

**Report of the Committee
Constituted to Review
The List of Major and Minor Heads of Accounts (LMMHA)
of Union and States**

Part - I

Main Report



सत्यमेव जयते

**CONTROLLER GENERAL OF ACCOUNTS
MINISTRY OF FINANCE, GOVERNMENT OF INDIA**

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Controller General of Accounts

Report of the Committee Constituted to Review the List of Major and Minor Heads of Accounts (LMMHA) of Union and States

PART II

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PREFACE

Government of India constituted a committee under the chairmanship of Sh. C.R.Sundaramurti, Controller General of Accounts to review the present accounting classification system and to develop a system better suited to display the nature and objective of Government expenditure. The primary purpose of the Committee was to develop a revised Accounting Classification Structure which could address various issues raised by many stake holders for better planning of resources, budgeting, accounting and availability of more useful Government financial information. The proposed revised classification structure has been presented in a document named as 'Compendium of Accounting Classification Codes for Union and States'.

The Committee gained useful insight from meetings with all Divisions of the Planning Commission and also from close interaction with Finance Departments of a few State Governments, Office of C&AG, Budget Division, Ministry of Finance, and Ministry of Defence. The Committee also studied the operation of budgeting and accounting system during visits to the States of Tamilnadu and Karnataka. The Committee extensively obtained views of all civil Ministries while developing the proposed classification structure.

The Committee gave a presentation of the proposed classification structure to C&AG and Budget Division, to representatives of all the State/UT Governments, to Pr. Finance Secretaries/Finance Secretaries of all States/UT Governments and to the officials of Finance Wings of all Forces and Departments under Ministry of Defence. The proposed structure was extensively discussed in all these forums and the views emerging out of such deliberations were suitably incorporated in the proposed classification structure.

The Committee worked in synergy with the High Level Expert Committee on 'Efficient Management of Public Expenditure' under the Chairmanship of Dr. C. Rangarajan, Chairman, Economic Advisory Council to the Prime-Minister, as one of the terms of reference of this Committee is “to suggest measures to address the inconsistencies in our current system of classification so as to ensure rational and efficient public Expenditure Management”.

It is hoped that the proposed 'Compendium of Accounting Classification and Codes for Union and States' compiled by the Committee would effectively meet the new emerging challenges in the area of Public Financial Management.

C R Sundaramurti
Controller General of Accounts

ACKNOWLEDGMENTS

The Committee gratefully acknowledges the co-operation and efforts of all its Members for immensely effective and fruitful deliberation in all the meetings. The Committee expresses sincere gratitude to Smt. Sudha Pillai, Member Secretary, Planning Commission and Smt. Sushama Nath, former Secretary (Expenditure) for their continuous high level guidance in our endeavour. Special thanks are due to Shri Shakti Kanta Das, Additional Secretary, Budget Division, Ministry of Finance and other officers of Budget Division especially Shri Naresh Mohan Jha, Shri Ritwik Pandey and Sh. Brajendra Navneet for their valuable suggestions during the deliberation of the meetings. The Committee is highly grateful to Shri T.K.Pandey, Advisor (FR), Planning Commission for his valuable guidance in this endeavor and also places special thanks to other officials of Planning Commission, namely, Smt. Kusum Mishra and Shri H.K. Hajong for their valuable inputs. The Committee expresses gratitude to Shri Shankar Narayan, DG (Accounts) and Shri Saurav Shukla, Dy. Director (Accounts) the Office of C&AG for their valuable suggestions at every stage of this endeavour. The Committee would like to thank Prof. Pinaki Chakraborty, the representative of NIPFP, for his enlightening technical inputs. The committee would like to place on record a very special thanks to Shri Sandeep Saxena, ICAS who, as a co-opted Member put extra-ordinary efforts in development of the basic framework of the proposed classification structure. The Committee is grateful to the Finance Secretaries of Tamilnadu and Karnataka for their valuable inputs. The Committee would like to thank Shri H.K.Srivastav, Deputy Controller General of Account and all the Officers and Staff of TA and Code Sections of the Office of CGA, namely, Smt. T.R. Padmavathy, Asstt. Controller of Accounts, Sh. R.P.Singh, Sh.Brajesh Kumar, Sh. C.A.Baby, Sh. Tapan Das, Accounts Officers for their immense hard work in compiling the proposed Compendium of Accounting Classification Codes.

The Committee expresses special thanks to Sh. Alok Ranjan, Deputy Controller General of Accounts and other staff of Administration Section of the Office of CGA for their support in providing all logistical support in organizing meetings, workshops and effective secretarial services.

The committee is indebted to the High Level Expert Committee on “Efficient Management of Public Expenditure” Chaired by Dr. C. Rangarajan, for their continuous guidance and encouragement.

While expressing gratitude to all who have contributed to this endeavour any error of omission is regretted.

ACRONYMS

ACA	Additional Central Assistance
AG	Accountant General
BPL	Below Poverty Line
COFOG	Classification of the Functions of Government
CSS	Centrally Sponsored Schemes
DDG	Detailed Demand for Grants
EAP	Externally Aided Projects
FR	Financial Resources
GFS	Government Finance Statistics
IMF	International Monetary Fund
NCA	Normal Central Assistance
NER	North Eastern Region
NIPFP	National Institute of Public Finance and Policy
PSUs	Public Sector Undertakings
SC	Scheduled Caste
SCA	Special Central Assistance
ST	Scheduled Tribe
UTs	Union Territories
WC	Women Centric Expenditure

EXECUTIVE SUMMARY

In the wake of emerging requirements for more effective Management Information System to be used for better planning and resource allocation process, more effective monitoring of application of resources in Government Schemes and a more robust Public Financial Management by Government, a need has been felt for quite some time to review the present classification of government transactions which is the basic tool for capturing the Budgeting and accounting data. It was felt that the existing Classification structure has some inadequacies which pose limitations on its effectiveness in capturing relevant budgeting and accounting data required to cope up with the new challenges in the area of Public Financial Management and a system better suited to display the nature and objective of Government expenditure needs to be developed.

With these objectives in mind, the Government of India has constituted a committee under the chairmanship of Controller General of Accounts to:

- Conduct a comprehensive review of the existing system of expenditure and receipt classification as contained in the List of Major and Minor Heads and to evolve a system which could cater to the requirements for policy formulation, allocation of resources among sectors, compliance with legislative authorizations, accountability, policy review and performance analysis, and
- Suggest a new list of accounting heads in replacement of the existing List of Major and Minor Heads keeping in view the needs for simplification, rationalization, and standardization across national and sub-national governments, and improved reporting of transfer payments from one level of governance to another.

The Committee had representation from the Budget Division, Ministry of Finance, Planning Commission, the Comptroller and Auditor General of India, State Governments of Assam, Tamilnadu, and Maharashtra, and National Institute for Public Finance and Policy (NIPFM).

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The Office order constituting the Committee, its membership and terms of reference is placed at Annexure 'A'.

The Office of the Controller General of Accounts provided the technical and secretarial assistance to the Committee.

A brief account of the existing structure, the underlying reasons for need of its amendment, the major deviations from the existing structure in the proposed classification structure and the benefits to be accrued from it

Box-1

The existing system of classification in the Government of India follows a six-tier hierarchical structure which is:

1. Major Head (4 digits)-representing a major function of the government.
2. Sub-Major Head (2 digits) - representing a sub-function of the government.
3. Minor Head (3 digits)- representing a programme of the government.
4. Sub Head (2 digits)- representing a scheme.
5. Detailed Head(2 digits) - representing a sub-scheme and;
6. Object head (2 digits)- representing economic nature of expenditure.

Expenditures are classified according to the function, programme, and their economic nature using a fifteen digit numerical code. Receipts are classified according to their nature and source. The classification system also applies to the State Governments, with the exception that they are given the flexibility to open their own heads below the third tier in the six tier hierarchy as per their respective needs.

The present classification system poses a few limitations. The main weaknesses/ issues pointed out by the various agencies can be summarized as follows:

- There is opaqueness in data on transfers to states. The State-wise details of transfers, information on releases to states under the various functional heads are not captured.
- There is lack of standardization of scheme classification. Plan schemes are not captured uniformly at one level.
- Major Heads, which are supposed to represent government functions do not reflect true functional character of expenditures and do not correspond to Heads of development used in the planning and resource allocation process.

- Breakup of central transfers into constituent flows such as Finance Commission grants, Normal Central Assistance, Additional Central Assistance, Special Central Assistance etc. are not captured.
- There are emerging special requirements such as gender budgeting, budgeting for SC/ST, North Eastern Region (NER), that are not very well catered to by the existing system.

The proposed classification structure is a multi-segment structure developed mainly by rationalizing and reorganizing the information content of the existing six tier hierarchical structure into separate logical dimensions. It has following seven mutually exclusive segments with their own individual hierarchical structures.

1. Administrative Segment
2. Function Segment
3. Programme cum Scheme Segment
4. Recipient Segment
5. Target segment
6. Economic Segment
7. Geographic Segment

The mutually exclusive nature of the segments means that the various constituents of the system are standardized. Each item is classified only once in the system and is identifiable with a unique code.

In brief, the main benefits perceived from the new Classification structure proposed by the Committee are as under:

- It would allow capturing of almost the entire spectrum of data attributes on public financial operations
- It would facilitate financial reporting in a variety of ways for meeting information requirements of different stakeholders.
- It would greatly simplify classification and presentation of budget.
- It would be computer friendly and open the accounting database to complete slicing and dicing. The retrieval of information from the system will be easier and reporting will be more flexible.
- Maintenance of the Code directory would be far more easier.

is given in the Box below.

The report of the Committee is organized in two parts.

Part I contains the main report of the Committee.

Part II contains the document named as "The Compendium of Accounting Classification Codes". It has nine sections; Section I contains General Directions for the proposed structure, Section II contains the list of Major, sub-Major and Scheme Heads, Section III to IX contains the Programme Codes, list of Schemes, Administrative, Recipients, Object (Economic), Target and Geographical Codes.

