

SIMPLIFIED ACCOUNTING SYSTEM FOR PRIs

***SIMPLIFIED
LIST OF
CODES FOR FUNCTIONS, PROGRAMMES & ACTIVITIES OF
PANCHAYATI RAJ INSTITUTIONS***

**COMPTROLLER AND AUDITOR GENERAL OF INDIA
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**SIMPLIFIED
LIST OF
CODES FOR FUNCTIONS, SCHEMES & ACTIVITIES OF PANCHAYATI
RAJ INSTITUTIONS**

**PART I
PANCHAYAT FUND**

Revenue Section

RECEIPTS

Tax Receipts

MAJOR HEAD		MINOR HEAD		OBJECT HEAD	
0028	<i>Taxes on Professions, Trades, Callings and Employment</i>	101	Profession Tax		
		102	Trade Tax		
0029	<i>Land Revenue</i>	101	Land Revenue		
		102	Land Tax		
		103	Taxes on Plantations		
0030	<i>Duty on transfer of immovable property</i>	101	Duty on transfer by sale		
		102	Duty on transfer by gift		
		103	Duty on transfer by mortgage		
		104	Duty on transfer by lease		
0035	<i>Taxes on Buildings/Property</i>	101	Taxes on Residential buildings/Property		
		102	Taxes on Non-residential Buildings/Property		
0041	<i>Taxes on Vehicles</i>	101	Taxes on bi-cycles, carts and other vehicles		
0042	<i>Taxes on Goods and Passengers</i>	101	Tolls on Roads		
		102	Taxes on entry of goods into local area		
		103	Taxes on Passengers/Pilgrims		
0045	<i>Taxes and Duties on Commodities and Services</i>	101	Entertainment Tax		
		102	Advertisement Tax		
		103	Receipts under other Acts		
		104	Forest Development Tax		

Non-Tax Receipts

MAJOR HEAD		MINOR HEAD		OBJECT HEAD	
0049	<i>Interest Receipts</i>	101	Interest realised on investment of cash balances		
		102	Interest on bank accounts		
		103	Interest on loans and advances		
0059	<i>Public Works⁴</i>	101	Rent from non-residential buildings		
		102	Premium realised from non-		

⁴ In states where there is no public works department at the PRI level, these receipts can be booked under 0515 Panchayat Raj

			residential buildings		
		103	Licence fees from residential buildings		
0071	Contributions and Recoveries towards Pension and Other Retirement Benefit	101	Leave Salary and Pension Subscription and Contributions		
0202	Education, Sports, Arts and Culture	101	Pre-primary, Primary and Secondary Education	41	Fees
				42	Fines
		102	Sports and Youth Services		
		103	Public Libraries		
0210	Medical and Public Health	101	Receipts from Patients	51	Accommodation
				52	Supply of Medicines
				53	Cost of Tests
				54	Supply of Blood
		102	Sale of Serum/Vaccine		
		103	Fees and Fines		
0211	Family Welfare	101	Sale of Contraceptives		
0215	Water Supply and Sanitation	101	Water Supply	41	Fees
				42	Fines
				43	Service fees
		102	Sewerage and Sanitation	41	Fees
				42	Fines
				43	Service fees
0216	Rural Housing	112	Schemes XYZ		
0401	Crop Husbandry	101	Sale of Seeds		
		102	Receipts from Agricultural Farm		
		103	Sale of Manures and Fertilizers		
		104	Receipts from Commercial Crops		
0403	Animal Husbandry	101	Receipts from Cattle & Buffalo Development	45	Sale of Milk
				46	Sale of Animals
		102	Receipts from Poultry Development		
		103	Receipts from Piggery Development		
		104	Receipts from Fodder & Feed Development		
0405	Fisheries	101	Licence fees, Fines etc		
		102	Sale of Fish, Fish seeds etc		
		103	Service fees		
0406	Forestry and Wild Life	101	Sale of timber and other forest produce		
		102	Receipts from forest plantations		
		103	Receipts from firewood plantations		
		104	Sale of grazing rights		
0515	Panchayat Raj	101	Licence fees		
		102	Fees for use of quarry		
		103	Rent for use of land vested in Zilla Parishad/Panchayat Samiti/Village Panchayat		
		104	Receipts from Community Development Projects		
		105	Other Rates and Fees ^{&}		
		106	Other Registration charges		
		107	Other Service Fees		
		108	Other Fines		
0702	Minor Irrigation	101	Lift Irrigation charges		
		102	Receipts from tube-wells		
0801	Power	101	Rural Electrification		

[&] When rates are in the nature of tax, this is to be accounted for under the appropriate tax receipts Heads

Grants-in-Aid & Contribution

MAJOR HEAD		MINOR HEAD		OBJECT HEAD	
1601	<i>Grants-in-aid/Assistance from Central Government</i>	101	Scheme XYZ		
		102	Scheme ABC		
1602	<i>Grants-in-aid/Assistance from State Government</i>	101	Scheme MNO		
		102	Scheme JKL		
1604	<i>Compensation and Assignments from State Governemnt and other PRIs</i>	101	Miscellaneous Compensation and Assignments	61	Share of Compensation and Assignment from State Government
				62	Share of Compensation and Assignments from Zilla Parishad
				63	Share of Compensation and Assignment from Panchayat Samiti
1608	<i>Contributions/Donations from private agencies</i>				

EXPENDITURE

MAJOR HEAD		MINOR HEAD		OBJECT HEAD	
2049	<i>Interest Payment</i>	102	Interest on loan from Zilla Parishad		
		103	Interest on loans from Panchayat Samiti		
		104	Interest on loans from other organization/Financial Institution		
		105	Interest on loans from Central Government	55	Details of the loan
				56	Details of the loan
		106	Interest on loans from State Government	55	Details of the loan
				56	Details of the loan
107	Interest on Savings Funds				
2059	<i>Public Works*</i>	102	Office Buildings	65	Work charged establishment expenditure
				66	Other maintenance expenditure
		103	Other Buildings		
2071	<i>Pension and other retirement benefits</i>	102	Pensionary charges		
		103	Contribution to Pension and Gratuity		
		104	Contribution to Provident Fund		

* This head may not be operated in states where construction and maintenance expenditure is booked under the respective functional heads.

