

Dated: 05-02-2019

Office Memorandum

Subject: Revised Procedure for opening of new Heads of Accounts as per List of Major and Minor Heads of Accounts (LMMHA).

Note below Rule 3 of Government Accounting Rules, 1990, stipulates that the function of prescribing the 'Form in which the Accounts of the Union and the States shall be kept' will be exercised by the Controller General of Accounts, on behalf of the President of India. The Rule 79 of General Financial Rule 2017 also indicates that the LMMHA of Union and States is maintained by Controller General of Accounts (CGA) which is authorised to open a new Head of Account on the advice of the C&AG of India under the powers flowing from Article 150 of the Constitution.

2. Accordingly, Budget Division (DEA) vide ID Note No. 1(35)-B(D)/2018 dated 01-05-2018, have conveyed to this office that practice of Ministries/Departments seeking concurrence of Budget Division of Economic Affairs for opening of new Major, Sub-Major and Minor Heads stands discontinued henceforth. Such proposals, with requisite details, should henceforth be addressed and sent to Joint CGA (TA) in the Office of Controller General of Accounts. The Guidelines for evaluating the proposal is elaborated in Annexure.

3. However, in the cases requiring formulation of fresh accounting procedures for operation of new Funds, new Schemes or new Programmes, the existing practice of seeking comments of Budget Division and advice of C&AG on the draft accounting procedure and related head of accounts shall be continued.

Encl: As above



(Vijay Kumar Singh)
Joint Controller General of Accounts

1. All Financial Advisors of Ministries/Departments.
2. All Pr. CCAs/CCAs/CAs (with independent charge).
3. Jt. CGDA Accounts, O/o CGDA.
4. DDG Finance, D/o Posts.
5. DDG Accounts, D/o Telecommunications.
6. Director Finance Accounts, M/o Railways.

Copy to:

1. Director General(Government Accounts), O/o C&AG, 10-Bahadur Shah Zafar Marg, New Delhi
2. Joint Secretary (Budget), Department of Economic Affairs, North Block, New Delhi.
3. Sr. Accounts Officer TA-1 Section/DAMA Section, O/o CGA, New Delhi.
4. Sr. Accounts Officer, ITD Section, O/o CGA for uploading on the website of CGA.

Guidelines for evaluating proposals for opening of new Major/Sub-Major/Minor head of accounts in LMMHA.

1. Rule 26 of Government Accounting Rules, 1990 stipulates that Function, Sub-Function, Programmes, Schemes and Sub-Schemes should be classified at Major, Sub-Major, Minor, Sub-Head and Detailed Head level respectively. The proposals are to be evaluated keeping in view that Scheme expenditure should not be elevated to programme level i.e. Minor Head level.
2. Check should be exercised to make sure that the heads are opened on the basis of expenditure/receipts relating to the Function/Programme and not necessarily to the department to which the scheme pertains to. Basically heads have to be opened according to the nature of expenditure/receipts. (Rule 29 of Government Accounting Rules, 1990).
3. The new head of account should have MIS importance.
4. The amount of expenditure or receipts should be recurring in nature. Ministries/Departments are required to submit the details of expenditure/receipt for past 3 years and/or estimates for the current Financial Year.
5. The amount of expenditure or receipts should be substantial in cases of opening of new Minor heads/elevation of Sub Heads to Minor Heads. Copy of Budget Division's OM No. F.1(9)-B(AC)/2012 dated 20th May 2016 is enclosed for reference.
6. The nomenclature of new head should be generic and comprehensive in nature and not department specific.
7. To avoid duplicity, it may be checked that the proposed expenditure/receipts could not be classified under the existing heads.
8. The proposal should qualify various requirements stipulated in General Directions to LMMHA. As per para 1.2 General Directions to the LMMHA in some circumstances formal approval/issue of amendments by correction slips are not required.
9. The numeric codes may be proposed to the new head of accounts keeping in view the Section, Sector, Sub-Sector & Major, Sub-Major, Minor Head of Accounts and coding pattern hierarchy of LMMHA.