The recommendations contained in the report are the outcome of several rounds of discussion among the Committee members, consultations with various stakeholders and in-depth study of specific issues related to budgeting, accounting and views of earlier Committees on various aspects of classification.

The proposed classification structure is a multi-segment structure developed mainly by rationalizing and reorganizing the information content of the existing six tier hierarchical structure into separate logical dimensions. It has the following seven mutually exclusive segments with their own individual hierarchical structures.

1. Administrative Segment
2. Function Segment
3. Programme cum Scheme Segment
4. Recipient Segment
5. Target segment
6. Economic Segment
7. Geographic Segment

The mutually exclusive nature of the segments means that the

various constituents of the system are standardized. Each item is classified only once in the system and is identifiable with a unique code.

The structure is in line with the recommendation of the Expert group constituted to review the classification system for Government Transactions also known as 'Lahiri Committee' which recommended adoption of a multidimensional classification structure with linkages between the accounting classification and standard classification systems such as Government Finance Statistics(GFS) and system of National Accounts.

The proposed independent segments of the proposed structure and the intended benefits are summarized as follows:

- **Administrative Segment:** This segment is intended to identify the administrative responsibility for expenditures. It would strengthen the accountability arrangements for public spending by attributing each budget line to an administrative authority.
- **Function segment:** This segment is meant to classify functions of Government. The existing functional classification structure has been realigned to Heads of Development being used by Planning Commission. This will enable the Functional heads to be used as a very effective tool for macro level planning and sectoral analysis.
- **Programme cum Scheme Segment:** This Segment is meant for classifying all Programmes and Plan and Non-plan Schemes/ Sub-schemes of Government with standard codes for each of them. A programme could be defined as a set of activities that are required to achieve a defined objective. They are important tools for policy and political intervention and are, therefore, of great importance to the legislature, the executive and the beneficiaries. Classification of

expenditure by programs is also necessary for development of an Outcome oriented budget. This standardization would facilitate linking expenditure under a programme and scheme across different levels of administration and establishing trails from the Union Government to the lowest level, which would be particularly useful in case of multi-layered transfers. The Schemes and Sub-schemes are grouped into suitable category of programmes. It is important to clarify that the term 'Scheme Category' not only connotes the development schemes of the Government but also covers the Receipts and Public Account transactions which are represented by the 'Minor Head' of the existing List of Major and Minor Heads of Accounts (LMMHA).

- **Recipient Segment:** This segment is proposed to recognize the external agencies and entities that are recipients of public funds as instruments and channels of public policy delivery. Such entities would include sub-national governments and other public and private agencies. The main benefit of using this segment is that it would make it possible to assign unique codes to each such entity. With the standardization of coding, it should be possible to extract and compile information on allocations/transfer of resources to each such agency under different government schemes and heads. It would also facilitate tracking of flow of funds under a scheme from one level to another.
- **Target segment:** This segment would be used to identify expenditures targeted at special policy objectives. At present at least five such requirements are identified, viz. Women Centric (WC) expenditures, expenditures targeted at development of hill areas, expenditures targeted at development of Schedule Castes (SC), expenditures targeted at development of Schedule Tribes (ST), and expenditure targeted at Below Poverty Line (BPL) population. This

would enable the capturing of Budget and accounting data pertaining to emerging special requirements such as gender budgeting, budgeting for SC/ST, that are not very well catered to by the existing system.

- **Economic Segment:** This segment covers the list of object heads being used in the existing system of Budget and accounts to capture the economic nature of expenditure. The object classification is currently applied only to expenditure transactions. Receipt and Public Account heads do not use object codes. It is proposed to develop the current Object list into a full-fledged financial classification indicated by the proposed 'Economic Segment', which could be applied to all transactions. The Economic Segment has been largely developed on the lines of classification prescribed in the IMF GFS Manual 2001, with the exception that it would be tailored to the present cash based accounting and budgeting system.
- **Geographical segment:** The Geographic segment would identify the physical location of the transaction and allow for inter-regional comparisons of public spending. This classification identifies such politico-geographical divisions as states, districts and towns/villages.

Budget presentation:

In the proposed structure, it is envisaged that the budget provisions would now be attributed directly to the schemes and administrative units responsible for implementing/executing those schemes. All budget lines would necessarily have three attributes - administrative units, programmes and schemes [Plan or Non-Plan], and economic object. If the budget provision is meant for transfer payment,

[such as grants, subsidies, contributions, loans etc.] the entity receiving the transfer would also be recognized to the extent possible at the budget stage. Similarly, expenditure provisions targeted at certain identifiable groups, such as women, SC, ST etc. would be suitably flagged to identify the target group. If the expenditure is meant for any special area or a region, [such as North East Region, Bundelkhand, Bodoland, etc.] the area/region would also be recognized at the Budget stage. Besides, the Geographical segment could also be used to capture the geographical location of an expenditure item.

To sum up, the new Classification structure aims to address all the issues related to critical information requirement of the Government and would be a very effective tool for establishing a very robust Public Financial Management. The structure can be applied to State Governments as well. The mutually exclusive structure would provide enough flexibility to the State Governments to add or drop a segment or two should it be considered necessary for their local information requirements. States would also have the flexibility to add more levels in any of the segment below those provided for in this structure. More importantly, the top three layers of the existing system have not been dislocated fully. They have been realigned with some additions and new set of standard codes. This would make the transition to this new system from the exiting one a less arduous task.

CHAPTER-1

INTRODUCTION

1.1 Article 150 of the Constitution provides for maintenance of the Government accounts "in such form as the President may, on the advice of the Comptroller & Auditor General, prescribe". The executive powers to prescribe the form and content of accounts are delegated to the Controller General of Accounts, Ministry of Finance under the Allocation of Business Rules. In exercise of these powers, the List of Major & Minor Heads (LMMH), containing the accounting classification of receipts and disbursements, is maintained by the Controller General of Accounts on the advice of the Comptroller & Auditor General of India.

1.2 The existing system of classification in the Government of India follows a six-tier hierarchical structure. Expenditures are classified according to the function, programme, and their economic nature using a fifteen digit numerical code. Receipts are classified according to their nature and source. The classification system also applies to the State Governments, with the exception that they are given the flexibility to open their own heads below the third tier in the six tier hierarchy as per their respective needs.

1.3 The present classification structure was introduced in the year 1974 on the recommendations of a committee headed by Sh. Mukherji, the then Deputy Comptroller and Auditor General. It was reviewed in 1987 by another committee under the chairmanship of Sh. R C Ghai, Joint Controller General of Accounts. The classification system has remained unchanged since then.

1.4 There have been concerns expressed from time to time that this classification system is no longer adequately serving the changing

information needs of the various stakeholders. Several inadequacies have been pointed out by different section of users of government financial information. There has also been a view that this classification structure is unable to harness the full potential offered by the modern computer technology.

1.5 An expert group set up in 2003 by the Government of India under the chairmanship of Sh. Ashok Lahiri suggested adoption of a multidimensional classification structure with linkages between the accounting classification and standard international classification systems such as Government Finance Statistics (GFS) and System of National Accounts (SNA). According to them, a **multidimensional classification system** would be more computer-friendly and facilitate easy retrieval of information and flexible reporting.

1.6 Recognizing the importance of this matter, Government of India constituted a committee under the chairmanship of Sh. C.R. Sundaramurti, Controller General of Accounts to review the present accounting classification system and to develop a system better suited to display the nature and objectives of Government expenditure [Annex A].

1.7 The Committee recognized that its proposals would have far reaching implications for the central ministries and the State and Union Territory Governments. It adopted a consultative approach to this task. State and UT Governments and Central Ministries were consulted at every significant stage in this exercise beginning with the circulation of the ToRs for inviting their comments. Minutes of the Committee meetings were also circulated to all ministries and state governments with the purpose of keeping them updated on the progress and the views emerging out of Committee's deliberations. The draft framework was presented to the representatives of

state finance departments in a day long workshop and each state was provided an opportunity to provide their feedback. All outputs, including the draft lists of the proposed accounting heads, were circulated to all ministries and state/UT governments. Consultations were also held with the departments of Defence, Railways, and Posts and Telecommunication. The Committee has carefully considered the inputs received from the various sources in its final proposals and tried to resolve in the best possible manner the issues brought out before it.

1.8 This report (Part I) describes the Committee's proposals for changes in the classification structure. The main content of the report is organized in three chapters. Chapter-2 briefly describes the existing system of classification and highlights some of the main concerns. Chapter-3 sets the conceptual framework for a budget and accounting classification system. Chapter IV carries a segment by segment description of the proposed classification framework. Chapter-5 delineates the detailed action plan for implementation of the proposed structure. A summary of Committee's main recommendations is given in Chapter-6 at the end of the report.

1.9 Part II of the report contains a document named as "The Compendium of Accounting Classification Codes" which will replace the existing List of Major and Minor Heads of Accounts of Union and State. It has nine sections; Section I contains General Directions for the proposed structure, Section II contains the list of Major, Sub-major and Programme cum Scheme Heads, Section III to IX contains the Programme Codes, list of Schemes, Administrative, Recipients, Object (Economic), Target and Geographical Codes.

CHAPTER-2

THE EXISTING CLASSIFICATION SYSTEM

2.1 The existing classification system is based on the recommendations given in 1972 by a team of officers headed by Sh. A. K. Mukherji, the then Deputy Comptroller & Auditor General of India, which were adopted and implemented by the Government in 1974. This Committee was constituted as a follow up of a recommendation made by the first Administrative Reforms Commission in their report on 'Finance, Accounts & Audit' that "the structure of major heads of accounts may be reviewed and recast in terms of broad functions and major programmes of the Government". This was the first major attempt after independence to review and rationalize the system of classification of transactions.

2.2 The classification system followed prior to 1974 was mainly based on the organisational structure of the Government. Transactions were attributed to the Ministries, Departments or the subordinate organizations, within which the input type such as establishment charges, travel expenses, etc. were recorded.

