

General Financial Rules, 2005

Session overview

- ❑ Budget control process includes laying down detailed instructions and orders on incurring of expenditure, procedure and processes to be followed in initiating expenditure of public funds, records to be maintained and recording of expenditure in sufficient detail for control and monitoring.

Session overview

- ❑ The Union Government has laid down detailed instructions in the form of General Financial Rules, 2005 covering the entire gambit of collection of revenue for public funds and incurring of expenditure from the public funds.

Session overview

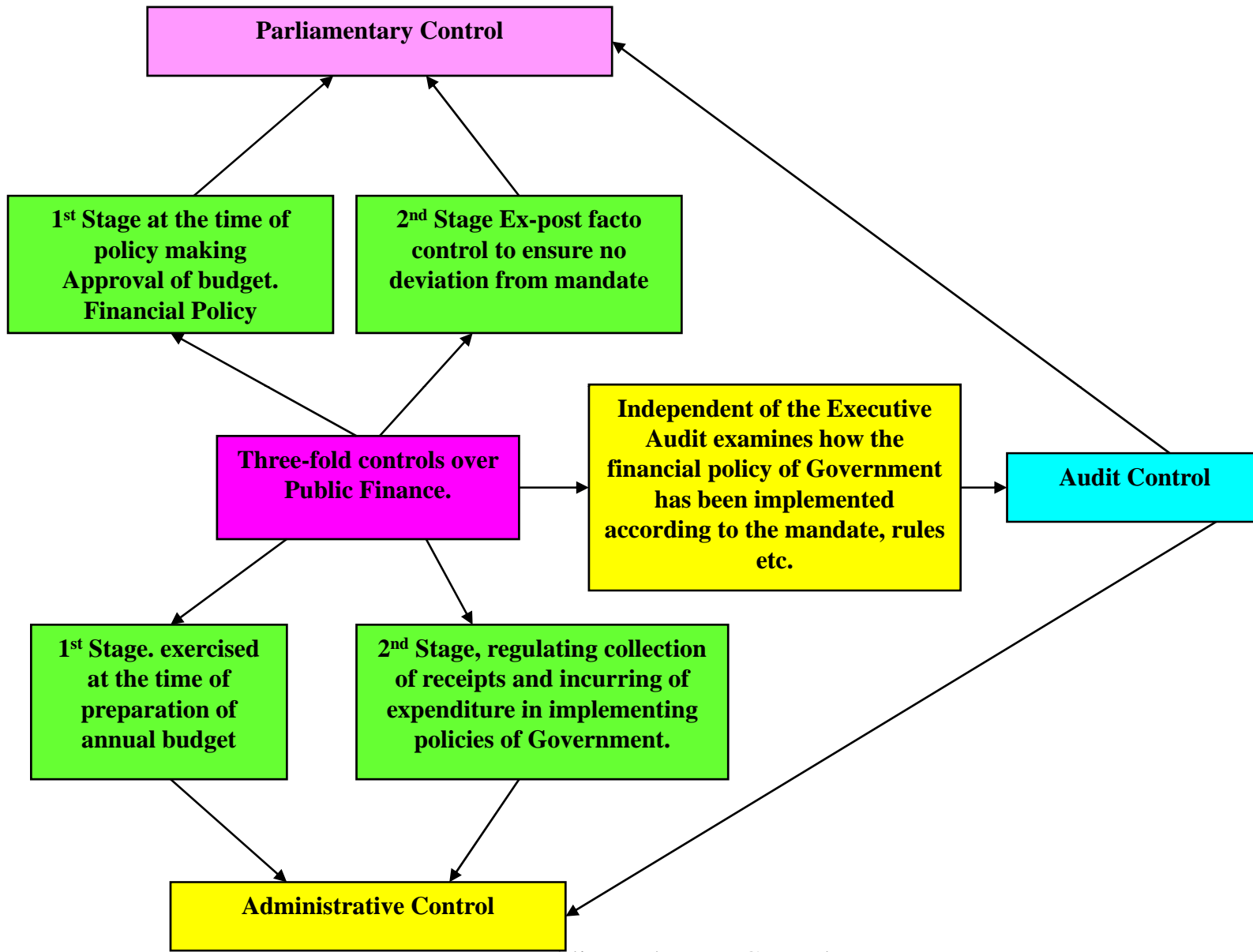
- ❑ In this session we will discuss the important provisions of General Financial Rules, 2005 relating to financial management and financial control.

Learning Objective

- ❑ At the end of the sessions the trainees will be able to state the application of General Financial Rules for expenditure control, inventory management, contract management, loans, Government guarantees, etc. for effective financial management.