MAJOR HEAD		MINOR HEAD		OBJECT HEAD	
2203	<i>Technical Education</i>	102	Technical Schools, Craft Centres etc.		
		103	Scholarship		
2204	<i>Sports and Youth Services</i>	102	Physical Education	71	Assistance to Primary Schools
				72	Assistance to Secondary Schools
				73	Assistance to non-Govt. Schools
		103	Youth Camps		
		104	Youth Hostels		
		105	N.C.C.		
		106	Sports and Games		
2205	<i>Art and Culture</i>	102	Fine arts education		
		103	Promotion of Arts and Culture		
		104	Public Libraries		
2206	<i>Pre-Primary Education</i>	102	Mid-day meal		
		103	Scholarships and Incentives		
		104	Extra-curricular Activities		
		105	Teachers' training		
		106	Supply of books and study materials to students		
		107	Other assistance to students		
		120	Assistance to Voluntary Organisations		
2207	<i>Primary Education</i>	102	Mid-day meal		
		103	Scholarships and Incentives		
		104	Extra-curricular Activities		
		105	Teachers' training		
		106	Supply of books and study materials to students		
		107	Other assistance to students		
		120	Assistance to Voluntary Organisations		
2208	<i>Secondary Education</i>	103	Scholarships and Incentives		
		104	Extra-curricular Activities		
		105	Teachers' training		
		106	Supply of books and study materials to students		
		107	Other assistance to students		
		120	Assistance to Voluntary Organisations		
2209	<i>Adult Education</i>	102	Rural Functional Literacy Programme		
		112	Scheme XYZ		
2210	<i>Medical and Public</i>	102	District Hospital		

	Health	103	Community Health Centre		
		104	Primary Health Centre		
		105	Health Sub Centre		
		106	Medical Relief Camps		
		112	National Anti-Malaria Programme		
		113	Trachoma & Blindness Control Programme		
		114	National Aids Control Programme		
		115	Scheme XYZ		
2211	Family Welfare	102	Family Welfare Camps		
		103	Immunisation of infants and pre-school children		
		112	Scheme XYZ		
2215	Water supply and sanitation	102	Maintenance of water supply line, tube well etc		
		103	Sanitation		
		112	Scheme XYZ		
2216	Housing	102	Provision of House Sites to the Landless		
		112	Indira Awas Yojana		
		113	Scheme XYZ		
2225	Welfare of Scheduled Castes	102	Scholarships to students in Primary Schools		
		103	Scholarships to students in Secondary Schools		
		104	Scholarships to students in other institutions		
		105	Maintenance of Hostels for SC students		
		106	Assistance for self employment		
		112	Scheme XYZ		
		113	Scheme ABC		
2226	Welfare of Scheduled Tribes	102	Scholarships to students in Primary Schools		
		103	Scholarships to students in Secondary Schools		
		104	Scholarships to students in other institutions		
		105	Maintenance of Hostels for ST students		
		106	Assistance for self employment		
		112	Scheme XYZ		
		113	Scheme ABC		
2227	Welfare of Other Backward Classes	102	Scholarships to students in Primary Schools		
		103	Scholarships to students in Secondary Schools		
		104	Scholarships to students in other institutions		
		105	Maintenance of Hostels for OBC students		
		106	Assistance for self employment		
		112	Scheme XYZ		
		113	Scheme ABC		

2231	<i>Welfare of Handicapped</i>	112	Scheme XYZ		
		113	Scheme ABC		
2232	<i>Child Welfare</i>	112	Scheme XYZ		
		113	Scheme ABC		
2233	<i>Women's Welfare</i>	112	Scheme XYZ		
		113	Scheme ABC		
2234	<i>Welfare of Aged, Infirm and Destitute</i>	112	Scheme XYZ		
		113	Scheme ABC		
2235	<i>Social Security Pensions</i>	112	Scheme XYZ		
		113	Scheme ABC		
2236	<i>Nutrition</i>	102	Distribution of nutritious food to children		
		103	Distribution of nutritious food to expectant / lactating mothers		
2401	<i>Crop Husbandry</i>	102	Extension and Farmers' Training		
		103	Crop insurance		
		104	Scheme for Small/Marginal farmers and agricultural labourers		
		105	Horticulture and vegetable crops		
		106	Assistance to farming cooperation		
2402	<i>Soil and Water Conservation</i>	102	Reclamation of Ravines		
		103	Water conservation		
2403	<i>Animal Husbandry</i>	102	Prevention and Control of animal diseases		
		103	Cattle and Buffalo Development		
		104	Other Domestic Animals		
		105	Poultry Development		
		106	Fodder and feed development		
		107	Insurance of livestock and poultry		
2405	<i>Fisheries</i>	112	Scheme XYZ		
		113	Scheme ABC		
2406	<i>Forestry and Wild Life</i>	102	Rural Forestry		
2408	<i>Food, Storage and Warehousing</i>	102	Public Distribution System		
		103	Fair Price Shops		
		104	Co-operative Societies		
2501	<i>Special Programmes for Rural Development</i>	112	Swarnajayanti Gram Samridhi Yojana		
		113	TRYSEM		
		114	Drought prone Areas Development Programme		
		115	Desert Development Programme		
		116	Self-employment Programme		
		117	Scheme XYZ		