2.3 The Mukherji Committee noted in its report that, "In the changed circumstances, the budget and accounts have to fulfill a new purpose and acquire a new dimension. Classification is the structural key to planned and rational Government budgeting. The manner in which operations of Government are grouped will be determined by and will also determine the character of the decisions that can be made in the budgetary processes. A meaningful classification and presentation of Government operations in terms of functions, programmes and activities, therefore, assume great importance".

2.4 The Committee suggested a rationalized list of major and minor heads of accounts based on the classification recommended in the Manual of Functional and Economic Classification of Government Transactions brought out by the Department of Economic and Social Affairs of the United Nations. This classification aggregated government operations into broad sectors into which functions or services were grouped. The outlays were provided to major heads, which represented functions. In the case of larger functions, such as education, sub divisions in the form of Sub Major Heads were provided. The objectives of a function were achieved by undertaking a number of programmes, which formed the next tier of the classification structure. Schemes drawn up under each programme and the object on which expenditure was incurred formed the next two levels. The report submitted by this team also contained a list of 26 standard objects of expenditure.

2.5 The Committee also noted that, "The functions of Government or programmes are not static. It is quite possible that after some years many of the functions or programmes may be varied and governmental activities may embrace certain new functions and programmes. Hence a pragmatic approach to accounting structure should not be considered immutable. The scheme of classification should embody a certain amount of flexibility so that accounting could be dynamic and grow with times. This flexibility is all the more necessary at the level of Minor Heads as the programmes are liable to change from plan to plan."

2.6 Subsequently, an interdepartmental group of officers headed by Sh. R. C. Ghei, the then Joint Controller General of Accounts, attempted a harmonisation of plan heads with the heads of accounts in 1987. This group

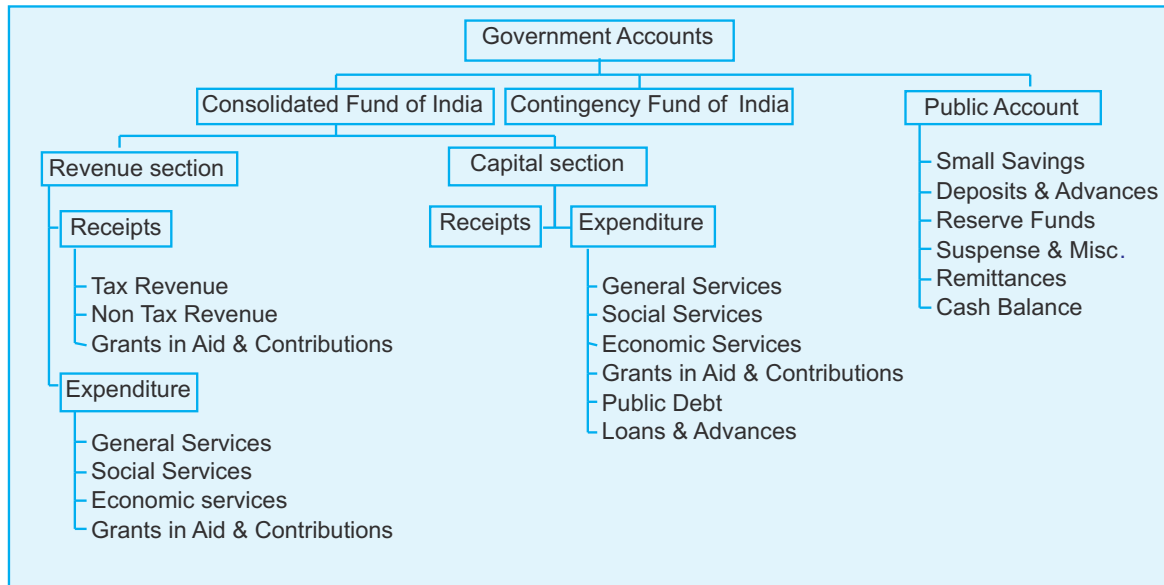
noted that, "Unless there is complete one-to-one correspondence and, where this is not feasible, proper correlation between Plan heads of allocation and Accounts heads of classification, it will not be possible to link the Plan allocations with the Budgetary figures or actual expenditure". This group further rationalized the list of major and minor heads and added another tier in between schemes and objects for classifying Sub-Schemes called as detailed heads of accounts.

2.7 While a common list of Major & Minor Heads, maintained by the Controller General of Accounts, is used by both the Union Government as well as the States, the latter are given the flexibility to operate their own heads below the Minor head level as per their respective needs. These differ from state to state.

2.8 Modifications to the List of Major & Minor Heads are carried out by the Controller General of Accounts on the advice of the Comptroller & Auditor General of India. Changes below the Minor head level are carried out by the respective State Governments in consultation with the concerned Accountant General. In the case of the Union Government, such changes are made by the Ministries themselves in consultation with the Budget Division and the Controller General of Accounts.

2.9 The Existing Structure

2.9.1 Under the existing arrangement, the accounts are divided into three funds at the highest level - the Consolidated Fund, the Contingency Fund, and the Public Account. All government transactions are classified into one of these funds.

Chart 1

2.9.2 The Consolidated Fund is divided into Revenue and Capital Sections, which are further broken down into Sectors and Sub-Sectors on functional lines. These sub-sectors are, in turn divided into a six-tier hierarchical structure, which is:

1. Major Head - representing a major function of the government,
2. Sub-Major Head - representing a sub-function of the government,
3. Minor Head - representing a programme of the government,
4. Sub Head - representing a scheme,
5. Detailed Head - representing a sub-scheme and;
6. Object head - representing the type and object of expenditure.

2.9.3 The first five tiers of this hierarchy are used to capture functional attributes of a transaction and collectively represented by a unique thirteen

digit code. Object Heads, which are standardized, can combine with any thirteen digit code and together each fifteen digit code represents a unique combination of three different attributes - functions, programme/scheme, and economic nature.

2.9.4 As primary units of appropriation, the object Heads serve the purpose of micro level budget control, besides providing information on the economic nature of expenditure for analytical purposes. The existing object classification has 46 standard objects as laid down in Delegation of Financial Power Rules (DFPR), 1978, which are grouped into seven Object Classes. This list of Object heads is used by the central civil ministries. The Ministries of Defence, Railways, Post and Telecommunication use separate object classifications, which are designed to cater to their department specific control and information requirements. Similarly, state governments follow their own object classification, which considerably vary from state to state.

2.9.5 In addition, the budget proposals of the Government of India are organized into Demands for Grant, which loosely correspond to Ministries/Departments and can be seen as another dimension of the classification structure.

2.10 One of the main features of the existing classification structure is that it divides Consolidated Fund into three broad groups - Revenue, Capital, and Loans & Advances [Chart 1]. As explained in the Mukherji Committee report, this was necessitated to fulfill Constitutional requirements. To quote the report, "Further, under the provisions of Article

112 and 202 of Constitution the expenditures of Government are required to be shown separately under 'revenue' and 'capital'. Besides, Article 266 of the Constitution makes a distinct mention of loans raised by Governments and amounts received in repayment of loans advanced by Governments amongst the categories of receipts that would form the Consolidated Fund of the Union and State Governments. Accordingly, we have proposed separate divisions for revenue, capital and loan transactions. While the "capital" division will have the same sectoral classification, as in the "revenue" division, the "loans" division will have two sectors, one for the borrowings of Government and the other for loans given by Government. The major heads in the latter sector have, however, been arranged in such a way as to correspond to the major head classification adopted for the capital division. Under the scheme, attempt has also been made to distinguish in accounts loans given to various parties such as State Governments, Port Trusts and Municipalities.

2.11 The Planning Commission uses a different classification for sectoral analysis and resource allocation. Plan Outlay are categorized into 11 sectors, each sector is divided into several [ranges from 4 to 20] Heads of Development. The Heads of Development are organized on functional lines and have broad correspondence with the Major Heads of Accounts. As in the accounting classification, each Head of Development contains several programmes. Unlike accounting heads, plan head of development are not divided for revenue, capital and loan transactions. In the words of Mukherji Committee, "We, however, recognize that the classification in the plan cannot have separate divisions for revenues, capital and loan transactions.

These will, therefore, continue to be aggregated under the various plan sectors of development as at present."

2.12 Need for Review

The various agencies have pointed out several weaknesses/issues in the present classification system. A brief summary of these is presented here:

2.12.1 The original coherent structure has been diluted due to innumerable amendments. Since it came into being, the List of Major and Minor Heads has seen innumerable amendments in response to changing accounting and information requirements, although the basic structure of the classification system has remained more or less unaltered. Concerns have been expressed from time to time about the adequacy and usefulness of the existing accounting and budgeting classification system.

2.12.2 The functional content of budget heads is not adequately represented. The existing classification is largely a function cum programme classification. However, as a result of innumerable amendments to the LMMH, its functional character has been diluted. Not all major heads represent government functions. For instance, special area programmes such as North Eastern Areas [Major Head 2552], Hill Areas [Major Head 2551], etc. are essentially cross-cutting programmes but classified as Major Heads. As a result of these changes, the accounting

¹ Para 3.2.13, Second Report of the Team on Reforms in the Structure of Budget and Accounts, Classification of Government Transactions in Accounts and Plan, Volume I

heads, now, do not correspond one to one with the plan heads of development used in the planning and resource allocation process.

2.12.3 The Committee on Financial Sector Assessment in its report submitted to Government in March, 2009 has observed that "The budgetary structure in India does not, at present, adequately convey the functional content of each budget head category. Consideration may be given to appoint a Working Group to restructure and rationalize the budget head structure for reporting expenditures".

2.12.4 Heads of Accounts do not correspond one to one with Plan Heads. A major problem is faced in generating scheme wise information from the accounting classification due to absence of a one to one correspondence with schemes and heads of accounts. As a result, the Demands for Grant and the accounts do not explicitly present budgetary allocations and outlays on plan schemes and sometimes culling out this information may require extensive manual intervention.

