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No.7/2/2012-Bud./281
Government of India
Ministry of Water Resources

New Delhi, the June ^{28th}, 2012.

To

All SMDs/Organisations,
Ministry of Water Resources.

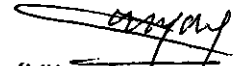
Subject: Clarification on the Financial limits to be observed in determining cases relating to 'New Service/New Instrument of Service':- reg

Sir/Madam,

I am directed to enclose herewith a copy of Ministry of Finance, Department of Economic Affairs' D.O. No. F.1(5)-B(AC)/2011 dated 12.6.2012 (alongwith its' enclosure) on the subject cited above for further necessary action.

Encl: As above.

Yours faithfully,



(Vijay Srivastava)
Under Secretary (Budget)
Tel. No. 23719302

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No.F.1(5)-B(AC)/2011
Ministry of Finance
Department of Economic Affairs
(Budget Division)

New Delhi,
21.5.2012.

OFFICE MEMORANDUM

Subject: Clarification on the Financial Limits to be observed in determining cases relating to 'New Service'/'New Instrument of Service'.

The undersigned is directed to invite attention to this Ministry's O.M. issued vide letter No.1(23)-B(AC)/2005 dated 25.5.2006, wherein the revised guidelines on financial limits to be observed in determining cases relating to 'New Service' (NS) / 'New Instrument of Service' (NIS) were prescribed, and to state that there has been lack of clarity at Ministry/Department level while determining the cases of NS/NIS on augmentation of funds under the object heads 'Grants-in-aid', 'Subsidies' and 'Major Works'. It is observed that Ministries/Departments, in some cases, have failed to obtain the prior approval of Parliament through Supplementary Demands for Grants whenever funds are augmented through re-appropriation of funds leading to avoidable objection from Audit. With the addition of new object heads like 'Grants for creation of capital assets', 'Grants-in-aid-Salaries', it has become necessary to issue a circular clarifying/amplifying the following:

- 'Grants in aid':** Any augmentation under the object head 'Grants-in-aid' through re-appropriation of savings within the same section of grant requires prior approval of Parliament through Supplementary Demands for Grants *except in cases of Grants to States and Union Territory Governments on existing schemes*. Cases requiring augmentation of funds, arising out of reclassification of expenditure, from 'Grants-in-aid General', 'Grants for creation of capital assets' and 'Grants-in-aid-Salaries' under the same scheme also require the prior approval of Parliament.
- 'Subsidies':** All cases for augmentation of funds (through either re-appropriation of funds or additionality) under the object head 'subsidies' require prior approval of the Parliament through supplementary demands for grants, without any exemption.
- 'Major Works':** A view is being held in some instances that the financial limits prescribed in column 3 against item 'D- Expenditure on New Works (Land, Buildings and/or Machinery)' in Annex to this Ministry's O.M. issued under letter No.F.1(23)-B(AC)/2005 dated 25.5.2006 are applicable to cases of 'New Works' only. This view is incorrect in view of the fact that column 3 also mentions about the augmentation of funds by above ₹ 2.5 crore or 10% of the appropriation already voted with the prior approval of the Parliament. Thus, the words 'appropriation already voted' refer to the existing on-going works and hence the financial limits prescribed under column 3 against item D- Expenditure on New Works (Land, Buildings and/or Machinery) are equally applicable to cases relating to existing works and attract provisions of 'New Instrument of Services'. It is therefore clarified that all cases relating to augmentation of funds under object head 'Major Works' would require prior approval of the Parliament in case the augmentation is above ₹ 2.5 crore or above 10% of the appropriation already voted irrespective of the fact that the augmentation is for 'New' Works or for the existing works.

-Wane
(N.M.Jha)
Director (Budget)

All FAs/CCAs of Ministries/Departments.
JS(PF.I)/JS(PF.II)/JS(Pers) of Department of Expenditure for information.