2505	<i>Rural Employment</i>	112	NREG Scheme	XX	Water conservation, drought proofing, flood control works
				YY	Afforestation
				ZZ	Minor Irrigation [∇]
2515	<i>Panchayat Raj</i>	102	Allowances and honorarium of Chairman / Vice Chairman / Councillors / Members		
		103	Panchayat Establishment	17	Professional Services (Fees for preparation of Annual Accounts)
				80	Other expenses
		104	Civic Services	13	Supplies and Materials
				15	Advertising and Publicity (Public TV, Radio)
				16	Minor Works (Maintenance of Burial Grounds, Akharas, Markets and Fairs)
2702	<i>Minor Irrigation</i>	102	Maintenance and repairs of water tanks / ponds		
		103	Maintenance and repairs of tube wells		
		104	Maintenance and repairs of canals		
2801	<i>Power</i>	102	Maintenance of street lights		
2810	<i>Non-Conventional sources of energy</i>	102	Maintenance of Bio-gas Plants		
		103	Maintenance of solar lights, cookers etc.		
2851	<i>Village and small Industries</i>	102	Small Scale Industries		
		103	Handloom Industries		
		104	Handicraft Industries		
		105	Khadi and Village Industries		
		106	Coir Industries		
		107	Sericulture Industries		
		108	Employment scheme for unemployed educated youths		
		109	Food Processing Industries		
3054	<i>Roads and Bridges</i>	102	Maintenance and Repairs		

[∇] This is only an illustrative list of works. States may operate as per local requirements.

Capital Section

RECEIPTS

MAJOR HEAD	MINOR HEAD	OBJECT HEAD
4000	<i>Capital Receipts</i>	

EXPENDITURE

MAJOR HEAD	MINOR HEAD	OBJECT HEAD
4059	<i>Capital Outlay on Public Works*</i>	102 Construction of Office Buildings
		103 Construction of Other Buildings
		104 Acquisition of Land
4202	<i>Capital Outlay on Education, Sports, Art and Culture</i>	102 Construction of Primary Schools, Pathshalas etc
		103 Construction of Youth Hostels
		104 Construction of Sports Stadium
		105 Construction of Block/Village Library
4210	<i>Capital Outlay on Medical and Public Health</i>	102 District Hospital
		103 Community Health Centre
		104 Primary Health Centre
		105 Health Sub Centre
		106 Medical Relief Camps
		112 National Anti-Malaria Programme
		113 Trachoma & Blindness Control Programme
		114 National Aids Control Programme
4211	<i>Capital Outlay on Family Welfare</i>	102 Construction of Maternity and Child Welfare Centres
4215	<i>Capital Outlay on Water Supply and Sanitation</i>	102 Laying of water supply scheme
		103 Drilling of tube wells / wells
4225	<i>Capital Outlay on Welfare of Scheduled Castes</i>	112 Scheme XYZ
		113 Scheme ABC
4226	<i>Capital Outlay on Schedule Tribes</i>	112 Scheme XYZ
		113 Scheme ABC
4227	<i>Capital Outlay on Welfare of Other Backward Classes</i>	112 Scheme XYZ
		113 Scheme ABC
4231	<i>Capital Outlay on Welfare of Handicapped</i>	102 Construction of Training Centres for Welfare of Handicapped
4232	<i>Capital Outlay on Child Welfare</i>	102 Construction of Anganwadi Centres and storage shed
4233	<i>Capital Outlay on</i>	102 Construction of Training

* This head may not be operated in states where construction and maintenance expenditure is booked under the respective functional heads.

	<i>Women's Welfare</i>		Centres for Welfare of Women		
4234	<i>Capital Outlay on Welfare of Aged, Infirm and Destitute</i>	102	Construction of Rehabilitation Centres for Welfare of the Aged, Infirm and Destitute		
4405	<i>Capital Outlay on Fisheries</i>	102	Construction of Fish Ponds		
4406	<i>Capital Outlay on Forestry and Wild Life</i>	102	Development of plantations and waste land development		
		103	Development of Grazing Lands		
		104	Development of Firewood Plantations		
4408	<i>Capital Outlay on Food Storage and Warehousing</i>	102	Development of Rural Godowns		
		103	Construction of Rural Godowns		
		104	Development of Mandies, Warehouses		
4515	<i>Capital Outlay on Panchayat Raj</i>	102	Panchayat office buildings		
4702	<i>Capital Outlay on Minor Irrigation</i>	102	Capital Outlay on Canals		
		103	Capital Outlay on Tube Wells		
		104	Capital Outlay on Tanks		
		105	Machinery and Equipment		
4801	<i>Capital Outlay on Power Projects</i>	102	Installation of Street Lights		
4810	<i>Capital Outlay on Non-Conventional Sources of Energy</i>	102	Construction of Bio-Gas Plants		
		103	Construction of Solar Energy Projects		
5054	<i>Capital Outlay on Roads and Bridges</i>	102	Construction of Village/District Roads		
		103	Acquisition of land for construction of Roads and Bridges		
		112	PMGSY		

Borrowing Section*

RECEIPTS

MAJOR HEAD		MINOR HEAD		OBJECT HEAD	
6003	<i>Loans from non-Government sources</i>	101	Loans from Zilla Parishad		
		102	Loans from Panchayat Samiti		
		103	Loans from other organizations/ Financial Institutions		
6004	<i>Loans from Government sources</i>	101	Loans from Central Govt	01	Details of the loan
				02	Details of the loan
		102	Loans from State Govt	01	Details of the loan
				02	Details of the loan

* This represents borrowings by PRIs

EXPENDITURE

MAJOR HEAD		MINOR HEAD		OBJECT HEAD	
6003	<i>Loans from non-Government sources</i>	101	Repayment of Loans from Zilla Parishad		
		102	Repayment of Loans from Panchayat Samiti		
		103	Repayment of Loans from other organizations/Financial Institutions		
6004	<i>Loans from Government sources</i>	101	Repayment of Loans from Central Govt	01	Details of the loan
				02	Details of the loan
		102	Repayment of Loans from State Govt	01	Details of the loan
				02	Details of the loan

Lending Section[⊙]