2.12.5 There is no standardization in classification of schemes under different Major Heads. The Plan schemes are not captured uniformly at one level. Although the present framework suggests that schemes be classified at sub head level and sub-schemes at detailed head level, in practice it differs from scheme to scheme. Some schemes are classified at sub-head level, some at detailed head level, and some other at Minor head level. Some schemes, despite having significant outlays, are not reflected at Minor Head level and, therefore, do not get explicitly reported in the Finance Accounts.

2.12.6 Moreover, the classification structure requires that provisions for revenue and capital expenditures under a scheme are assigned different

codes. Most scheme, therefore, appear at more than one place in the classification system and there is no way to uniquely identify schemes. If a plan scheme has components of revenue & capital expenditure incurred directly by the Centre and also has transfers (including loans) to States/ UTs, the data in the accounting books will be scattered under a number of different major heads and will have to be aggregated to generate scheme-wise information. This impedes expenditure tracking of plan schemes.

2.12.7 This problem gets compounded due to lack of uniform coding for plan schemes across the States. Different states usually identify central schemes through different codes. This lack of standardization leads to data collation and aggregation problems both at the centre and between centre and states.

2.12.8 There have been suggestions to introduce uniform accounting codes for all plan schemes across the Union and the States so that each scheme is identified uniquely throughout the system. This is seen to help consolidate information on plan expenditures incurred at the grass-root level and correlate actual expenditures with the Central releases.

2.12.9 Several gaps exist in disclosure of information on transfers to States. A significant proportion of Union Government expenditure takes place in the form of transfers to States. These transactions are recorded under the Major Heads 3601 and 3602. These transactions are not attributed to the functional heads. Mukherji Committee report explains this as follows:

"We considered the question whether the grants and loans paid by the Central Government to State and Union Territory Governments should be

classified under the various functional heads to which individual grants or loans related. For one thing there is quite a large amount of grants-in-aid and loans given to State and Union Territory Governments in 'block' form for State and Union Territory Plan Schemes are not related to any particular scheme. A functional distribution of these block grants and loans is not possible. Secondly, the exhibition of grant or loans paid to the State and Union Territory Governments under the functional heads in the Central Government accounts and the actual expenditure of the State and Union Territory Governments on the schemes/projects again under the same functional heads in their accounts would inflate the expenditure on a particular function when the expenditures of the Central and State and Union Territory Governments on that function are aggregated. We, therefore, recommend the retention of separate major heads for grants-in-aid to State Government, grants-in-aid to Union Territory Governments, loans and advances to State Governments and loans and advances to union Territory Governments so that while aggregating the total expenditure of Central, State and Union Territory Governments on a function, these transfers could be excluded." ²

2.12.10 A fall out of this approach is that even where it is possible to attribute transfers to functions or programmes, the classification structure does not permit it. Thus, the functional character of these transfers is lost. On one hand, there is loss of information on the purpose of these transfers. On the other hand, the information available for functional analysis of government expenditure is incomplete. Further, there is no mechanism to record and produce the State/UT wise break-up of transfers under the

² Para 3.14.5, Second Report of the Team on Reforms in the Structure of Budget and Accounts, Classification of Government Transactions in Accounts and Plan, Volume I

Major Heads 3601 and 3602. Also, the sub-classification under these heads has not kept pace with the changing pattern of plan assistance.

2.12.11 Resources devolved on States through direct Central assistance outside the State Consolidated Funds do not get reported in the State Finance Accounts. In the recent years the proportion of central assistance going to states through the society/SPV route has become significant. This central assistance does not feature in the state accounts, as it bypasses their consolidated funds. To that extent, the information contained in the state finance accounts remains incomplete. Questions have also been raised on the accountability aspect of this mode of fund devolution. Concerns have been raised that flow of funds directly to societies is leading to dilution of accountability and responsibility for utilization of public funds.

2.12.12 The present system fails to cater to the emerging special requirements such as gender budgeting, budgeting for SC/ST, North Eastern Region (NER), etc. There have also been suggestions that breakup of central transfers into constituent flows such as Finance Commission grants, Normal Central Assistance, Additional Central Assistance, Special Central Assistance, etc. should be available.

2.12.13 There have been suggestions that accounting classification should distinctly recognize the various categories of transfers, namely, (a) untied transfers, (b) grants for specific purposes against which states are not required to submit utilization certificates, and (c) advances for incurring expenditure that require submission of utilization certificates. Suggestion have also been made that the grants under Centrally Sponsored Schemes to

States and other sub-national implementing agencies be shown in the books of Union Government as 'Transfers' and not as 'Expenditure'.

2.12.14 Object Heads are not standardized. Presently, Central civil accounts use a set of 44 standard object heads. The non-civil departments of Defence, Railways, Post and Telecommunication have different object heads, which are designed to cater to their operational and budgetary control requirements. Similarly, each state follows its own list of object heads and wide variations can be observed from state to state. Many states use more than one level of object classification. For example, some states have sub-divided 'Salary' into 'Pay', 'Medical', 'HRA', 'LTC', 'Honorary', etc. for greater detail of information and tighter expenditure control.

2.12.15 For long there has been a need for convergence between the object heads used by the central ministries and some degree of standardization across the states. Lack of standardization of object heads has been seen as an impediment in good analysis of public expenditure. Concerns have also been expressed that the existing classification system does not facilitate generation of economic cum functional view of expenditures required for analytical purposes.

2.12.16 The need for standardization of object heads has also been reflected in the reports of the 12th and 13th Finance Commissions. The 12th Finance Commission while commenting on the lack of uniformity over the definition of revenue deficit, capital expenditures etc. by the states had recommended that instructions be issued for a uniform classification code for all states down to the object head. The 13th Finance commission further

re-enforced this thought stating that such uniform application would facilitate comparison across states while ensuring consistency.

2.12.17 Assets classification is obscure. Concerns have also been raised about the lack of detailed information on assets owned and held by the government. The GFRs require maintenance of asset registers by the administrative units but there is no mechanism to validate this information from the accounts.

2.12.18 The receipt classification needs review to accommodate changing pattern of non-tax revenues. While the classification of tax revenues is quite comprehensive, it has been felt that the non-tax revenues are not classified in sufficient detail. Some sources of revenues that have become significant in recent times remain uncaptured.

CHAPTER-3

THE CONCEPTUAL FRAMEWORK OF THE PROPOSED STRUCTURE

3.1 Classification of government expenditure is important for policy formulation and decision-making on sectoral allocation of funds, performance monitoring of various government programs and activities, establishment of accountability for budgetary compliance, and in the analysis of overall economic impact of government policies. It provides a normative framework for both policy decision-making and accountability.

3.2 Government budgetary transactions, both expenses and revenues, can be classified in a variety of ways. The choice of a budget classification system depends on the needs of the users, who generally want different pieces of information to help them make economic, social and political decisions. **It is universally recognized that no single scheme of classification can possibly satisfy the divergent information requirements for different classes of stakeholders. Most governments, therefore, classify their expenses on a set of different and mutually exclusive schemes of classification.**

3.3 Governments usually adopt multi-dimensional classification systems to cater to such diverse information requirements. Internationally, four dimensions have been essentially considered as well developed classification system. These are:

1. Classification by functions;
2. Classification by administrative units;
3. Economic Classification; and
4. Programme Classification.

3.4 Classification by functions (such as health, education, police, defence, communication etc.) categorizes transactions on the basis of broad purpose or objectives of expenditure. Functional view of expenditure is required for macro level policy formulation. Normally, it is the basis for resource allocation at the higher level. It also provides a base for historical analysis and cross-country comparisons of public spending.

3.5.1 Classification by administrative units is required to identify responsibilities for the main blocks of public expenditure and for day-to-day administration of the budget. This is achieved by relating expenditure to the Ministry, Department or the agency incurring the expenditure. Administrative classification helps in establishing accountability for utilization of financial resources and achievement of spending outcomes. Classification by organizations is also required for day-to-day administration of budget.

3.5.2 The administrative classification should facilitate distinction between the policy, strategic, and executive levels in the administrative hierarchy and the associated accountability structures. Usually, ministries are responsible for policy formulation and accountable to the legislature for the outcomes. Departments and other executive agencies are responsible for policy execution and service delivery. Being responsible for budget utilization and incurring of expenditure, these become important control points for budget execution and performance monitoring.

Box 2 : Principles of Classification

The task of any classification system is to identify basic similarities in government operations and organize individual transactions into relatively homogeneous categories. These categories can provide some meaningful information on the nature, composition and impact of these transactions. This categorization, thus, facilitates analysis of government operations. A sound budget classification system follows three fundamental principles of classification:

- **Homogeneity:** Each of the classification schemes should have a unique set of defining characteristics to which every transaction must comply;
- **Independence:** Each classification has defining characteristics that are different from, and independent of, the others; and
- **Comprehensiveness:** The definitions of each of the classification dimension are complete and comprehensive.

On the basis of these principles it is possible to classify transactions in a variety of ways clearly and unambiguously, without duplication, overlap or repetition.

3.5.3 The classification structure should clearly identify the level in the administrative hierarchy, such as the Ministries and Departments that are accountable to the legislature for the appropriations provided to them and the functional levels, such as the Divisions and agencies that are responsible for incurring the expenditure. The latter being responsible for execution of government policies and programs become important control points for budget execution and performance monitoring.

3.5.4 Very often, a close correspondence is seen between the government functions and its organizational structure, particularly at the top most level. Nevertheless, it is important to assign expenditures to the administrative formation responsible for incurring it.

3.6 Economic Classification identifies the various inputs going into government programs and activities. This is required for the purpose of costing. Inputs or objects of expenditure represent the nature, type and quantum of resources utilized (such as employee salaries, utilities, operating goods and services etc.) for achieving the program objectives and resources acquired (such as physical assets) by the government in the process. Classification of expenditure by inputs also provides the basic control framework for micro-level management of resources and budgetary control.