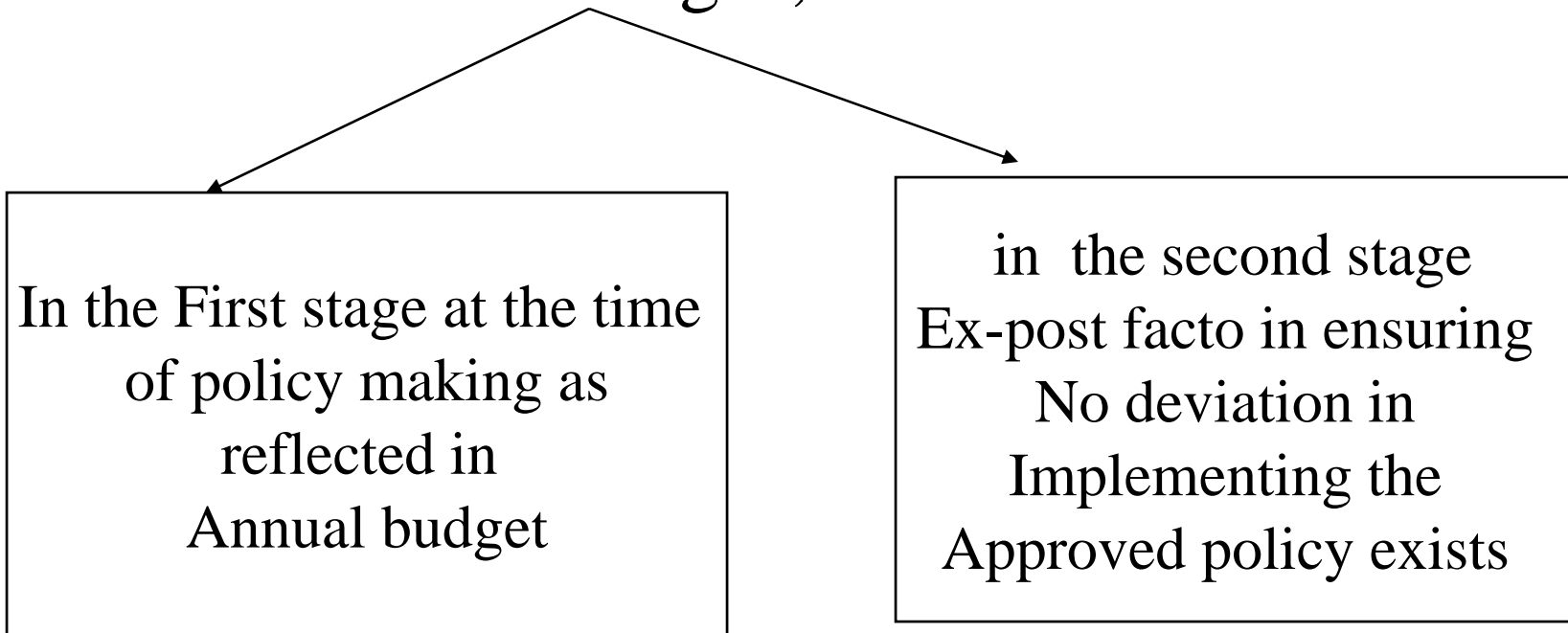
Basic concepts

- ❑ In India there are three-fold controls over public finance. These are:
 - (a) Parliamentary/Legislative Control;
 - (b) Administrative Control; and
 - (c) Audit Control.



Parliamentary/Legislative Control

□ Parliamentary/Legislative Control is exercised in two stages, viz:



Parliamentary/Legislative Control

- ❑ The Parliamentary control at first stage, **represents the financial policy** of the Government.
- ❑ This control is **absolute**, as no money, according to **Art.266** of the Constitution can be appropriated out of the **Consolidated Fund of India/States** except in accordance with law and for the purposes and in the manner provided in the Constitution.

Parliamentary/Legislative Control

- ❑ It defines the procedure to be adopted about
 - the moneys that **go into the Consolidated Fund of India/States**, and
 - the **expenditure** that is **Charged upon or Voted out of the Consolidated Fund of India/States**,