EXPENDITURE

MAJOR HEAD		MINOR HEAD		OBJECT HEAD	
6202	<i>Loans for Education, Sports, Art and Culture</i>	101	Payment of loans for education purpose		
6401	<i>Loans for Crop Husbandry</i>	101	Payment of loans to cultivators		
7610	<i>Loans to Panchayat Employees etc</i>	101	Payment of loans to employees	01	House Building Advance
				02	Motor Conveyance Advance
				03	Bi-cycle Advance

RECEIPTS

MAJOR HEAD		MINOR HEAD		OBJECT HEAD	
6202	<i>Loans for Education, Sports, Art and Culture</i>	101	Repayment of loans given for education purpose		
6401	<i>Loans for Crop Husbandry</i>	101	Repayment of loans given to cultivators		
7610	<i>Loans to Panchayat Employees etc</i>	101	Repayment of loans by employees	01	House Building Advance
				02	Motor Conveyance Advance
				03	Bi-cycle Advance

[⊙] This represents lending by PRIs.

**PART II
EXTRAORDINARY FUND**

Savings Fund Section

-RECEIPTS

MAJOR HEAD		MINOR HEAD		OBJECT HEAD	
8009	<i>Provident Funds and Small Savings</i>	101	General Provident Fund		
		102	Panchayat Employees Provident Fund		
8011	<i>Insurance and Pension Funds</i>	101	Employees Group Insurance Scheme		
		102	Panchayat Employees Pension Fund		

EXPENDITURE

MAJOR HEAD		MINOR HEAD		OBJECT HEAD	
8009	<i>Provident Funds and Small Savings</i>	101	General Provident Fund		
		102	Panchayat Employees PF		
8011	<i>Insurance and Pension Funds</i>	101	Employees Group Insurance Scheme		

Deposit and Advance Section

RECEIPTS

MAJOR HEAD		MINOR HEAD		OBJECT HEAD	
8443	<i>Deposits</i>	101	PRI Deposits	01	Security Deposit
		102	Public Works Deposits	01	Deposits by Contractors
				02	Deposits of earnest money by successful tenderers
8550	<i>PRI Advances</i>	101	Advances to PRI functionaries for works and supplies		
		102	Advances to agencies for works and supplies		

EXPENDITURE

MAJOR HEAD		MINOR HEAD		OBJECT HEAD	
8443	<i>Deposits</i>	101	PRI Deposits	01	Security Deposit
		102	Public Works Deposits	01	Deposits by Contractors
				02	Deposits of earnest money by successful tenderers
8550	<i>PRI Advances</i>	101	Advances to PRI functionaries for works and supplies		
		102	Advances to agencies for works and supplies		

Suspense and Remittance Section

RECEIPTS

MAJOR HEAD		MINOR HEAD		OBJECT HEAD	
8650	<i>Material Suspense</i>	101	Cement		

	<i>Account</i>	102	Bitumen		
		103	Rods		
		104	Stone chips		
		105	Pipes		
		106	Bricks		
		800	Other materials		
8658	<i>Other Suspense Accounts</i>	101	Tax deducted at source suspense	01	Income Tax
				02	Sales Tax
				03	Profession Tax
		102	Housing Loan Suspense		
		103	Insurance Premium Suspense		
		120	Unclassified transaction		
8673	<i>Cash Balance Investment Account</i>	102	Purchase of bond/debenture		
		103	Purchase of FDC		
		800	Other forms of cash balance investment		
8782	<i>Cash Remittances between PRIs</i>	101	Remittances between Zilla Parishad and Panchayat Samiti		
		102	Remittances between Zilla Parishad and Village Panchayat		
		103	Remittances between Panchayat Samiti & Village Panchayat		

EXPENDITURE

MAJOR HEAD		MINOR HEAD		OBJECT HEAD	
8650	<i>Material Suspense Account</i>	101	Cement		
		102	Bitumen		
		103	Rods		
		104	Stone chips		
		105	Pipes		
		106	Bricks		
		800	Other materials		
8658	<i>Other Suspense Accounts</i>	101	Tax deducted at source suspense	01	Income Tax
				02	Sales Tax
				03	Profession Tax
		102	Housing Loan Suspense		
		103	Insurance Premium Suspense		
		120	Unclassified transaction		
8673	<i>Cash Balance Investment Account</i>	101	Purchase of bond/debenture		
		102	Purchase of FDC		
		800	Other forms of cash balance investment		
8782	<i>Cash Remittances between PRIs</i>	101	Remittances between Zilla Parishad and Panchayat Samiti		
		102	Remittances between Zilla Parishad and Village Panchayat		
		103	Remittances between Panchayat Samiti & Village Panchayat		

Explanatory Memorandum to Simplified list of Codes for Functions, Schemes & Activities of Panchayati Raj Institutions

‘Local Government’ including self-government institutions in both rural and urban areas is an exclusive State subject under Entry 5 of List II of the 7th Schedule, and hence this has traditionally been an area in the State domain so that the Union can not enact any law to create rights and liabilities relating to these subjects. By way of 73rd Constitutional Amendment what the centre did was to outline the scheme which would be implemented by States by making laws or amending their own existing laws to bring them in conformity with the provisions of the amendment. With this amendment, Part-IX comprising Article 243 to 243O was inserted along with Schedule XI of the Constitution comprising twenty nine functions that were to be eventually devolved upon the PRIs by the states.

Accordingly, most states passed conformity legislation to enforce these provisions. In view of the large scale decentralization envisaged, the need to strengthen the existing accounting systems and procedures to reflect the wide range of functions to be performed by the Panchayats and to make the accounts amenable to computerization in a networked environment, the Eleventh Finance Commission made specific recommendations about strengthening the accountability framework in PRIs and Urban Local Bodies. As per the recommendations of the Eleventh Finance Commission, the Ministry of Finance (MOF) had issued guidelines for Utilization of Grants to Local bodies in June 2001. Para 6.4 of the MOF guidelines states that “*C&AG shall be responsible for exercising proper control and supervision over the proper maintenance of accounts and their audit for all 3 tiers/levels of PRIs and ULBs.*”

As per Para 6.5 of the aforesaid guidelines, the format for the preparation of budgets, maintenance of accounts for LBs shall be as prescribed by the C & AG. The C & AG would also prescribe standard formats for preparation of a central database on the finances of the LBs.