Box 3 : Expenditure Classification				
Classification		What it records		Why is it needed
	Functions	Why money is spent?	Purpose of spending	Policy-making and inter - sectoral allocation of funds
	Administrative	Who spends the money?	Accountability for spending	Accountability for use of public funds; performance evaluation of Government/ executive
	Economic	What is it spent on?	Nature of resources (goods, services etc.) acquired; what caused changes to public assets and liabilities	Economic impact of public spending; budget management
	Program	What are the objectives of the spending.	Activities and objectives for spending	Performance evaluation; Policy analysis
	Geographic	Where is it spent?	Location of the Administrative unit	Inter-regional comparison of spending

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	Sources of Financing	Who financed the spending?	Own revenues; external financing sources	Budget/fiscal analysis
	Beneficiaries	Who benefits from public spending?	Recipient of government transfers and subsidies	Policy planning and analysis; Greater transparency in operations

3.7 Classification by Programmes provides a base for translating government's policy objectives into physical targets and allocation of resources for the achievement of these targets. Programs are important means of achieving a government's social and economic objectives and often underline the political philosophy of the administration. A program could be defined as a set of activities that are required to achieve a defined objective. They are the most important tools for policy and political intervention and are, therefore, of equal concern to the legislature, the executive and the beneficiaries. Classification of expenditure by programs is also necessary for development of a outcome oriented budget.

3.8 Geographic classification classifies budget according to the politico-geographical subdivisions of the country, such as special areas/regions, the province, the municipality/city, and the village etc. Geographic classification provides useful analytical information for inter-regional comparison of government spending. It may be important to analyze how different parts of the country benefit from public spending - which areas receive more resources than others and how resources are applied in different geographic areas.

3.8.1 The geographic classification links budgetary allocations with the location of the people who would benefit from it or the province/district where the service would be provided. In other words, it records the location of the expenditure. However, it may not be practically possible to always ascertain and record the location of expenditure. A more practicable and often used option is to use the location of the administrative unit as a proxy. In cases involving transfer payments, such as subsidies, grants etc. the location of the recipient can be recorded.

3.8.2 It is important to standardize geographic classification, so that statistics relating to geographic areas can be collected on a variety of subjects and analyzed together. For example, financial statistics, such as budgetary allocations, could be compared with the developmental indicators, such as literacy level, life expectancy, etc. This would be difficult if different statistical systems use different geographic classification codes. A geographical-political sub-division, such as a district or a commune, should ideally be recognized by all statistical systems in the country by the same code, if comparability of cross-sectional data is to be achieved.

3.9 Classification by beneficiaries records the recipients of government transfer payments and subsidies. This segment provides useful information for policy analysis and if disclosed in public domain can also enhance transparency in government operations.

3.10 Classification by the sources of financing of government expenditures is used for making distinction between the regular budget

expenditure drawn from the government's own resources and expenditure met from the extra-budgetary funds. This distinction reflects two different aspects of governments' responsibilities, especially when extra-budgetary funds, created for specific purposes, have different governance structure than that of the central government's budget. In the present context, classification by sources of funding could be important for the State Governments for distinguishing between expenditures financed through different forms of Central Assistance, schemes financed by financial institutions etc.

CHAPTER-4

DEVELOPMENT OF A NEW CLASSIFICATION STRUCTURE

4.1 At the outset, the Committee discussed whether its objectives could be achieved with modifications to the existing classification system or the existing system would need replacement. The Committee considered it important to set out the fundamental principles and higher level philosophical approach to classification before undertaking the detailed work.

4.2 The Committee took note of the international practices in budget and accounting classification and recognized that proper use of IT tools should make it possible to present a cross section of views of budget and expenditures to a variety of stakeholders, including researchers, citizens, departments and organizations etc. It is, therefore, imperative that the classification system is capable of harnessing the potential offered by the modern information technology (IT). The Committee also recognized the need to provide some flexibility to the states for accommodating their requirements.

4.3 The Committee recognized that the need for distinction between macro and micro level information requirements. The classification system should be comprehensive enough to capture the entire range of elements. The fact that different elements of classification would have different utility and application should be kept in view designing the micro and macro level presentations of budget. The budget presentation would be simplified if the Detailed Demands for Grant include only those elements that are necessary for budget management in the ministries. Elements serving the purpose of

higher level budget analysis may be excluded from the main budget line. However, the Committee recognised the importance of these elements in the overall system and it is envisaged that, if required, these elements could be derived from the elements proposed to be used in the budget line.

4.4 An analysis of the existing account code directory maintained by the Controller General of Accounts was undertaken to identify similarities and anomalies in the codes. Several deviations from the norms were noticed. Notably, sub-heads and detailed heads do not always represent schemes and sub-schemes. At times, administrative units, such as departments, sub-ordinate office, and other public and non-public bodies such as PSUs, Autonomous Bodies etc. have been classified at these levels. While the former are part of the administrative structure of the Government, the latter are external agencies that directly receive public funds. Budget provisions targeted to meet special requirements such as development of NER, expenditures benefit a particular community or sections of the society etc. are also often explicitly recognized using separate functional heads.

4.5 This analysis also showed that it should be possible to ascribe each of the existing entries in the account code directory to one or more of the following fundamental elements of classification:

- Administrative Unit
- Function
- Programme and Scheme
- Recipient or External Entity receiving public funds
- Target or Special policy thrust area of expenditure
- Economic nature
- Geography

The Committee, therefore, looked to rationalize and reorganize the existing account code classification into a new multi-segment structure,

each segment representing a separate logical dimension. This approach is expected to help systematize organization and presentation of information into comprehensive, homogeneous, independent attributes.

4.6 The proposed classification framework has seven mutually exclusive segments with their own individual hierarchical structures [Table 1].

Table-1

Administrative Segment		Function segment		Programme cum Scheme segment		Recipient segment		Targets segment		Economic segment		Geographic segment	
Ministry	2	Major Heads	4	Programme	3	Type	2	Target Code	3	Category	1	States	2
Department	1	Sub-Major Heads	2	Scheme Type	1	Name	6			Sub Category	1	Special Areas/Region	2
Offices	2			Receipts/Schemes	4					Object	1	Districts	2
				Sub-Scheme	2							Urban/Rural Local Bodies	8

4.6.1 The proposed seven segment structure would allow capturing of almost the entire spectrum of data attributes on public financial operations and would facilitate financial reporting in a variety of ways for meeting information requirements of different stakeholders. The mutually exclusive nature of the segments means that the various constituents of the system are standardized. Each item is classified only once in the system and is identifiable with a unique code.

4.6.2 The seven segment structure proposed in this report is intended for application in both Union and State Governments. While some parts of the framework would be specific to the Centre or State government, others would be commonly applicable to both centre and the states. Standardization of codes for such elements would be important for exchange of information between the centre and the states [and between States and local governments].

4.7 The multi-dimensional structure of the framework and the mutually exclusive nature of its constituent segments give the flexibility to the states to expand it horizontally as well as vertically. States would be free to add more levels below any of the proposed seven segments to capture finer details and/or add more segments to record any other attribute considered important for local requirements. They will not be constrained by the boundaries of the proposed seven segment structure. However, the Committee considers the proposed framework comprehensive enough to meet majority of their requirements.

A brief description of each of the proposed segments follows.

4.8 Administrative Segment

4.8.1 At present, there is no system of uniformly attributing expenditures to administrative units responsible for budget execution and achievement of intended results. Budgets are allocated to functions and programmes. The administrative accountability is only for the aggregate provisions in the Demands for Grants. Budget entities within the Ministries are not uniformly recognized. The proposed administrative segment would strengthen the accountability arrangements for public

spending by clearly identifying the administrative responsibility for expenditures.

4.8.2 This segment has been designed to capture the organizational structures at the national level. The structure provides for capturing three tiers of the administrative hierarchy. The first tier would capture the Ministry; Departments within the Ministry would be captured at the second tier; and the third tier would capture the subordinate and attached offices within the Ministry/Department. These lower level units to be classified as 'Offices' are typically organic budget entities responsible for execution of their allocated budget. These are distinctly identifiable independent budget holders in the ministries. Many such entities are presently recognized at the sub-head and detailed head levels. A standard entry in this list would be 'Secretariat'. A five digit code is proposed for administrative classification - two digits to classify ministries, one digit for the departments, and two more digits for the budget holders.

Table 2 : Illustrative Administrative Classification					
Ministry		Department		Office	
31	Ministry of Personnel, Public Grievances And Pensions	311	Department Of Personnel & Training	31101	Secretariat
				31102	Central Administrative Tribunal
				31103	Staff Selection Commission
				31104	Central Bureau Of Investigation

Table 2 : Illustrative Administrative Classification					
Ministry		Department		Office	
				31105	Interpol And Coordination Wing
				31106	Lal Bahadur Shastry National Academy Of Administration
				31107	Institute Of Secretariat Training And Management
				31108	Central Vigilance Commission
				31109	Public Enterprises Selection Board
				31110	Central Information Commission
		312	Department of Pension & Pensioners Welfare	31201	Secretariat
		313	Administrative Reforms Wing	31301	Secretariat

4.8.3 Administrative segment is entity specific, as administrative arrangements may vary from state to state. States should, therefore, have the flexibility to code and recognize their respective administrative structures. Although, the proposed three-tier structure of this segment is likely to serve state governments equally well, they could be given the freedom to add or drop a level to tailor this segment to their specific organizational structures and information requirements. For the sake of

uniformity it would, however, be useful if all states adopt a uniform structure for this segment.

4.9 Function Segment

4.9.1 As in the existing system, the proposed Function segment has two levels to represent Head of Development and sub-Head of Development. Two levels of functional classification is considered sufficient for catering to the information requirements for analysis of the budget with reasonable degree of detail. Six digits have been provided for the Function segment - first four (Major Head) to classify Head of Development and the next two (Sub-major) to classify sub-head of Development. Now that the Function is an independent segment, the existing system of replicating the block of functions under receipts, revenue, capital, and loans sections would no longer be required.