Parliamentary/Legislative Control

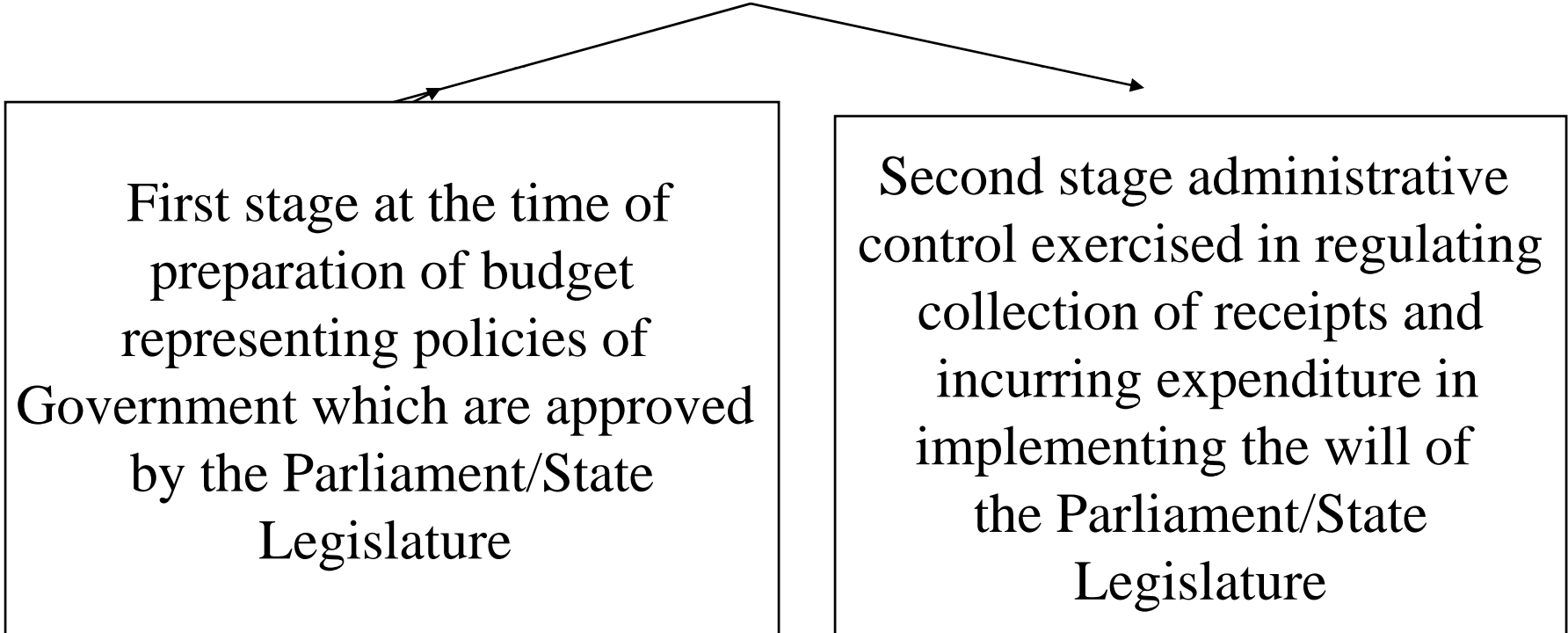
- the allocation of funds to various Ministries/Departments, according to their demands for grants,
- the allotment of funds to different States according to their demands or according to recommendations of the **Finance Commission** etc.

Parliamentary/Legislative Control

- ❑ The **second stage** control by the Parliament/State Legislatures is exercised through the **Public Accounts Committees/ Committees on Public Undertakings of Parliament/States** which consider the Reports of the Comptroller and Auditor General of India.

Administrative Control

- Two stages in this case also



First stage at the time of preparation of budget representing policies of Government which are approved by the Parliament/State Legislature

Second stage administrative control exercised in regulating collection of receipts and incurring expenditure in implementing the will of the Parliament/State Legislature

Administrative Control

- ❑ The financial control is further supplemented by the General Financial Rules which prescribe the procedure to be adopted for
 - preparation/formulation of budget and its implementation,

Administrative Control

- preparation of Government Accounts,
- exercising of powers by the Drawing and Disbursing Officers,
- discipline that has to be followed in spending the public money allotted for various specified objectives under different sectors

General Financial Rules.2005

- ❑ General Financial Rules.2005, came into force from 1st July 2005 replacing the General financial Rules, 1963
- ❑ In the new set of rules while some of the rules mentioned in the previous set (GFR, 1963) have been retained and renumbered yet some of them have been deleted.

Definitions.

- ❑ Some of the frequently used terms in the rules are defined as under;
- **Accounts Officer**’ means the Head of an office of accounts or the Head of a Pay and Accounts Office set up under the scheme of departmentalization of accounts.
- **‘Appropriation**’ means the assignment, to meet specified expenditure, of funds included in a primary unit of appropriation

Definitions.

- **‘Audit Officer’** means the Head of an Office of Audit.
- **‘Competent Authority’** means, in respect of the power to be exercised under any of these rules, the President or such other authority to which the power is delegated by or under these rules, Delegation of Financial Power Rules, 1978 or any other general or special orders issued by the Government of India.

Definitions.

- **‘Controlling Officer’** means an officer entrusted by a Department of the Central Government with the responsibility of controlling the incurring of expenditure and/or the collection of revenue. The term shall include a Head of Department and also an Administrator.

Definitions.

- **‘Head of a Department’** in relation to an office or offices under its administrative control means
 - (a) an authority specified in Schedule 1 of the Delegation of Financial Powers Rules, 1978, and
 - (b) any other authority declared as such under any general or special orders of the competent authority.

Definitions.

- **‘Head of office means’**
 - (a) a Gazetted Officer declared as such under Rule 14 of the Delegation of Financial Powers Rules, 1978, and
 - (b) any other authority declared as such under any general or special orders of the competent authority.

Definitions.

- **‘Primary unit of appropriation’** means a primary unit of appropriation referred in Rule 8 of the Delegation of Financial Powers Rules, 1978.
- **‘Re-appropriation’** means the transfer of funds from one primary unit of appropriation to another such unit.

Definitions.

- **‘Subordinate authority’** means a Department of the Central Government or any authority subordinate to the President
- **‘Recurring expenditure’** means the expenditure which is incurred at periodic intervals.

General System of Financial Management.

- ❑ General Principles**
- ❑ Rules 7to20** describe the General System of Financial Management, and prescribe instructions which have to be followed for sound Financial Management of Government Money.

General System of Financial Management

- ❑ These instructions seek their authority from the Constitution of India, Government Accounting Rules, 1990, and Central Government Account (Receipts and Payments) Rules, 1983, etc.