As part of this mandate, substantial documentation laying down the theoretical framework has been developed and prescribed by CAG. These serve to lay a strong foundation and set standards for the task of preparation and maintenance of accounts and their audit. In 2002, the CAG had prescribed *receipts and payments formats for PRIs on a modified cash basis*, with a few statements on demand, collections and assets that address critical aspects on accruals appended to the accounts. The formats depict all activities listed in the Eleventh schedule to the Constitution

and show funds transferred to local bodies under various programmes and schemes. The accounts and the budget formats were synchronised with and linked to the scheme of classification in Union and State Government accounts making it amenable to computerisation and building up a database for generation of All India level data and effective monitoring. This was also a relative simplification of accounts from the very complex 47-48 formats in the earlier system to only about 16 formats.

Till September'06, 21 states had responded positively to these formats, of which 11 states had also issued formal orders. Training programmes organized across the country in order to get the formats readily accepted by the PRI functionaries revealed that while the formats had been adopted with suitable modifications in some states, many states were of the view that a simplified structure with a minimum functional classification would meet the requirements, especially at the Gram Panchayat level.

It has been the CAG's endeavour to facilitate the development of a culture of accounting in PRIs. Accordingly, in keeping with the feedback received from various states and the actual experience of implementation of the new accounts formats, there has been an on-going attempt to reduce the six tier classification structure to a more manageable three tier system and also standardise certain commonly used items of expenditure to simplify the system further. This had become a critical requirement given the significant lack of skills and expertise at the PRI level in comparison to the enhanced responsibilities in the context of increasing decentralization.

Apart from simplifying the accounts and the accounting process itself, this has also been an attempt to address certain accounting issues arising from the experience of audit which, unless suitably addressed would not present an accurate picture of financial transactions and in some cases could even lead to possible misappropriation of funds.

What are the changes and how have they been effected ?

The old format prescribed a 6-tier functional classification of transactions mirroring the pattern of the Central and State Government accounts and comprised the following: Sector (Group of functions), Major Heads (functions), Minor Head (Programme), Sub-Head (Scheme), Detailed Head (Sub-Scheme) and Object Head (Object level of classification).

The new system does not adhere to this 6- tier classification and instead, a 3-tier classification (Major Head, Minor Head and Object Head representing function, scheme and object) where the lowest tier is the object of every transaction is proposed thereby ensuring the required transparency of accounts. This pattern takes cognizance of the fact that first and foremost, accountability requires accounting systems and procedures that are easy to comprehend and implement while at the same time adhering to principles of account keeping and the need for

transparency and reliability. It is also an appreciation of the reality that in this day and age of computers, aggregation of accounts and establishment of a one to one co-relation with state and national level accounts can largely be the function of information technology, without burdening end users in PRIs with these accounting nuances. Accordingly, relevance of accounting heads being used and their appropriate nomenclature, ease of identification/classification and comprehensive coverage of all activities carried out by PRIs are some of the guiding principles used in developing this new pattern of codification.

While the first level of major heads, corresponds by and large to the pattern in Government Accounts, both in terms of number and nomenclature, in selected cases, the nomenclature has been simplified in order to reflect the exact nature of the function as performed at the level of the PRIs. In a few instances, in order to enable prompt identification of the specific function as performed at the PRI level, the existing Major Head has been accounted as two or three distinct Major Heads, each one permitting accounting of the function in the first instance without having to go through the entire accounting rubric. This is particularly noticeable in sectors such as education, social security and welfare as also health where the PRIs have a significant role to play and the simplified format draws the attention of the users to the activity or sub-activity in the very first instance (*the disaggregation of the functions has been attempted only on the expenditure side, since it is felt that transactions may not be too many on the receipt side*). However, as mentioned earlier, despite such deviations, aggregation and mirroring would still be possible by using mapping of codes and nomenclature through computers. A concordant table showing the correspondence between the accounting heads in Government Accounts and the Heads as proposed in the new system for PRIs has been prepared at **Annexure II**. Details of the accounting heads representing each of the twenty nine functions as listed in the Eleventh Schedule of the Constitution are available in **Annexure III**.

The second tier of Minor Heads in Government Accounts represents programmes. In developing the simplified codes, it was felt that since Minor Heads essentially serve the purpose of aggregating expenditure on various schemes under a particular category of programme and since scheme related expenditure is of crucial importance in monitoring and accounting of expenditure at the PRI level, minor heads should reflect schemes rather than programmes. To cite an example, under the Major Head 2210, Medical and Public Health, Schemes like National Anti Malaria Programme, National Aids Control Programme figure as sub heads under the Minor Head 'Prevention and Control of Diseases'. This Minor Head therefore only serves to summate the expenditure on all such schemes. It was therefore considered desirable that to reduce the levels of accounts, the schemes could straight away be accounted for at the second level under the Major Head.

The third tier has a 2 digit code (from 01 to 99) – these need to be used only where there is a felt need for greater accounting information. This tier may not, in all cases correspond to a separate source of revenue, or object of expenditure and may sometimes even depict schemes. On the expenditure side, some object heads that are used frequently and under almost all major heads have been standardized and these are from 01 to 36. The simplified formats also permit accounting of different kinds of works to be executed as part of rural employment schemes like NREGP as the third tier.

Part II of the Accounts is now designated as Extraordinary Funds for better clarity and understanding. The major heads under Extraordinary Fund have been re-grouped under three sections viz Savings Fund Section, Deposit and Advance Section and Suspense and Remittance Section. The first two have two major heads in each and the third has four. The changes in nomenclature and the addition of a few new heads under this Fund could contribute in reducing the risk of possible fraud and misappropriation of public funds and instrument of management control, apart from recording the transactions in an orderly and systematic manner.