4.9.2 Several expert bodies have commented on the dilution of the functional character of the account heads and its diminishing utility as a tool for macro level planning and sectoral analysis. The Committee has undertaken a complete review of the existing account heads with a view to align it with the Head of Development classification used by the Planning Commission and standard international functional classification systems such as Classification of the Functions of Government (COFOG).

4.9.3 The list of Major Head and sub- major Head being proposed here would commonly apply to both Centre and the States just as the present list of Major and Sub-Major Heads does. This list would set the basic framework for higher level budgeting and reporting of accounting information.

4.10 Programme cum Scheme Segment

4.10.1 The Programme cum Scheme segment has four levels to classify programmes, Schemes and sub-schemes of Government with standard codes for each of them. A programme has a three digit code and could be defined as a set of activities/schemes that are required to achieve a defined objective. Accordingly, a standard list of programmes along with the suitable schemes and sub-schemes fitted under them would be developed by the Budget Division, Ministry of Finance and the Planning Commission. The list of programmes along with their codes indicated shall be superimposed on the scheme/sub-schemes. If a scheme/sub-scheme does not fall under the category of any programme, it will be placed under the programme code '000'.

Below the programmes, the category of scheme has three levels - first tier to classify scheme type [1 digit code] to group schemes into homogeneous categories, such as Central Plan, Centrally Sponsored Schemes (CSS), State Plan, ACA, NCA, SCA, EAP, Finance Commission, Non-Plan etc [Table 3], and two tiers to classify schemes [4 digit code] and sub-schemes [2 digit code]. The scheme segment would also be used to classify Receipt Items, Non-Plan expenditures [identifiable with the scheme type code] and Public Account Transactions.

Table 3 : Scheme Types	
Code	Description
0	Receipts
1	Central Sector Schemes
2	Centrally Sponsored Scheme
3	Central Assistance to State Plan Schemes [State Plan Schemes implemented with Central Assistance]
4	State Plan Scheme

5	Other State Plan Scheme
6	*
7	*
8	Non Plan
9	Public Account Transactions

* These two Codes can be used to identify any other type of Schemes implemented by Central or State Government.

4.10.2 The main feature of the proposed Programme cum Scheme classification is that it standardizes Programme and Scheme codes. This is in recognition of the significance attached to Programmes/Schemes as the primary unit of resource allocation and monitoring by the Planning Commission. Plan budgets are usually allocated and monitored by schemes.

4.10.3 One of the major shortcomings of the existing system of classification has been that the plan schemes do not have one-to-one correspondence with the accounting heads. Provisions under a plan scheme are usually broken into different Major heads depending on the nature of expenditure. Also, there is no uniformity in classification and coding of plan schemes across Major Heads. The proposed structure is expected to overcome these deficiencies.

4.10.4 The proposed coding structure provides for a unique four digit code to be assigned to schemes. This would be sufficient to classify 10,000 schemes under each category. It may be possible that some schemes fall under more than one category. In that case, they would preserve their uniqueness by retaining the same code under all categories. The codes for the central schemes would be standardized, i.e. the state budgets would also recognize these schemes with the same

codes. States would be free to codify and recognize state specific schemes within the given framework.

4.10.5 This standardization would facilitate linking expenditure under a Programme and schemes across different levels of administration and establishing trails from the Union Government to the lowest level, which would be particularly useful in case of multi-layered transfers. The block for the state plan would be left to the state governments to codify their own schemes. The mutually exclusive nature of this segment would ensure that allocations under a scheme are no longer scattered under different sections of the budget. It would be possible to show the entire allocation under a Programme and scheme at one place in the Detailed Demands for Grant (DDG).

Table 4 : Illustrative Scheme Classification					
Type		Scheme		Sub-Scheme	
8	Non-Plan	81001	Direction & Administration	01	General Administration
		80002	Repairs and Maintenance		
		81003	Transfer to Reserve Funds		
1	Central Plan	11163	Propagation of Right To Information Act	01	Strengthening, Capacity Building & Awareness Generation
				02	Assistance for Construction of Office Buildings to SICs
		11159	Scheme For Administrative Reforms		
	CSS	20061	Consultancy, Training and Research	01	Technical Studies Consultancies

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Table 4 : Illustrative Scheme Classification					
Type		Scheme		Sub-Scheme	
				02	Training and Awareness of Negotiable Warehouse Receipts
		20063	Food Subsidy	01	Subsidy payable to Food Corporation of India and others on food grains transactions
				02	Subsidies Payable for settlement of claims on Account of Refixation of Ex - factory Price Levy Sugar for 1974 -75
				03	Sugar subsidy payable to FCI and others on account of levy sugar, import of sugar etc .
		20064	Contribution to International Sugar Council		
		20067	Grants-in-aid for Development of Sugar Industry		

4.10.6 The scheme category is also used for codification of receipt and public account heads. These heads will be commonly recognized by both Centre and the States.

4.11 Recipient Segment

4.11.1 This segment is proposed to recognize the external agencies and entities that receive public funds as instruments and channels of public policy delivery. At the national level, such entities would include sub-national governments and other public and private agencies. This segment will be used only in the case of transfer payments such as subsidies, grants, contributions, investments, loans etc. Other expenditures would carry zeros for this segment.

4.11.2 It must be clarified that this segment is not intended to capture final beneficiaries. It has been proposed with the objective of bringing in standardization in the codification of major recipients of public funds. Many of these recipients are recognized even in the present budget classification but are not uniformly coded. Recipients such as PSUs, autonomous bodies etc. are usually recognized at the Detailed Head level in the DDGs and assigned different codes under different schemes and departments.

4.11.3 A six digit code is proposed for classification of such entities. It would enable recognition and listing of ten lakh such bodies. Recipients are grouped into homogenous categories such as PSUs, Autonomous Bodies, Financial Institutions, Municipalities, Cooperatives, etc. using a two digit Recipient Type code. For the present, the Committee has identified a list of 23 standard recipient types [Table 4]. These recipient types would be common to both Centre and the States. Each States and UT would be given standard code. Further, State and UT Governments are free to use their own codes of recipients under various categories.

4.11.4 The recipient units for the types '10' to '24' have been indentified and suitable codes have been given to each of them. The units under the type '25'- Private Institution '26'- Individual cannot be standardized due to their nature. Regarding the codification of recipient units falling under the recipient type '01' to '09', the committee proposes that codes for these categories must be standardized across Central & State/UT Governments and uniformly adopted by all Ministries/Departments /State and UT Governments under their schemes and IT softwares. This is intended to capture the transfer payments to these entities uniquely across national and sub national governments.

Table 5 : Recipient Types	
Code	Description
01	State Governments
02	UT Governments
03	District Councils
04	Municipal Corporations
05	Municipal Councils
06	Nagar Panchayats
07	Zila Parishads
08	Block Panchayats
09	Gram Panchayats
10	Autonomous Bodies
11	Regulatory Bodies
12	Universities

Table 5 : Recipient Types	
Code	Description
13	Schools
14	Other Educational Institutions
15	Sports Bodies
16	Hospitals
17	Other Parastatal Bodies
18	PSUs
19	Banks
20	Other Financial Institutions
21	Co-operatives
22	NGOs
23	Foreign Governments
24	International Bodies
25	Private Institutions
26	Individuals

4.11.5 The main benefit of using this segment is that it would make it possible to assign unique codes to each such entity and bring in uniformity in their identification by the system. With the standardization of coding, it should be possible to extract and compile information on allocations/ transfer of resources to each such agency under different government schemes and heads. It would also facilitate tracking of flow of funds under a scheme from one level to another.

4.11.6 The Committee recognizes that in certain cases, particularly in the case of transfers to state governments, budget provisions are unlikely to be made recipient wise, as such detailed information may not be available at the budgeting stage. Such a situation can be handled by using a generic recipient code in the budget. The list of recipients will have entries for each of the state and UT governments. In addition to this, it is suggested to include a separate entry 'State Governments'. This head may be used for classification of lump sum provisions for state governments in the budget. The code for the specific state(s) may be assigned at the time of release of funds and captured in accounts. This method should be used only in cases where the state-wise provisions cannot be made in the budget. Other cases of subsidies and transfers in which information on the likely recipients is not available at the budgeting stage can also be handled in a similar manner.

4.12 Segment for Targeted Expenditure

4.12.1 This segment would be used to identify expenditures targeted at special policy objectives. At present at least four such requirements are identified:

1. Women Centric (WC) expenditures,
2. Expenditures targeted at development of Schedule Castes (SC),
3. Expenditures targeted at development of Schedule Tribes (ST), and
4. Expenditure targeted at Below Poverty Line (BPL) population.

It is possible to attribute an item of expenditure to one or more of the targets, e.g. women centric expenditure in hill areas or expenditure on Tribal Women. The coding system for this segment has to provide for such instances. Many combinations of these five targets are possible to be used to

identify an item of expenditure. Some of these combinations may not be existent. A three digit code has been provided for this segment to provide for some scope for future expansion. This code will be attached only to targeted expenditures. Other expenditures would carry zeros for this segment.

4.12.2 There were suggestions to include a few more such as 'Physically Challenged', 'Disabled', 'Freedom Fighters', etc. A major constraint in expanding this segment will be availability of precise and consistent information at the budget formulation or accounting stages. It is felt that all accounting information should have explicit link with the budgetary allocation. Typically, a segment like this is used to flag expenditure incurred on poverty reduction. The Committee is of the view that this list should contain only select larger policy thrust areas. Further expansion of this list might make it cumbersome to maintain. Besides, these categories [viz. Physically challenged, Disabled etc.] are likely to be the subject of specific Schemes themselves and could be captured at that level.

4.12.3 These targets have been given standard codes, which would be used by both centre and all the states in the same form.

4.13 Economic Segment

4.13.1 The object classification is currently applied only to expenditure transactions. Receipt and Public Account heads do not use object codes. The Committee recommends developing object classification into a proper financial classification. A three tier structure has been proposed for this segment. At the top, transactions are classified into the following five categories:

1. Revenue Receipts
2. Capital Receipts
3. Recurrent Expenditures
4. Capital Expenditures
5. Liabilities

4.13.2 Categories have been divided into Sub-Categories and Objects representing lower level economic classification. Three digits have been suggested for codification of this segment.