Accounting of moneys received on behalf of Government

- ❑ These rules read with **Articles 283 and 284** of the Constitution specify the procedure to be adopted for
 - accounting for of the moneys received by or on behalf of the Government,
 - custody of the Consolidated Fund and Contingent Fund
 - the payment of moneys into and withdrawal of moneys from such funds,

Accounting of moneys received on behalf of Government

- proper assessment, collection and crediting into the Consolidated Fund/Public Account of all receipts/dues of the Government, and prescribe
- that all moneys received by or on behalf of the Government either as dues of Government or for deposit, remittance or otherwise, shall be brought into Government Account with out delay.

Accounting of moneys received on behalf of Govt.

- ❑ **Art. 283(1)** of the Constitution states that the matters related to the custody, etc., of Consolidated Fund, Contingency Fund, Public Account their payment into and withdrawal there from shall be regulated by law made by Parliament.

Accounting of moneys received on behalf of Govt.

- ❑ **Art 284** of the Constitution specifies that all moneys received by or deposited with any officer employed in connection with the affairs of the Union, other than revenues or public moneys raised or received by Government, shall be paid into the Public Account.

Accounting of moneys received on behalf of Govt.

- ❑ Similar treatment is to be given to moneys received by or deposited with
 - the Supreme Court of India
 - or with any other court,
 - other than a High Court, within a Union Territory.

Accounting of moneys received on behalf of Govt.

- ❑ The Head of Account to which such moneys shall be credited and the withdrawals of moneys there from shall be governed by the relevant provisions of **Government Accounting Rules, 1990** and
 - the **Central Government Account (Receipt and Payments) Rules, 1983** or
 - such general or specific orders as may be issued in this behalf [**Rule 8**].

Accounting of moneys received on behalf of Govt.

- ❑ These rules also specify that it is the duty of the Department of the Central Government concerned to ensure that the receipts and dues of the Government are correctly and promptly assessed, collected and duly credited to the Consolidated Fund or Public Account, as the case may be.

Accounting of moneys received on behalf of Govt.

- ❑ Detailed rules and procedure regarding assessment, collection, allocation, remission and abandonment of revenue and other receipts have to be laid down by the departments, responsible for the same.

Accounting of moneys received on behalf of Govt.

- ❑ Where the officers are required to receive moneys on behalf of government and issue receipts therefor in form **GAR-6**,
- the departmental regulations should provide for:
- maintenance of proper account of receipt and issue of the receipt books

Accounting of moneys received on behalf of Govt.

- the number of receipt books to be issued at a time to each officer; and
- a check, with the officer's accounts, of the used books when returned. [**Rules 9-11**]

Accounting of moneys received on behalf of Govt.

- ❑ **Rule 12 to 14** provide that amounts due to Government have not to be left outstanding without sufficient reasons, and
 - the orders of the competent authority have to be obtained for adjustment of irrecoverable amounts, and
 - no sums shall be credited as revenue by **debit to a suspense** head unless specially authorized by any rule or order made by a competent authority

Accounting of moneys received on behalf of Govt.

- ❑ The credit must follow and not precede actual realization;
- ❑ All important variations in collections of amounts due to Government as compared with the Budget Estimates shall be reported to the Finance Ministry by the Administrator/ Head of the Department.

Rents of buildings and lands

- ❑ Rule 15 deals with the **Rents of buildings and lands**, where the maintenance has been entrusted to a civil department other than Public Works Department.
- ❑ In such cases the Administrator/ Head of department shall be responsible for the recovery of the rent.

Fines Rule 16

- ❑ **Fines:** Every authority having the power to impose and/or realize a fine has to ensure that the money is realized,
 - duly checked and deposited into treasury/bank, and
 - the authority having power to refund fines shall ensure the refunds are checked and no double refund of amounts of fine collected or refund of fines not actually paid into a treasury/bank as the case may be are made.

Miscellaneous demands

Rule 17

- ❑ The Accounts Officer has to watch the realization of miscellaneous demands of Government not falling under the ordinary revenue administration, such as contributions from State Governments, Local Funds, contractors and others towards establishment charges.

Remission of Revenue

- ❑ A claim to revenue can be remitted/
abandoned only with the sanction of a
competent authority. [Rule 18]

Remission of Revenue [Rule 19]

- ❑ The Administrators/Heads of Departments (other than those in the Department of Posts) have to submit annually on the 1st of June to the Audit Officer and the Accounts Officer concerned statements showing the remissions of revenue and abandonment of claims to revenue sanctioned during the preceding year by the competent authorities.

General principles relating to expenditure and payment of money,

- ❑ **Rules 21 to 32** deal with general principles relating to expenditure and payment of money; and
 - prescribe the rules and instructions to be followed for maintaining standards of financial propriety;
 - instructions for incurring expenditure from public funds; etc.

General principles relating to expenditure and payment of money

- ❑ Every officer to enforce financial order and strict economy and see that all relevant financial rules and regulations are observed.
[R.21]
- ❑ No expenditure is to be incurred or no liability is to be created on government unless there is a sanction of the competent authority.