While this is only a simplified List of codes, PRIs would be required to prepare Receipts and Payments Accounts along with details of cash in hand, bank, treasury, permanent cash imprest and investment, based on these codes. As in the old format, the figures for BE and the actuals of the prior year and the current year would have to be recorded against each classification to arrive at Major Head totals as also totals of various categories like Revenue Receipts, Capital Expenditure, Grants-in- Aid and Contributions, Panchayat fund etc. In addition to these codes, a simplified accounting procedure for preparation of accounts is also enclosed vide Annexure IV.

Highlights of the new system of codes are as follows:

- The Simplified codification covers all the twenty nine functions to be devolved to the PRIs.
- The heading ‘Loans and Advances’ Section is replaced by ‘Borrowing Section’ and ‘Lending Section’ in order to ensure that the nomenclature reflects more accurately the nature of the activity being accounted. Part II of the Accounts is now designated as Extraordinary Fund for better clarity. The major heads under Extraordinary Fund have been re-grouped under three sections viz Savings Fund Section, Deposit and Advance Section and Suspense and Remittance Section.
- States may choose and operate those major/minor heads as required in their particular context.

- States may add more minor/object heads as necessary without changing the overall structure in consultation with State Accountant General dealing with audit or Technical Guidance and Supervision (TGS) of PRIs. Proposal for introduction of new Major Head or change in existing Major Head may be got approved by the Comptroller and Auditor General of India before operating.
- As 101 (minor head) is reserved for Direction and Administration, generally 102 to 111 (minor heads) are reserved for general programmes/schemes (viz., 102 District Hospital under 4210 Capital Outlay on Medical and Public Health) and specific programmes /schemes, viz., National Aids Control Programme or Scheme XYZ under 4210 Capital Outlay on Medical and Public Health are to be accommodated at three digit codes 112 (minor head) onwards.
- The following common heads not mentioned in the simplified code may be utilised according to requirement:

RECEIPTS (REVENUE)

Other Receipts: 800 (as minor head)
 80 (as object head)

EXPENDITURE (BOTH REVENUE AND CAPITAL)

Direction and Administration: 101 (as minor head)
Other expenditure: 800 (a minor head)
 80 (as object head)

EXPENDITURE (REVENUE)

Minor head 911 may be opened under each Major Head with the nomenclature 'Deduct recovery of overpayments' to accommodate recoveries of overpayments relating to previous years. In respect of Capital Expenditure, necessary noting will be made in the Assets Register.

Minor head 901 may be opened to accommodate the refund of revenue relating to current year as well as previous year from tax revenue heads.

- A select list of commonly used standard Object Heads is given below. More object heads may be added according to local requirement.

LIST OF STANDARD OBJECT HEADS

01	Salaries (1)
02	Wages
03	Overtime Allowance
04	Pensionary charges
05	Honoraria

06	Medical treatment
07	Travel Expenses
08	Office Expenses (2)
09	Rent, Rates and Taxes
10	Audit Fee
11	Publications
12	Other Administrative Expenses
13	Supplies and Materials
14	POL
15	Advertising and Publicity
16	Minor Works
17	Professional Services
18	Other Contractual Services
19	Grants – in – aid
20	Contributions
21	Subsidies
24	Share of taxes / duties
25	Other Charges
26	Motor Vehicles
27	Machinery and Equipment
28	Major Works
35	Write off / losses
36	Deduct recoveries
80	Other Expenditure

Note: (1) Items to be included in this object head are (i) Pay of officers, (ii) Dearness pay of officers, (iii) Dearness Allowance of Officers, (iv) Pay of establishment, (v) Dearness pay of establishment, (vi) Dearness Allowance of establishment, (vii) Bonus , (viii) Interim relief, (ix) Other allowances (CCA, HRA & other fixed allowances), (x) Children education allowances,(xi) LTC, (xii) Transport allowance, (xiii) Any other item

Note: (2) Items to be included in this object head are (i) Local purchase of stationery, (ii) Liveries,(iii) Telephone & trunk calls, (iv) Furniture,(v) Service postage stamps,(vi) Purchase of books & publications, (vii) Office expenses and miscellaneous ,(viii) Staff car,(ix) Water cooler,(x) Typewriter, (xi) Purchase of accounting machine, (xii) Charges paid to the State Government for Police Guards,(xiii) Hot and cold weather charges,(xiv) Electricity & water charges,(xv) Purchase of photo copier,(xvi) Purchase of computer & laser printer,(xvii) Any other item.

Extraordinary Fund in PRIs account : accounting treatment

Part II-Extraordinary Fund incorporates Receipts and Payment of those moneys in respect of which the PRI acts more or less as banker or as a remitter or the Fund is operated by it for accommodating purely adjusting Heads of transitory nature.

Saving Fund Heads

For the moneys received in Part II- Extraordinary Fund and accounted for as receipts under Savings Fund Section, the PRI has a liability to repay the same to those to whom the moneys belong as they are subscribers to the Savings Fund.

Deposit, Advance, Suspense and Remittance Heads:

(a) Security Deposit by Contractor

- When received, entry is made in the receipts side of 8443-Deposits.
- On successful completion of work, when the deposit is released to the contractor, accounted in the payment side of 8443-deposit.

(b)Advances to PRI Functionaries for works and supplies

- When advance is given, booked in the payment side of 8550-PRI Advances.
- The balance will continue to be brought forward in the annual accounts till adjustment. This will ensure that amounts are kept track of and the advances do not remain unadjusted for years together.
- When Adjustment is submitted fully in vouchers, it is recorded in the receipts side of 8550-PRI Advance, and side by side on the payment side of the functional head.
- When adjustment is submitted partly in vouchers and partly in cash, both of them are shown as such in the receipts side of 8550-PRI Advance, while the full amount is recorded in the payment side of the functional head with minus payment - entry for cash returned.