4.13.3 The list of objects has been expanded. Changes are suggested mainly in the portion dealing with the capital expenditure. Presently, the classification of assets is limited in its scope. There are only three heads, namely 'Motor Vehicles', 'Machinery & Equipment', and 'Major Works', to classify all expenditures leading to creation of non-financial assets. 'Major Works' is a generic head used to record expenditures on all types of buildings and structures, including the infrastructure such as roads, bridges, irrigation projects, etc. This classification is considered inadequate, as it fails to capture important information on the type of assets created.

Table 6 : Illustrative Economic Classification					
Category		Sub-Category		Object	
3	Recurrent Expenditure	31	Employee Compensation	311	Salaries
				312	Wages
				313	Overtime Allowance
				314	Rewards
				315	Medical Treatment

		32	Pension & Other Retirement Benefits	321	Pension Contribution
				322	Pensionary Charges
		33	Travel Expenses	331	Domestic Travel Expenses
				332	Foreign Travel Expenses

4.13.4 The expanded list of objects would be expected to provide better recording and control of government assets. It would facilitate development of an integrated asset tracking system. The revised list of objects would also enable presentation of better quality information on assets in fulfillment of the requirements under the Fiscal Responsibility and Budget Management (FRBM) Act, 2003.

4.13.5 The proposed object classification is consistent with IMF GFS Manual 2001. It is tailored to the present cash based accounting and budgeting system and it would facilitate better reporting of GFS data within this system. The classification has the potential to accommodate additional heads required for migration to the accrual system. The transition to accrual system of accounting, as and when decided by the Union and individual State Governments, would not require any structural change in the classification system.

4.13.6 The Committee recommends shifting Parliamentary/ Legislative budgetary control from Objects to Sub-categories. It is suggested that the budgetary allocation in the Detailed Demand for Grants, monitoring, and control may be done at the Sub-category level, while the accounting may continue to capture the details at the object level. This change would provide greater flexibility to the ministries in budget management and result in overall efficiency gains in budget execution. The ministries will continue to have the detailed object level information available to them for

micro management and control. This approach essentially distinguishes the macro and micro level control requirements. As the control framework evolves towards greater managerial accountability, centralized control will be expected to be relaxed and gradually shifted to broad input categories [before eventual migration to an output based framework]. An analysis of the object-wise expenditure of the Union civil Ministries would validate this approach.

4.13.7 The need to have convergence between the different sets of object classification has been well recognized. Successive Finance Commissions have recommended standardization of object heads between centre and the states. The Committee is of the view that the list of objects suggested here could be commonly applied to the Central Civil Ministries and all State/UT governments. Ministries of Defence, Railways, and P&T may adopt at least the top two tiers. Enough room has been provided to the states and Ministries of Defence, Railways, Post & Telecommunication to add more objects within the proposed third tier and / or add another tier below it for their specific control requirements.

4.14 Geographic Segment

4.14.1 The Geographic segment has five tiers to capture the geographic location of expenditure. It would classify expenditure by the politico-geographical divisions of the country. The Committee suggests adopting the classification of land regions used by the Registrar General for the purpose of census. This classification identifies the categories such as special areas/regions, states, districts and towns/villages. Special areas/regions, States and districts are recognized by 2 digit codes each. Towns and villages have been given 8 digit unique code.

4.14.2 Ideally, this segment should record the location of expenditure. This information may not be available on a consistent basis. As a proxy, therefore, location of the administrative unit responsible for incurring the

expenditure may be recorded in the geographic classification. In case of transfer payments, location of the recipients may be recorded.

4.15 Budget Presentation

4.15.1 The multi-dimensional nature of the proposed classification framework allows some flexibility in budget presentation. Budget can be presented in a variety of ways using appropriate combinations of the seven segments. However, the Committee is of the view that the higher level budget presentation in the AFS, Demands for Grants, and Expenditure Budget Vol. II could continue in the existing format. There is no need to disturb the formats of these documents that are well established and serving their respective intended objectives. The content of these documents would, however, have to follow the revised list of accounting heads being proposed with this report. The AFS and the Demands for Grants, which are presented Major Head wise, would follow the new list of functions. Specimens for these documents using the revised list of accounting heads are indicated at Annex 'B' and 'C'. Expenditure Budget Vol. II would be presented by the new set of schemes.

4.15.2 Application of the proposed framework would require changes in the way Detailed Demand for Grants are presented. For this purpose, the Committee recommends using seven attributes - Administrative Unit, Functions and Sub-functions, Programme/Scheme, Object, Recipient, Targets and Geography. A typical budget line could be a combination of the codes for office, Functions and Sub-functions, Programme, Scheme & Sub-scheme, and sub-category [Table 7]. Recipient, target, and geographical codes could be added in relevant cases - recipient code for transfer payments and target code for targeted expenditure. Geographical codes, in the budget line, shall be used for making allocations for specific politico-geographical areas such as North East Region,

Bundelkhand, Bodoland, Gorkhaland etc.. It is important to mention that the State/UT Governments receiving grants/transfer payments are captured through the recipient codes

Table 7 : Schematic Representation of the Budget Line								
	Adminis- trative Segment	Function/ Sub- Function	Programme cum Scheme Segment		Recip- ient Segment	Target Segment	Geographical Segment	Econ- omic Segment
Attributes	Office		Scheme	Sub- Scheme	Recip- ient	Target	Special area/Region	Sub- Category
Code Length (Digits)	5	4/ 2	5	2	5	3	2	2
Illustration								
Ministry of ABC	71							
Department of XYZ	711							
Secretariat	71100							
Establish- ment			00001	00				
Employee Compensati on					00000	000		30
Pension & Other Retirement Benefits					00000	000		32
Travel					00000	000		33
Scheme A			10016	00				

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Subsidies					00026	000		40
Loans & Advances					00026	000		54
Scheme B			10017	01				
Grants-in-Aid					00001	001		42
Infrastructure Assets					00000	001		51

because these geographical entities receive these money by virtue of their acting as channels of public policy delivery and not as a geographical region. Besides, the Geographical segment could also be used to capture the location of an item of expenditure.

4.15.3 In effect, the DDG would present allocations for each administrative unit showing breakdown into establishment related provisions and allocations for the schemes. The entire provision under a scheme could be presented together at one place. Segregation into revenue and capital could be achieved on the basis of the Object classification. In this manner, the total code length of the budget line would add up to 24 digits. The Plan-Non Plan and Voted-Charged distribution could continue to be shown as at present.

4.16 The Committee has developed a document named as "The Compendium of Accounting Classification Codes" will replace the existing List of Major and Minor Heads of Accounts of Union and State. It has nine sections; Section I contains General Directions for the proposed structure, Section II contains the list of Major, sub-Major and Scheme Heads, Section III to IX contains the Programme Codes, list of Schemes, Administrative, Recipients, Object (Economic), Target and Geographical Codes.

CHAPTER 5

IMPLEMENTATION

5.1 Timing

5.1.1 The recommendations made in the preceding chapter involve changes in the existing structure of budgeting and accounting classifications at all levels. Advantages of the proposed structure as a tool to management shall be visible if the same is implemented in its entirety by the Central, State and UT Governments. Considering the potential advantages of a multi dimensional accounting classification for Public Financial Management, the Committee recommends that all efforts be made for the implementation of revised structure w.e.f. the year 2013-14. This will not be a very arduous task as the Planning Commission has already vetted all the Major/ Sub-major Heads used in the proposed structure. Besides, all the Plan and non-Plan Schemes featuring in the detailed demands for grants of all Civil Ministries have been analysed and coded with standard codes and nomenclature. Detailed consultation with Central Plan Scheme Monitoring System (CPSMS) and various Administrative Ministries were done to define the nomenclature of all Plan and non-Plan Schemes. Efforts were made to ensure that the nomenclature clearly indicates the nature/purpose and character of the schemes. As a result there is no divergence between the existing plan classification and the accounts classification proposed by the Committee.

5.1.2 Planning Commission, in the has indicated that the list of functions and sub-functions (Major Heads and Sub-major Heads) is being revised internally. Taking into account the views of Planning Commission, the Committee proposes that the final list of functions and sub-functions

(Major Heads and Sub-major Heads) indicated by Planning Commission could be incorporated in the Compendium of Accounting Classification Codes before notification.

5.1.3 The Accounting Heads of Ministry of Defence were especially studied in depth by the Committee considering the divergence between their codes below Minor Heads and that used by other Civil Ministries. Detail discussions were held with Secretary, Defence Finance and Officers of Finance Wing of all Forces and Departments under Ministry of Defence. Ministry of Defence has suggested a broad framework but has indicated that it may be referred by the committee as a tentative plan. They have stated that the broad framework would be discussed internally and refined further. The committee proposes that the final views of Ministry of Defence could be incorporated before notification as sufficient scope has been left open in the proposed structure to incorporate the outcome of the said exercise.

5.1.4 In respect of Ministry of Railways, the existing Major, Sub-major and Minor Heads as indicated in the LMMHA have been retained. Ministry of Railways did not send their feedback/comments on the proposed structure to the committee at any stage of its working.

5.1.5 Extensive consultation has been done with Department of Posts and Department of Telecommunications. Both the departments have given their suggestions which have been examined in detail and necessary amendments carried out in the proposed structure.

5.2 Suggestions for Action

5.2.1 If the proposed structure is to be implemented from 2013-14 huge efforts on war footing are required on the part of Central and State

Government. To begin with, Ministry of Finance may examine the report formulate their views early so that the Controller General of Accounts can seek advice of the Comptroller & Auditor General in accordance with Article 150 of the Constitution for consideration and issue of necessary orders in time.

