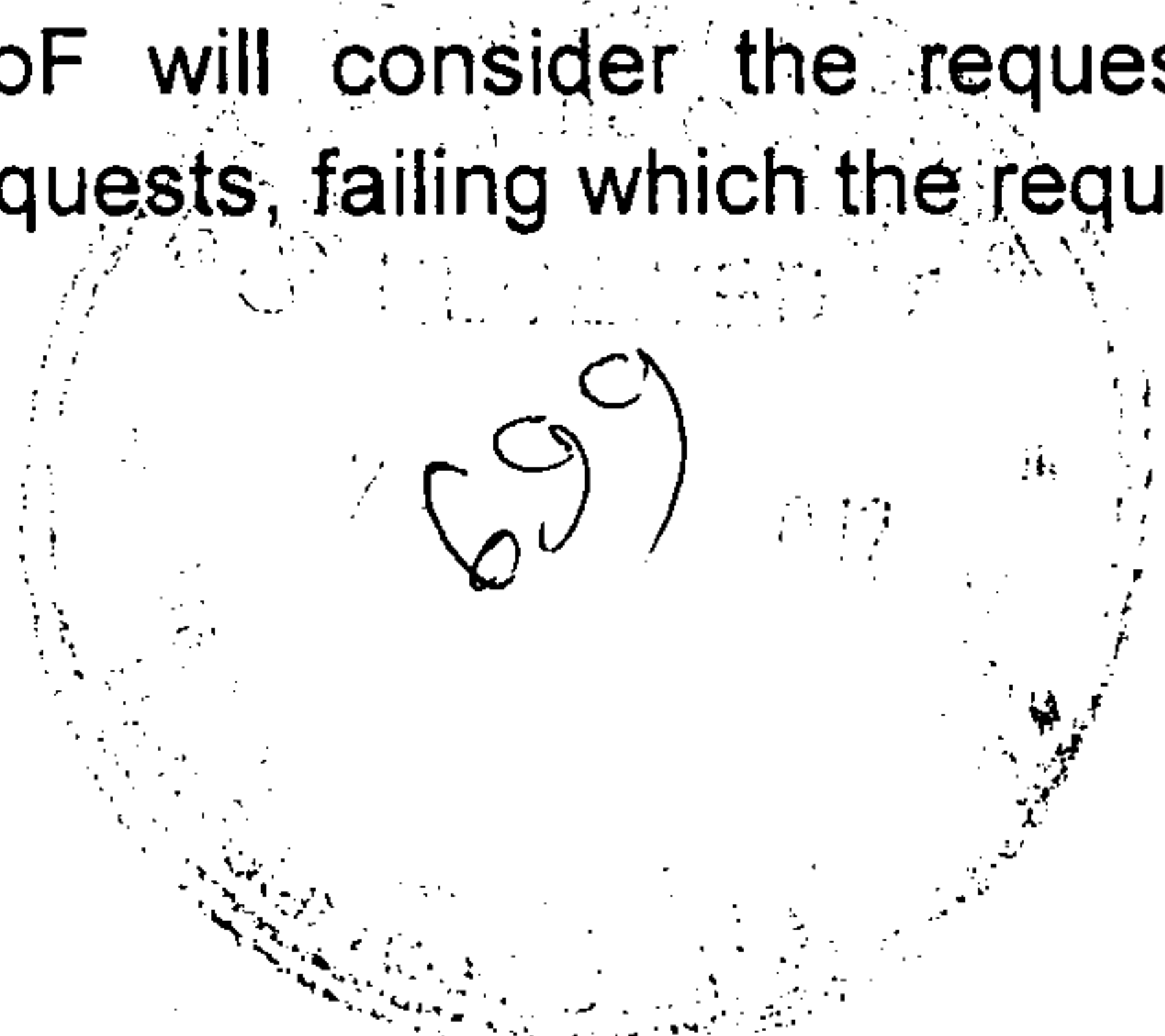
Subject: Cash Management System in the Central Government – modified exchequer control based expenditure management and restrictions on expenditure during the last quarter of the financial year.