General principles relating to expenditure and payment of money,

- ❑ The financial powers of the Government have been delegated to various subordinates authorities vide Delegation of Financial Powers Rules, 1978, as amended from time to time.

Controlling Officer, his responsibility in respect of Budget allocation

- ❑ The duties and responsibilities of the Controlling Officer in respect of funds placed at his disposal are defined vide Rule 26, which provides that,
 - the expenditure is incurred in the public interest and does not exceed the budget allocation.

Controlling Officer, his responsibility in respect of Budget allocation

- the expenditure is incurred for the purpose for which funds have been provided,
- that adequate internal control mechanism is functional and applied in the department for prevention, detection and control of errors and irregularities and to guard against waste and loss of public money in the financial proceedings.

Communication of Sanctions

- ❑ Sanctions to the expenditure can only be issued by an authority vested with the financial powers as delegated by Government.
- ❑ The financial powers which have not been delegated to a subordinate authority vest with the Finance Ministry.

Communication of Sanctions

- ❑ All sanctions to the expenditure have to indicate the details of the provisions in the relevant grant/appropriation wherefrom such expenditure is to be met, and
 - whether the expenditure can be met by valid appropriation or re-appropriation, and
 - in cases where the sanction to expenditure has to be issued before the funds are communicated, the sanction should specify that such expenditure is subject to funds being communicated in the Budget of the year.

Communication of Sanctions

- ❑ A sanction or rule comes into force from the date of issue unless any other date is specified.
- ❑ All financial sanctions issued by a competent authority shall be communicated to Audit Officer and the Accounts Officer.
- ❑ Copies of all sanctions /orders other than of those dealing with administrative matters should be endorsed to the Audit Officer.

Communication of Sanctions

- ❑ A subordinate authority shall not without the previous consent of the Ministry of Finance, issue an order which, involves any grant of land, or assignment of revenue, or concession, grant, lease or license of minerals or forest rights or rights to water etc. or involves relinquishment of revenue in any way.

Communication of Sanctions

- ❑ All financial sanctions issued by a Department of the Central Government relating to a matter concerning it and on the basis of which payment is to be made or authorized by the Accounts Officer should be addressed to him.

Communication of Sanctions

- ❑ All sanctions/ orders issued by a Department of the Central Government with the concurrence of the Internal Finance Wing/Ministry of Finance should be communicated to the Accounts Officer.

Communication of Sanctions

- ❑ In case of a **non-recurring contingent and miscellaneous expenditure**, the sanctioning authority may, **accord sanction** by signing or countersigning the bill or voucher, **whether before or after the money is drawn**, instead of by a separate sanction.

Communication of Sanctions

- ❑ Orders conveying sanctions to the grant of additions to pay (such as Special Allowance, Personal Pay, etc.) should contain a brief summary of the reasons for the grant of such additions to pay

Lapse of sanctions.

- ❑ A sanction for any fresh charge shall (unless it is specifically renewed,) lapse if no payment has been made during a period of twelve months from the date of issue of such sanction, provided that:**

Lapse of sanctions.

- **when the period of currency of the sanction is prescribed in the departmental regulations/sanction itself, it shall lapse on the expiry of such period;**

Lapse of sanctions.

- when there is a specific provision in a sanction that the expenditure would be met from the Budget provision of a specified financial year, it shall lapse at the close of that financial year;

Lapse of sanctions.

- in the case of purchase of stores a sanction shall not lapse, if the tenders have been accepted/the indent has been placed on the Central Purchase Organization within the period of one year of date of issue of the sanction, even if actual payment in whole or in part has not been made.

Defalcation and Losses

- ❑ **Rules 33 to 38** deal with issues connected with **losses**;
- ❑ Rules require that **prompt action** should be taken at each stage of detection, reporting, write-off, final disposal, including action against delinquents and action for remedial measures.

Defalcation and Losses

- ❑ **Losses /shortages to be reported;**
- **any loss/shortage of public moneys/ departmental revenue or receipts/stamps, opium, stores or other property held by/on behalf of Government, irrespective of the cause of loss and manner of detection, has to be immediately reported by the subordinate authority concerned to the:**

Defalcation and Losses

- **next higher authority;**
- **Statutory Audit Officer; and**
- **to the concerned Principal Accounts Officer, even when such loss has been made good by the party responsible for it.**

Defalcation and Losses

- ❑ **Cases involving serious irregularities** should be brought to the notice of :
 - **Financial Adviser/Chief Accounting Authority of the Ministry/Department concerned; and to**
 - **the Controller General of Accounts, Ministry of Finance.**

Defalcation and Losses

- ❑ **The report of loss has to be made at two stages:**
 - **An initial report as soon as suspicion arises that a loss has taken place;**
 - **The final report after investigation indicating nature and extent of loss, errors or neglect of rules by which the loss has been caused and the prospects of recovery, to be submitted to the Head of the Department.**

Defalcation and Losses

- ❑ The amount lost through misappropriation/ defalcation/embezzlement, etc. may **be redrawn** on a simple receipt pending investigation/recovery or **write -off** with the approval of the competent authority.