(c)Classification of transaction not known

- In the receipts or payment side, of 8658 – Other Suspense Account as the case may be.
- When subsequently known, in the payment or receipts side of 8658- Other Suspense Accounts, as the case may be and simultaneously in the receipts or payment side of the concerned functional head, as the case may be.

(d)Statutory Deductions from Salary or Contractor's Bill

- In the payment side of functional head and simultaneously in the receipts side of 8658 – Other Suspense Accounts.
- When sent to the appropriate authorities, in the payment side of 8658 – Other Suspense Accounts.

(e)Material purchased for no specific work

- In the payment side of 8650 – Material Suspense Account when the material is bought in bulk and not against any single work.
- When used in any specific work, in the receipts side of 8650- Material Suspense Account and side by side in the payment side of functional head.

(f)Grants-in-aid from Government transferred/sub-allotted to other PRIs

8782-Cash Remittances between PRIs will temporarily account for the portion of grants sub-allocated by a higher formation of PRI eg. Zilla Panchayat, to its lower formation, e.g. Panchayat Samiti in its receipts side after the amount to be sub-allotted is shown as minus receipts under Grants-in-aid/Assistance Head. There will be an adjusting entry in the payment side of 8782-Cash Remittances between PRIs when the amount is released to the sub-allottees. This process of accounting will rule out the possibility of multiple accounting of specific amounts of grants-in- aid when aggregating receipts and expenditure of the PRIs of all the three tiers.

- Initially in the receipts side of 1601/ 1602- Grants-in-Aid / Assistance from Central Government / State Government, the amount to be sub-allotted will be shown as *minus* receipts entry.
- Simultaneously, the amount to be sub-allotted will be booked in the receipts side of 8782 – Cash Remittances between PRIs.
- When the amount is sent to the other PRI, it will be booked in the payment side of 8782 – Cash Remittances between PRIs.

Correlation between Major Heads of Govt. Accounts and PRI Accounts

Sl.No.	Government accounts	PRI accounts
1.	0028-Other taxes on income and expenditure	0028-Taxes on Profession, Trades, Callings and employment
2.	0030-Stamps and Registration fees	0030-Duty on transfer of immovable property
3	0035 – Taxes on Immovable property other than agricultural land	0035 – Taxes on Buildings
4	1601 – Grants-in-aid/ assistance from Central/State Govt.	1601 – Grants-in-aid/ assistance from Central Govt. 1602 – Grants-in-aid/ assistance from State Govt.
5	Nil	1608 – Contributions/ Donations from private agencies
6	2202 – General education	2206 – Pre-primary education 2207 – Primary education 2208 – Secondary education 2209 – Adult education
7	2225 – Welfare of Scheduled Castes, Scheduled Tribes and Other Backward Classes	2225 – Welfare of Scheduled Castes 2226 – Welfare of Scheduled Tribes 2227 – Welfare of Other Backward Classes
8	2235 – Social Security and Welfare	2231 – Welfare of Handicapped 2232 – Child Welfare 2233 – Women’s Welfare 2234 – Welfare of Aged, Infirm and Destitute 2235 – Social Security Pensions
9	2515 – Other Rural Development Programmes	2515 – PRI Administrative and Civil Services
10	4225 – Capital Outlay on Welfare	4225 – Capital Outlay on Welfare of

	of Scheduled Castes, Scheduled Tribes and other Backward classes	Scheduled Castes 4226 – Capital Outlay on Welfare of Scheduled Tribes 4227 – Capital Outlay on Welfare of Other Backward Classes.
11	4235 – Capital Outlay on Social Security and Welfare	4231 – Capital Outlay on Welfare of Handicapped 4232 – Capital Outlay on Child Welfare 4233 – Capital Outlay on Women’s Welfare 4234 – Capital Outlay on Welfare of Aged, Infirm and Destitute
12	6003 – Internal Debt	6003 – Loans from non-Govt. sources
13	6004 – Loans and Advances from Central Govt./State Govt.	6004 – Loans from Government sources
14	8550 – Civil Advances	8550 – PRI Advances
15	Nil	8650 – Material Suspense Account
16	Nil	8658 – Other Suspense Accounts
17	8782 – Cash Remittances and adjustments between officers rendering accounts to the same Accounts Officer	8782 – Cash Remittances between PRIs

**Reflection of 29 functions (included in the Eleventh Schedule of the Constitution)
in the PRI accounts**

Sl.No.	Function	Reflection in PRI accounts
1.	Agriculture, including agricultural extension	0401, 2401
2.	Land improvement, implementation of land reforms, land consolidation and soil conservation	2402
3.	Minor irrigation, water management and watershed development	0702, 2402,2702,4702
4.	Animal husbandry, dairying and poultry	0403, 2403
5.	Fisheries	0405, 2405, 4405
6.	Social forestry and farm forestry	0406 2406, 4406
7.	Minor forest produce	0406, 2406, 4406
8.	Small Scale industries, including food processing industries	2851
9.	Khadi, village and cottage industries	2851
10.	Rural housing	0216, 2216
11.	Drinking water	0215, 2215, 4215
12.	Fuel and fodder	0403, 2403, 4406
13.	Roads, culverts bridges, ferries, waterways and other means of communication	3054, 5054
14.	Rural electrification, including distribution of electricity	0801, 2801, 4801
15.	Non-conventional energy sources	2810, 4810
16.	Poverty alleviation programme	2501, 2505
17.	Education, including primary and secondary schools	0202, 2206, 2207, 2208, 2209, 4202
18.	Technical training and vocational education	2203
19.	Adult and non-formal education	2209
20.	Libraries	0202, 2205, 4202
21.	Cultural activities	0202, 2205