Vide Ministry of Finance OM No. 21(1)-B(PD)/2005 dated 2nd November, 2011(copy enclosed), the following Demands for Grants under the Defence Services Estimates have been brought under the ambit of the Modified Cash Management System-

- i. Demand No 22- Army
- ii. Demand No 23- Navy
- iii. Demand No 24- Air Force
- iv. Demand No 26- R&D
- v. Demand No 27- Capital Outlay on Defence Services.

2. Broadly, in terms of the guidelines issued vide OM dated 27th December, 2006 (copy enclosed), this entails the following-

- i. In respect of each of the Demands, Monthly expenditure Plan (MEP) shall be worked out in the beginning of the financial year and included as an Annexure to the Detailed Demand for Grants.
- ii. The MEP would form the basis of the Quarterly Expenditure Allocations (QEA). The Department/Ministry may not issue cheques beyond the quarterly limit, without prior consent of Ministry of Finance.
- iii. The MEP for the month of March may not exceed 15% of the budgeted provision
- iv. MEP for the months of January-March may be so fixed that the QEA for the last quarter may not exceed 33% of the budgeted provision.
- v. Savings if any under the QEA would not be available for automatic carry forward to the next quarter. The Departments/Ministry may however, approach the MoF for revalidation of such savings through modification in the MEP and thereby QEA. Spill over in respect of MEP, not inconsistent with QEA would not require prior revalidation from MoF but may be included in the quarterly modification.
- vi. MoF will consider the request for revalidation within 15 days of receipt of requests, failing which the request would be deemed to have been granted.



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vii. MEP and QEA pertaining to the 4th quarter would be subsumed in the finalization of the RE of the financial year.

3. It is therefore requested that as soon as the ceilings for BE 2012-13 are conveyed by this Division, Monthly Expenditure Plan for the coming financial year be prepared and conveyed to this Division as per the enclosed format. It may be ensured that the total outgo during the year is restricted to the total allocation provided under the BE.

4. Suitable internal controls be devised to ensure that no expenditure in excess of the specified monthly limit is incurred.

5. In the event of a likelihood of expenditure exceeding the quarterly limit, a proposal to seek waiver of the Ministry of Finance shall be initiated in time to reach this Division by the 10th of the final month of the quarter (i.e. June, September and so on). Reasons for such excess vis-à-vis the planned outgo shall be clearly brought out therein. Similarly, in case of savings against the planned outgo for the quarter, a proposal for carrying over the savings to the subsequent quarter should be sent to this Division by the 10th of the month following the quarter end (i.e. July, October and so on). The monthly/quarterly expenditure plan may also be modified accordingly.

6. Actual expenditure against the monthly/quarterly limit shall be intimated by the 10th of the following month.

7. A nodal officer may be designated for coordination of this work within the Directorate/Department. The particulars of the officer may be intimated to this Division. The designated officer shall be the single point of contact with Budget Division, in so far as the scheme is concerned.

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8. It is requested that all concerned be briefed suitably to ensure compliance of the above instructions.

Veena Prasad
(Veena Prasad)
Addl FA& JS
18/1/12

DGFP, ACNS(P&P), ACAS(Fin P), ACIDS(Fin P),
DGOFF, CCR&D(R&M), DG NCC, DGQA, DGAQA,
Dte of Standardisation, DG ATVP

MOD (Fin) ID No. S(7) / Bud-I / 2011

dt. 18/01/2012

Copy to -

DG(Acq), FA(Acq), AS(B), AS(DP), CGDA ✓
All JSs/AddIFAs/FMs
PS to Defence Secretary
PS to FA(DS)

No.21(1)-B(PD)/2005
Ministry of Finance
Department of Economic Affairs
Budget Division
[Cash Management Cell]

Room No.263-B, North Block,
New Delhi dated 2nd Nov., 2011.