Defalcation and Losses

- ❑ All cases involving loss of Government money arising from erroneous/irregular issue of cheques/irregular accounting of receipts will be reported to the Controller General of Accounts along with the circumstances leading to loss enabling him to take remedial steps to remove the defects if any in the concerned rules or procedures.
[R.33]

Loss of Government property due to fire, theft, fraud

- All losses above Rupees ten thousand due to suspected fire, fraud, theft etc. to be reported to police for investigation
- All losses of immovable Government property exceeding Rupees Fifty thousand, caused by fire/earthquake/ any other natural cause shall be reported at once to Government through proper channel.

Loss of Government property due to fire, theft, fraud

- All other losses to be brought to the notice of next higher authority. [R.35]
- After a full enquiry to the causes of and the extent of loss has been made, a detailed report of loss has to be sent to the Government

Loss of Government property due to fire, theft, fraud

- ❑ An officer shall be held personally responsible for any loss sustained by the Government, through fraud and negligence on his part, and on account of fraud/negligence of any other officer to the extent to which it may be shown that he contributed to the loss by his own action/negligence.[R.37]

Submission of records and information

Rules 39 to 41.

- ❑ Subordinate office has to afford all reasonable facilities to the Audit Officer/Accounts Officer for discharging his functions and furnish fullest possible information required by him.

Government Accounts

- ❑ **Rules 65 to 122** are related to **Government Accounts**, and specify the:
 - procedures to be adopted, and
 - instructions to be followed in preparation and presentation of Accounts.

Government Accounts

- ❑ The accounts of the Union/States are prepared every year in the **forms prescribed by the Controller General of Accounts** in the Ministry of Finance [Department of Expenditure] **on behalf of the President** on the advice of the **Comptroller and Auditor General of India.** (Art.150, R.65, 66)

Government Accounts

- ❑ These accounts are certified by the Comptroller and Auditor General of India, and the report relating to these accounts is submitted to the President of India who cause them to be laid before e each house of Parliament.

Government Accounts

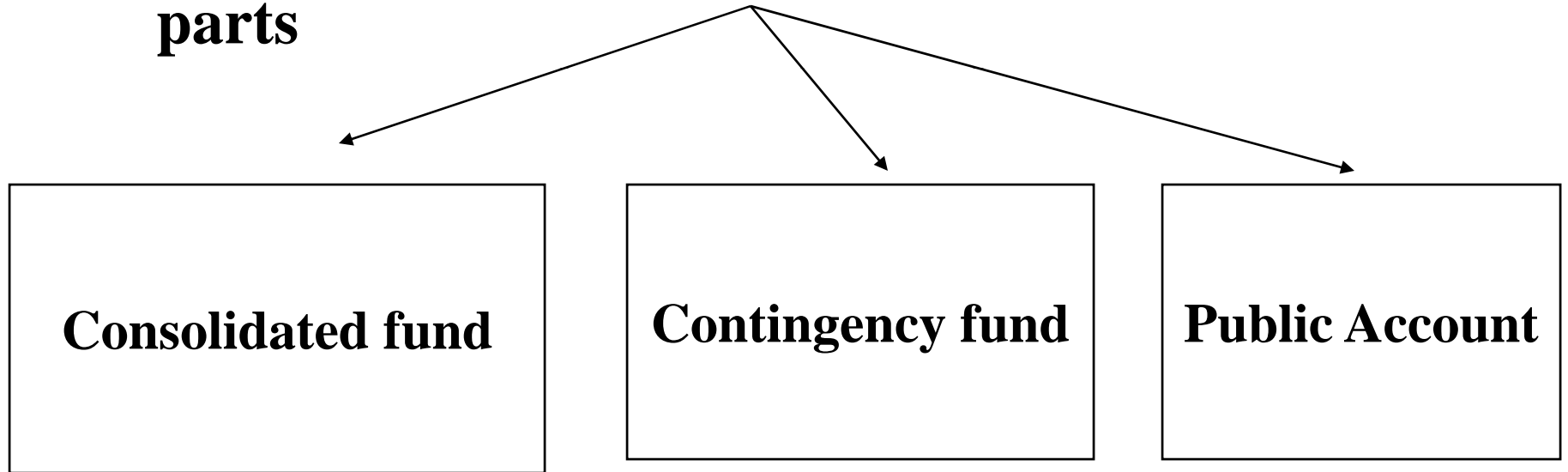
- ❑ The accounts of the Government of India are maintained according to the principles enunciated in Government Accounting Rules, 1990, Accounting Rules for Treasuries, and Account Code Volume III.

Government Accounts

- ❑ The annual (i.e., for the period from 1st April to the 31st March) Government accounts are prepared on cash basis with some exceptions (book adjustments).