5.2.2 Customization of IT Systems : Use of the proposed multi dimensional structure could be possible only due to data processing ability available in the wake of recent Information Technology advancement. Accordingly, the Committee recommends customisation of existing business transaction system of budgeting and accounting in all State and Central Governments in consultation with NIC and other such agencies for smooth transitions to revised classification structure.

5.2.3 Recasting of Detailed Demand for Grants (DDG), Demand for Grants and Annual accounts: As the proposed structure involve changes in the existing structure of accounting classification as well as of the budget line, it is essential that the DDGs and the Demand for Grants of all Central Ministries, State/UTs Governments are recast under the revised Heads of Accounts. Besides, it is also necessary that O/o CGA and O/o C&AG recast the accounts of Union governments and State Governments for the year 2011-12 and 2012-13 under the revised Heads of Accounts so that the figures of actual expenditure under the revised Heads of Accounts are ready to be incorporated in the budget for 2013-14. It would be worthwhile if the O/o CGA and O/o C&AG prepare a dummy set of amounts under the revised classification for the year 2012-13 and circulate the same to the budget division, Ministry of Finance and State budget estimating authorities respectively.

5.2.4 The Committee recommends shifting Parliamentary/Legislative budgetary control from Objects to Sub-categories. It is suggested that the budgetary allocation in the Detailed Demand for Grants, monitoring, and control may be done at the Sub-category level, while the accounting may continue to capture the details at the object level. This change would provide greater flexibility to the ministries in budget management and result in overall efficiency gains in budget execution. The ministries will continue to have the detailed object level information available to them for micro management and control. This approach essentially distinguishes the macro and micro level control requirements. As the control framework evolves towards greater managerial accountability, centralized control will be expected to be relaxed and gradually shifted to broad input categories [before eventual migration to an output based framework]. An analysis of the object-wise expenditure of the Union civil Ministries would validate this approach.

5.2.5 The benefit of such arrangement is that the different set of object Heads used by some Ministries such as Ministry of Defence and Ministry of Railways can be covered in the higher level reporting if they are suitably mapped under relevant higher level Economic categories of the proposed economic classification.

5.2.6 Creation of a special cell in the O/o Controller General of Accounts: It is necessary to have a cell headed by an officer of the level of Deputy CGA in the O/o CGA to function as a nodal office to co-ordinate with all Central Ministries and State/UT Governments to facilitate smooth transition to the proposed classifications structure after the orders prescribing the revised classification structure and Heads of Accounts are issued. This cell may have suitable numbers of officers and staff required for dealing with all questions/queries that may arise in regard to the implementation of the proposed classification framework.

5.2.7 Transfer of Balances: Since, the Heads of Accounts pertaining to Public Debt Loans, Inter State settlement and Public Account Division have also undergone changes; the existing balances under each of these heads need to be transferred under the revised heads of accounts in order to carry them forward. The Committee recommends that this action is taken immediately after the orders prescribing the proposed Classification structure are issued.

5.2.8 Updation of the List of Schemes (Receipts, Expenditure & Public Account), Administrative Unit and Recipients: The list of Schemes reflected in the Compendium of the Accounting Classification Codes has been prepared based on the Scheme list of Central Plan Scheme Monitoring System (CPSMS) and inputs from Detailed Demand for Grants (DDGs) of all civil Ministries. Due care has been taken to make the list correct and updated as far as possible. However, it is envisaged that a fresh exercise of consulting all Civil and non-civil Ministries shall be undertaken, before the new proposed structure is notified, to ensure that the final list is updated and polished. While doing so, the final views of Planning Commission, Ministry of Defence etc. may also be taken into consideration as indicated in para 5.1.2 to 5.1.5.

5.2.9 Training : The Proposed Accounts and Budget classification structure shall be handled by various levels of Governance namely the administrative departments, the accounting organisation of Ministries, Budget Division, Ministry of Finance, O/o CGA and the O/o Accountant General, State Finance/Budget Departments etc. Accordingly, it is essential to chalk out a comprehensive training programme for Officers and Staff in all Department and Offices under the Central and State Governments. As it is not feasible to cover all the officers and staff through a centralized approach, the Committee recommends that O/o CGA in coordination with O/o C&AG and O/o Accountant Generals may arrange training workshops at Delhi and in various State/UTs.

CHAPTER 6

RECOMMENDATIONS

6.1 It is universally recognized that no single scheme of classification can possibly satisfy the divergent information requirements for different classes of stakeholders. Most governments, therefore, classify their expenses on a set of different and mutually exclusive schemes. The Committee, therefore, recommends rationalizing and reorganizing the existing account code classification into a new multi-segment structure, each segment representing a separate logical dimension. This approach is expected to help systematize organization and presentation of information into comprehensive, homogeneous, independent attributes. The proposed classification framework has eight mutually exclusive segments with their own individual hierarchical structures. The eight segments are:

- Function
- Programme
- Scheme
- Administrative Unit
- Recipient or External Entity receiving public funds
- Economic nature
- Target or Special policy thrust area of expenditure
- Geography

6.2 The eight segment structure proposed in this report is intended for application in both Union and State Governments. While some parts of the framework would be specific to the Centre or State government, others

would be commonly applicable to both centre and the states. Standardization of codes for such elements would be important for exchange of information between the centre and the states [and between States and local governments].

6.3 The Committee recommends that the codes for the central schemes would be standardized and the state budgets would also recognize these schemes with the same codes. States would be free to codify and recognize state specific schemes within the given framework. This standardization would facilitate linking expenditure under a scheme across different levels of administration and establishing trails from the Union Government to the lowest level, which would be particularly useful in case of multi-layered transfers. The block for the state plan would be left to the state governments to codify their own schemes. The mutually exclusive nature of this segment would ensure that allocations under a scheme are no longer scattered under different sections of the budget. It would be possible to show the entire allocation under a scheme at one place in the Detailed Demands for Grant (DDG).

6.4 The Committee recommends developing object classification into a proper financial classification. A three tier structure has been proposed for this segment. At the top, transactions are classified into the following five categories:

1. Revenue Receipts
2. Capital Receipts
3. Recurrent Expenditures
4. Capital Expenditures
5. Liabilities

Categories have been divided into Sub-Categories and Objects representing lower level economic classification. Three digits have been suggested for codification of this segment. The list of objects has been expanded. Changes are suggested mainly in the portion dealing with the capital expenditure.

6.5 The Committee recommends shifting Parliamentary/Legislative budgetary control from Objects to Sub-categories. It is suggested that the budgetary allocation in the Detailed Demand for Grants, monitoring, and control may be done at the Sub-category level, while the accounting may continue to capture the details at the object level. This change would provide greater flexibility to the ministries in budget management and result in overall efficiency gains in budget execution. The ministries will continue to have the detailed object level information available to them for micro management and control. This approach essentially distinguishes the macro and micro level control requirements. As the control framework evolves towards greater managerial accountability, centralized control will be expected to be relaxed and gradually shifted to broad input categories [before eventual migration to an output based framework]. An analysis of the object-wise expenditure of the Union civil Ministries would validate this approach.

6.6 The Committee recommends that Budget can be presented in a variety of ways using appropriate combinations of the seven segments. The higher level budget presentation in the AFS, Demands for Grants, and Expenditure Budget Vol. II could continue in the existing format. There is no need to disturb the formats of these documents that are well established

and serving their respective intended objectives. The content of these documents would, however, have to follow the revised list of accounting heads being proposed with this report. The AFS and the Demands for Grants, which are presented Major Head wise, would follow the new list of Major Heads. Expenditure Budget Vol. II would be presented by the new set of schemes.

6.7 Application of the proposed framework would require changes in the way Detailed Demand for Grants are presented. For this purpose, the Committee recommends using seven attributes - Administrative Unit, Functions / Sub-functions, Programme / Scheme, Recipient, geographical area/region, Targets and Object. A typical budget line could be a combination of the codes for office, programme/scheme & sub-scheme, and sub-category. Recipient and target codes could be added only in relevant cases - recipient code for transfer payments and target code for targeted expenditure.

6.8 The Committee recommends that the DDG would present allocations for each administrative unit showing breakdown into establishment related provisions and allocations for the schemes. The entire provision under a scheme could be presented together at one place. Segregation into revenue and capital could be achieved on the basis of the Object classification. In this manner, the total code length of the budget line would add up to 24 digits. The Plan-Non Plan and Voted-Charged distinction could continue to be shown as at present.


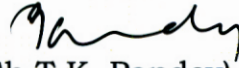




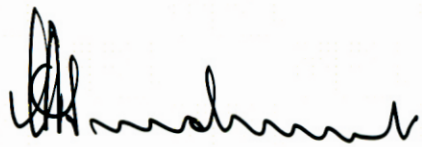
6.9 The Committee recommends customisation of existing business transaction system of budgeting and accounting in all State and Central Governments in consultation with NIC and other such agencies for smooth transitions to revised classification structure.

6.10 The Committee recommends creation of a special cell in the O/o Controller General of Accounts headed by an officer of the level of Deputy CGA to function as a nodal office to co-ordinate with all Central Ministries and State/UT Governments to facilitate smooth transition to the proposed classifications structure after the orders prescribing the revised classification structure and Heads of Accounts are issued. This cell may have suitable numbers of officers and staff required for dealing with all questions/queries that may arise in regard to the implementation of the proposed classification framework.

6.11 The Committee recommends that O/o CGA in coordination with O/o C&AG and O/o Accountant Generals may arrange training workshops at Delhi and in various State/UTs for smooth adoption of the proposed structure by all stakeholders.

6.12 The Committee has developed a document named as "The Compendium of Accounting Classification Codes" which will replace the existing List of Major and Minor Heads of Accounts of Union and State. It has nine sections; Section I contains General Directions for the proposed structure, Section II contains the list of Major, Sub-major and Scheme

Heads, Section III to IX contains the Programme Codes, list of Schemes, Administrative, Recipients, Object (Economic), Target and Geographical Codes.

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** Principal Finance Secretary, Government of Maharashtra or his representative did not attend any meeting of the Committee.

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