Office Memorandum

Sub: Cash Management System in the Central Government - modified exchequer control based expenditure management and restrictions on expenditure during the last quarter of the financial year.

The undersigned is directed to refer to this Division's O.M. of even number dated December 27, 2006 on the subject cited above.

2. Based on the recommendations of Fourteenth Report of Second Administrative Reforms Commission (ARC) titled 'Strengthening Financial Management System', accepted by the Group of Ministers (GoM), it has been decided to extend aforesaid system to another 23 Demands for Grants (listed in Annexure-I) from the financial year 2012-13 i.e. w.e.f. 1.4.2012. This will be in addition to the 23 Demands for Grants already covered under the system (Annexure-II).
3. The Financial Advisor would be responsible for the implementation of the modified expenditure management system. He/She may nominate a nodal officer for the purpose.
4. In respect of each Demands for Grants, Monthly Expenditure Plan (separately for Plan and Non-Plan Expenditure) [MEP] would be worked out and included as an annex to the Detailed Demands for Grants in respect of the said Demands for Grants. Suggested format is at Annexure-III.
5. The required information relating to actual may kindly be emailed to this Ministry every month [sopd-dea@nic.in]. It may also be ensured that this information is sent to this Ministry, in the enclosed proforma by 15th of every month.
6. The guidelines mentioned in the aforesaid O.M. dated December 27, 2006 remained unchanged (Annexure-IV).

Encl: As above.



(Brajendra Navnit)
Deputy Secretary to the Govt. of India
Tel.No.011-23092744

To

1. All Financial Advisors.
2. Principal Director, O/o the Comptroller and Auditor General of India.
3. Joint Controller General of Accounts.
4. All Directors/OSD/DS/US/Section Officers in Budget Division.
- ✓ 5. NIC, Ministry of Finance. For up-loading on website.

Proposed list of Demands for Grants for inclusion in Modified Cash Management System w.e.f. 2012-13 (1st April, 2012).

Sl.No.	Demand No.	Name of the Ministry/Department
1.	4	Department of Atomic Energy
2.	13	Department of Post
3.	15	Department of Information Technology
4.	22	Defence Services - Army
5.	23	Defence Services - Navy
6.	24	Defence Services - Air Force
7.	26	Defence Services - Research and Development
8.	27	Capital Outlay on Defence Services
9.	30	Ministry of Environment and Forest
10.	33	Department of Financial Services
11.	35	Transfers to State and Union Territory Governments
12.	52	Ministry of Home Affairs
13.	54	Police
14.	60	Ministry of Information and Broadcasting
15.	61	Ministry of Labour and Employment
16.	65	Ministry of Micro, Small and Medium Enterprises
17.	67	Ministry of Minority Affairs
18.	84	Department of Drinking Water and Sanitation
19.	86	Department of Scientific and Industrial Research
20.	89	Ministry of Social Justice and Empowerment
21.	90	Department of Space
22.	95	Ministry of Tribal Affairs
23.		Ministry of Railways

List of Demands for Grants covered under Modified Cash Management System w.e.f. 2007-08 (1st April, 2007).

Sl.No.	Demand No.	Name of the Ministry/Department
1	1	D/o Agriculture & Coop.
2	2	D/o Agricultural Research & Education
3	7	D/o Fertilizers
4	11	D/o Commerce
5	14	D/o Telecommunications
6	17	D/o Food & Pub. Distbn.
7	31	M/o External Affairs
8	32	D/o Economic Affairs
9	40	Indian, Audit & Accounts Department
10	41	D/o Revenue
11	42	Direct Taxes
12	43	Indirect Taxes.
13	46	D/o Health & Family Welfare
14	58	D/o School Education & Literacy
15	59	D/o Higher Education
16	70	M/o Panchayati Raj
17	73	M/o Petroleum and Natural Gas
18	75	M/o Power
19	81	D/o Road Transport and Highways
20	82	D/o Rural Development
21	93	M/o Textiles
22	101	M/o Urban Development
23	105	M/o Women & Child Development

F.No.21(1)-PD/2005
Government of India
Ministry of Finance
Department of Economic Affairs
(Budget Division)

Room No.168A, North Block,
New Delhi dated December 27, 2006

Subject: Cash management system in Central Government - modified exchequer control based expenditure management and restrictions on expenditure during the last quarter of the financial year.