Classification of transactions in Government Accounts

- The Government Accounts are kept in three parts



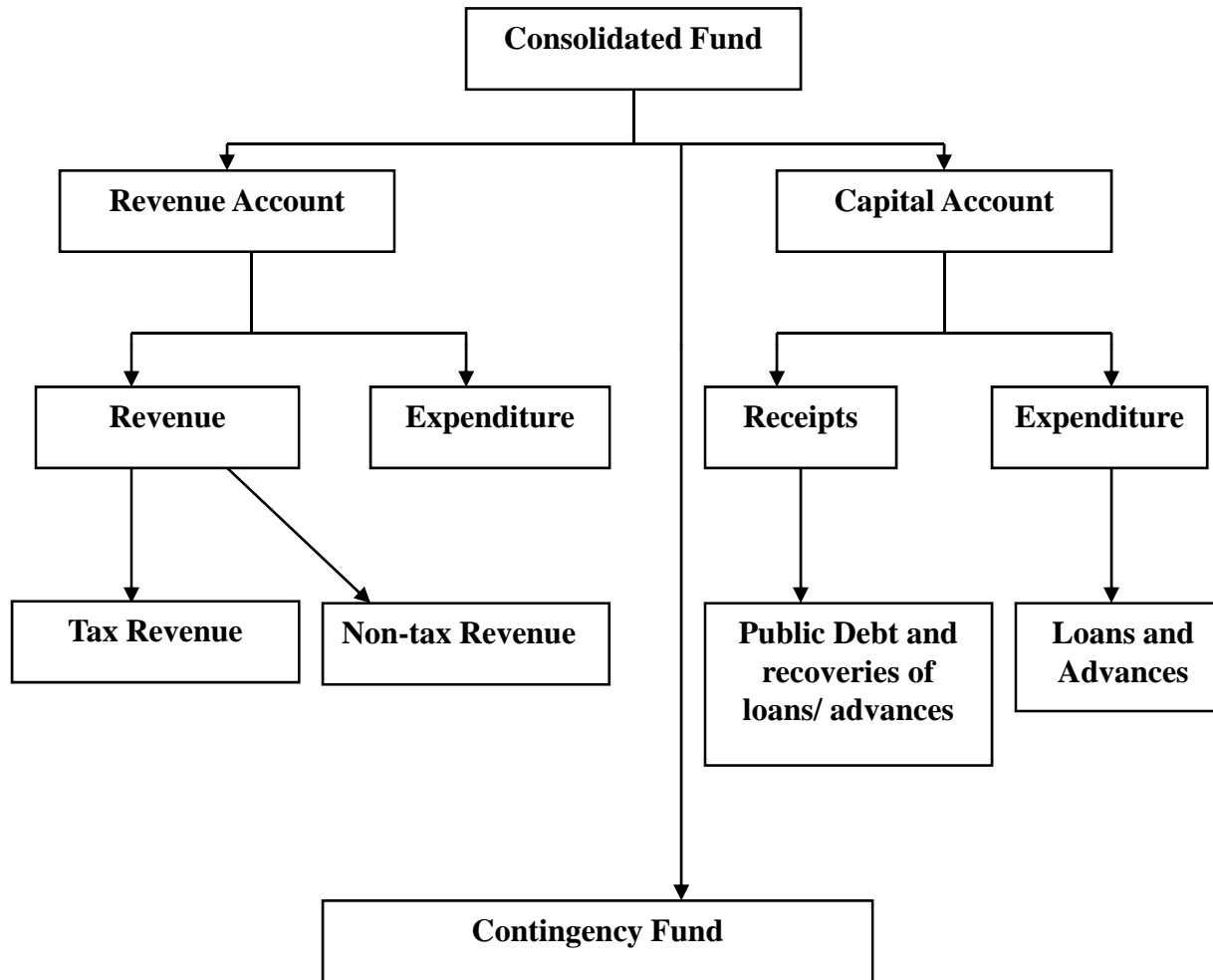
Classification of transactions in Government Accounts

- ❑ The **Consolidated Fund** is divided into two Divisions, namely **Revenue and Capital**,
- ❑ The **Revenue division** comprises of the sections ‘**Receipt Heads**’ (Revenue Account which deals with the proceeds of the taxation and other receipts classified as revenue)and ‘**Expenditure Heads**’ dealing with expenditure met there from.