22.	Markets and fairs	2515
23.	Health and sanitation, including hospitals, primary health centres and dispensaries	0210, 2210, 4210
24.	Family welfare	0211, 2211, 4211
25.	Women and child development	2233, 2232, 4233, 4232
26.	Social Welfare, including welfare of the handicapped and mentally retarded	2231, 2234, 2235, 4231, 4234
27.	Welfare of the weaker sections, and in particular, of the Scheduled Castes and the Scheduled Tribes	2225, 2226, 2227, 4225, 4226, 4227
28.	Public Distribution System	2408, 4408
29.	Maintenance of community assets	0515, 2515, 2059, 3054

Simplified accounting procedure

In the system prescribed by CAG in 2002, Form 12 - Compilation Sheet and Form 14 - Consolidated Abstract were prescribed as part of the model accounts formats. To simplify the procedures, these are being dispensed with and figures from the Cash Book are sought to be entered directly into a 'Register of Receipts' and 'Register of Payments' (samples enclosed) However, all other Forms prescribed by C&AG will continue to be used. The classification of items in the Cash Book, Registers of Receipts and Payments, Monthly & Annual Receipts and Payments Accounts would however be as per the simplified codes being proposed now.

The simplified accounting procedure will be as follows:

- (a) Daily transactions shall be recorded in Cash Book (in the format prescribed in Form 8). The receipts shall be recorded on receipts side and payments on payments side. Every day (or at least once in a week) the cash book shall be closed and Closing Balance worked out which forms the Opening Balance for next day. Classification/head of account for each transaction shall be mentioned.
- (b) Every day (or at least once in a week) the details of transactions as recorded in the cash book should be transferred to either Register of Receipts if the transaction is receipt or to Register of Payments if it is payment under the respective heads of account.
- (c) At the end of the month the bank reconciliation and treasury reconciliation should be completed and ensured that all differences are rectified between cash book and bank and treasury balances. If any differences noticed the corrections should be made then and there in the Register of Receipts and Register of Payments. At the end of the month totals in Register of Receipts and Register of Payments can be struck. This gives the total expenditure under each head of account for the month.
- (d) The totals are simply posted to the Monthly Receipt and Payment Account (Form 6). The monthly figure is added to previous month progressive total and the figures up to the end of the current month can be worked out.

- (e) At the end of the year the progressive figure to the end of March can be posted to Annual Receipt and Payment Account (Form 1), which completes the accounting process.

Simplified Procedures for Transfer Entries

Transfer entries are passed to rectify misclassification in accounts and to facilitate eventual accounting under final heads of account. The procedure of transfer entries can pose difficulties in grassroots level organizations where the accounting systems are in a relatively nascent stage and may not have such intricacies and complexities requiring sophisticated degree of knowledge and skills as is expected in higher tiers of government.

To simplify the accounting process further, it is proposed that Transfer Entries may not be required for those tiers of PRIs where the number of transactions are less and corrections if any can be carried out manually in the cash book as well as Register of Receipts and Payments and if required in the Monthly and Annual Accounts. For Zilla Parishads (in most states) as there will be more transactions, corrections have to be carried out through Transfer Entries. A simplified process for Transfer Entries based on this logic is enclosed vide **Annexure V**.

Simplified rectification of errors though Transfer Entries

Transfer Entry means to transfer the amounts from one head of account to another to *rectify the misclassification/error in accounting*

If the error/misclassification is noticed in the cash book before monthly closure of the cash book:

This can be rectified manually in the cash book itself by striking down the wrong entry with red ink and inserting the correct entry in between the two postings with red ink.

If misclassification is noticed after the monthly accounts are closed and before closure of annual accounts:

If the mistakes are noticed after closure of the monthly accounts and before closure of annual accounts, it can be rectified as detailed here under.

Example 1: A sum of Rs.1000/- collected towards house tax in the month of June 2005 under receipt head 0035-800-71 under Tax revenue has been misclassified as water tax under receipt head 0045-800-78 under Tax revenue. The mistake is noticed after the closure of Monthly Accounts in the month of December 2005.

Solution: Minus Credit under 0045-800-78 (to be deducted) is posted in Register of Receipts against the 0045-800-78 and a small note recorded why the minus credit is given. Similarly a contra plus credit is given under 0035-800-71 in Register of Receipts against the 0035-800-71 and a small note recorded why the contra plus credit is given. This has to be done in the current month in which the error/misclassification is noticed i.e. December 2005.

Example 2: A sum of Rs.9000/- incurred towards payment of current consumption charges in the month of August 2005 under expenditure head 2801-800-19 under Revenue Expenditure has been misclassified as telephone charges under expenditure head 2515-101-13 under Revenue Expenditure. The mistake is noticed after the closure of Monthly Accounts in the month of January 2006.

Solution: minus Debit under 2515-101-13 (to be deducted from the expenditure of the head) is posted in Register of Payments against the 2515-101-13 and a small note recorded why the minus debit is given. Similarly a contra debit is given under 2801-800-19 in Register of Payments against the 2801-800-19 and a small note recorded why the contra debit is given. This has to be done in the current month in which the error/misclassification is noticed i.e.. January 2006.

If mistakes are noticed after closure of annual accounts

No need to change annual accounts but to have a true picture of revenue receipts and revenue expenditure, 'a note of error' will be made in the Annual Accounts submitted. If any receipt on account of error/misclassification occurs the same will be taken into cash book with a small note of the day received and becomes part of the current accounts.

Similarly if any outgo on account of error/misclassification occurs the same will also be posted in the current cash book with a small note of the day payment made and becomes part of the current accounts.

If misclassification occurs in scheme expenditure and noticed after the closure of annual accounts:

If the mistake is noticed after the Annual Accounts are closed and the items of expenditure are related to different schemes under Capital Heads, the progressive figures have to be changed by '+' and '-' entries against the heads concerned in order to arrive the correct figures if the schemes are continued further next financial year following the procedure explained in above categories.