OFFICE MEMORANDUM

The undersigned is directed to refer to Office Memorandum of even number dated January 10, 2006 regarding introduction of exchequer control based expenditure with effect from April 1, 2006.

2. Based on the working of the scheme, it has been decided to expand and modify the Scheme as detailed below.

3. The Modified Cash Management System seeks to achieve, *inter alia*, the following objectives -
(i) Obtain greater evenness in the budgeted expenditure within the financial year, especially in respect of items entailing large sums of advance releases and transfers to corpus funds.
(ii) Reduce rush of expenditure during the last quarter, especially the last month of the financial year.
(iii) Reduce tendency of parking of funds.
(iv) Effectively monitor the expenditure pattern.
(v) Better planning of Indicative Market Borrowing Calendar of the Central Government.

4. The Scheme shall apply in respect of 23 Demand for Grants listed in Annex I, including 9 to which the Scheme is being extended with effect from financial year 2007-08.

5. Financial Advisor would be responsible for the implementation of the modified expenditure management system. He/she may nominate a nodal officer for the purpose.

6. In respect of each Demand for Grant, Monthly Expenditure Plan (separately for Plan and Non-Plan Expenditure) [MEP] would be worked out and included as an annex to the Detailed Demand for Grant in respect of the said Demand for Grant. Suggested format is at Annex-II.

Relevant portions
of 2nd ARC
placed below

7. MEP would form the basis of Quarterly Expenditure Allocations [QEA]. The Department/Ministries concerned may not issue cheques beyond the Quarterly Expenditure Allocation [which would be equal to the sum of provisions under Monthly Expenditure Plan], without prior consent of Ministry of Finance [Cash Management Cell, Budget Division].
8. The MEP may be finalized taking into account the following -
- (a) MEP for the month of March may not exceed 15 per cent of the budgeted provision [Budget Estimate];
 - (b) MEP for the months of January-March may be so fixed that the QEA for the last quarter may not exceed 33 per cent of the budgeted provision; and
 - (c) The extant guidelines of Ministry of Finance, Department of Expenditure, including D.O.No.7(3)/2006/E.Coord, dated December 21, 2006.
9. The exchequer control would apply cumulatively at the Demand for Grants level only, i.e. inter se variations between months within a quarter, between plan and non-plan and between schemes would be permissible, subject to statutory restrictions and extant guidelines.
10. Savings, if any, incurred under the Quarterly Expenditure Allocations would not be available for automatic carry forward to the next quarter. The Department/Ministry may, however, approach Ministry of Finance for revalidation of such savings through modification in the Monthly Expenditure Plan and thereby Quarterly Expenditure Allocation. Spill over in respect of Monthly Expenditure Plan, not inconsistent with Quarterly Expenditure Allocation would not require prior revalidation from Ministry of Finance but may be included in the quarterly modification.
- (11) Ministry of Finance would consider such requests for revalidation within a period of 15 days of receipt of such request, failing which the request for revalidation would be deemed to have been granted.
- (12) The Monthly Expenditure Plan and Quarterly Expenditure Allocations pertaining to the 4th quarter of the financial year would be subsumed in the finalization of Revised Estimate for the financial year.
- (13) The Monthly Expenditure Plan and Quarterly Expenditure Allocations may be made in gross terms.
- (14) In addition to the above, it is advised that even in respect of Demand for Grants not covered by the modified exchequer management system, the expenditure in the last quarter of the financial year may not exceed 33 per cent of the Budget allocation for the Demand for Grants. However, in the event of Revised Estimates being fixed lower than the Budget Estimate, actual expenditure may be kept within the Revised Estimate.

It is clarified that the above provision shall apply in the current financial year as well.