10. In some cases, the new heads are opened due to framework of any new Fund. In the cases requiring formulation of fresh Accounting Procedure for operation of new fund, the draft accounting procedure should be sent alongwith the proposal for opening of new head of Accounts to TA Section, Office of CGA.
11. Gazette notifications/ relevant portion of any new or amended act/rule, needs to be shared with the O/o CGA.
12. Self contained notes, duly approved by the Financial Advisor of the concerned Ministry/Department, should be sent to Joint CGA (TA) through Pr. CCA/CCA/CA of Ministry/Department.

No. F. 1(9) – B(AC)/2012
Ministry of Finance
Department of Economic Affairs
(Budget Division)

New Delhi,
20th May, 2016

OFFICE MEMORANDUM

Subject: **Reports of the C&AG on the Accounts of the Union Government - Observations on 'Opaqueness in Government Accounts'.**

The undersigned is directed to state that the Comptroller & Auditor General of India has been pointing out the opaqueness in Government Accounts in its successive reports. 'It has highlighted the tendency of Ministries/Departments in classifying the huge expenditure under 'Other Expenditure' thereby reducing clarity/transparency in accounts and budget. Classifying the expenditure of certain outlays at appropriate level is necessary for ensuring the transparency in books of accounts, which also enables quantifying the expenditure activity-wise for the purposes of management and monitoring.

2. Subsequent to the observations of Audit, this Ministry has been receiving numerous proposals from Ministries/Departments for elevation of sub/detailed heads to minor heads without proper appreciation of the intent of the observations made by the Audit. It is, therefore, essential to prescribe certain norms/criteria for elevation of the sub/detailed heads with considerable financial outlays in order to facilitate the Ministries/Departments for examining the financial outlays and elevating them to Minor Heads. Accordingly, it is proposed to lay down the following norms for elevation of the subheads/detailed heads to a distinct minor head under various Major/Sub-Major heads:

- (i) Recurring expenditure provisions with considerable financial outlays should not be classified under the omnibus Minor head '800-other Expenditure'. For this purpose, the threshold limit above ₹ 50 crore to ₹ 75 crore may be considered as the benchmark for elevation of the sub-head/detailed head to Minor head. This limit may not be made applicable to non-recurring, one-off transactions.
- (ii) Similar cases for elevation to Minor Heads may need to be examined based on the merit of the case such as financial outlays, requirement under MIS, etc;
- (iii) The existing minor heads with expenditure of less than the above threshold limits may be reviewed and got deleted from the List of Major and Minor Heads of Accounts in consultation with the Office of Controller General of Accounts;

(iv) While elevating the sub-heads/detailed heads to minor heads the characteristics/definitions applicable to schemes, programme as defined in the

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संस्था/विभाग/अधीनस्थ (iv) विभाग वि. सं. 1(9) - B(AC) 2012 C. G. A. R&D Branch, New Delhi
29 MAY 2016
आदेश संख्या/द्व. सं. 30171

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Rule 26 of Government Accounting Rules, 1990 may be kept in view. In other words, scheme expenditure may not be elevated to programme level which are denoted by minor heads in the present system of classification. Only those financial outlays, which qualify for being classified at programme level, may be elevated to Minor Heads;

- (v) Restraint must be observed in projection of funds under Minor Head '800-Other Expenditure' in all cases and under any Major Head;
 - (vi) The use of Minor Head '800-Other Expenditure' should be temporary wherever so required urgently, and for comparatively lower amounts (e.g. 5%-10% of the Major Head provision);
3. The above checks and controls are prescribed to avoid proliferation of the minor heads under various Major/Sub-Major heads;
 4. All Financial Advisers' shall examine their DDGs and take up for necessary rectification to complete the exercise before RE 2016-2017 meeting;
 5. Offices of Controller General of Accounts and Comptroller & Auditor General of India office are requested to expedite the process of opening new Minor Heads', wherever required.
 6. The above financial limits/stipulations may be kept in view while proposing new minor heads under the existing Major Heads under expenditure side.

N M Jha

(N M Jha)

Director (Budget)

✓ CGA, Ministry of Finance, Department of Expenditure.
FAs/CCAs/CAs of all Ministries/Departments.