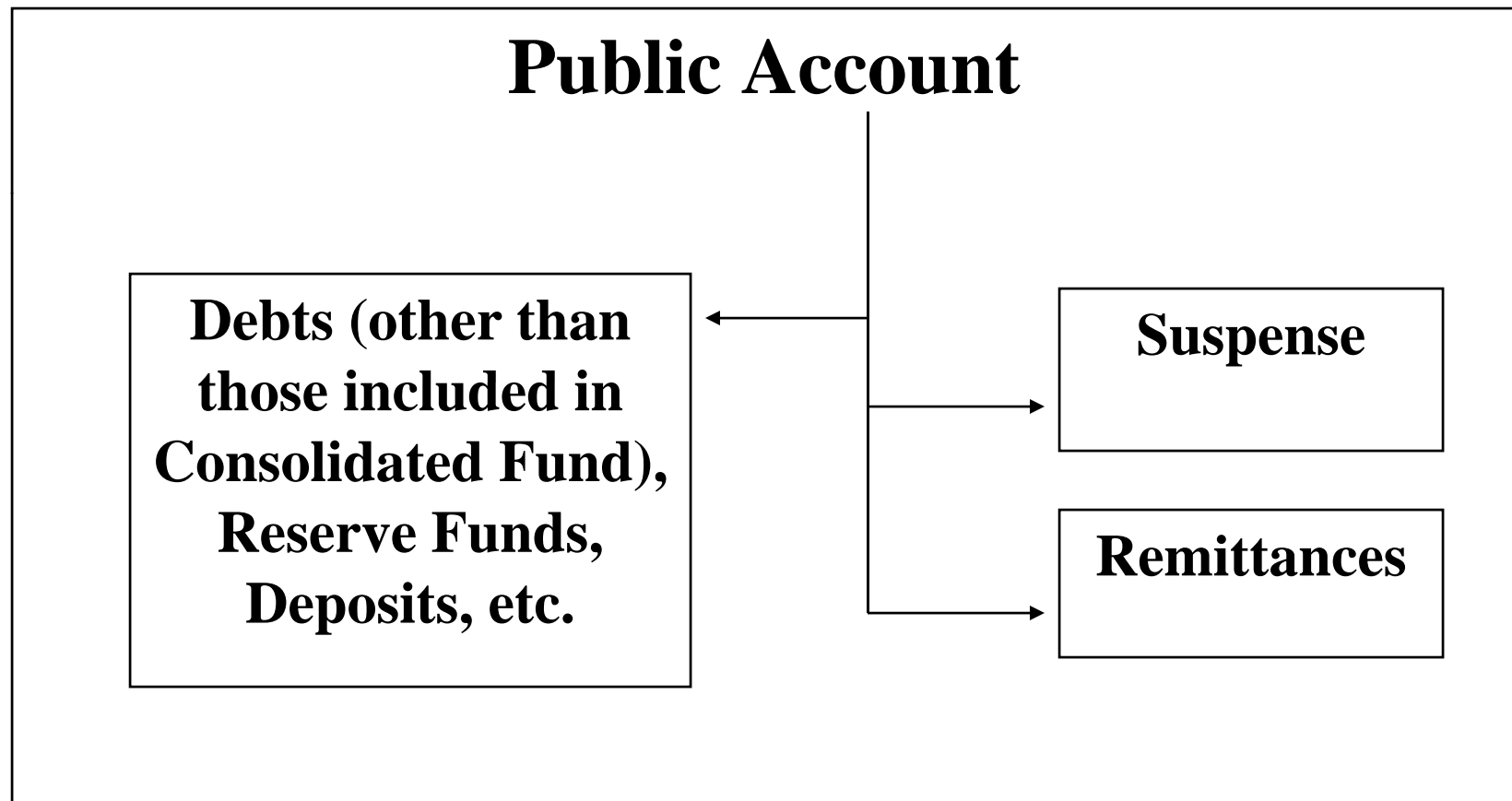
Classification of transactions in Government Accounts

- ❑ The Capital division comprises of three sections, 'Receipt Heads (Capital Account)', 'Expenditure Heads' (Capital Account) and 'Public Debt, Loans and Advances, etc'.

Classification of transactions in Government Accounts



Classification of transactions in Government Accounts



Classification of transactions in Government Accounts

- These sections are in turn divided into sectors such as ‘General Services’, ‘Social and Community Services’, ‘Economic Services’, etc.
- There shall be a single Major Head to record the transactions under the **Contingency Fund**, which is followed by Minor, sub and Detailed Heads.

Classification of transactions in Government Accounts

- **In Part III, i.e. Public Account** transactions relate to debt (other than those included in the Consolidated Fund), reserve funds, deposits, advances, suspense remittances and cash balances.

Classification of transactions in Government Accounts

- ❑ The transactions in Government Account are further classified in to Major Heads, Sub-Major Heads (where necessary) Minor Heads, which in turn have a number of subordinate heads, known as sub-Heads.

Classification of transactions in Government Accounts

- The Sub-Heads are further divided into Detailed Heads followed by Object Heads.
- ❑ The classification bears a closer reference to functions, programmes and activities of the Government and the object of revenue or expenditure rather than the department in which the revenue or expenditure occurs.

Classification of transactions in Government Accounts

- ❑ The Major Heads of Account falling within the sectors for expenditure heads correspond to functions of Government, Minor Heads identify the programme, the sub-Heads represent schemes, the Detailed Head denotes sub-scheme and Object Head represents the primary unit of appropriation

Classification of transactions in Government Accounts

- ❑ The **six tier classification** is represented by unique **15-digit numeric code** as specified in the **List of Major and Minor Heads of Accounts** of Union and the States maintained by the Ministry of Finance (Department of Expenditure—Controller of Accounts)

Classification of transactions in Government Accounts

- ❑ Budget Heads exhibited in estimates of receipts/expenditure conform to the prescribed rule of classification.
- ❑ A new Head of Account can be opened by Ministry of Finance on the advice of the Comptroller and Auditor General of India.
[R.73]

Classification of transactions in Government Accounts

- ❑ Charged and Voted expenditure,
 - Plan and Non-Plan expenditure and
 - Capital and Revenue expenditure are shown separately in the accounts as well as in Budget documents

Classification of transactions in Government Accounts

- ❑ The expenditure incurred on maintenance of the assets created out of the Capital Expenditure, have to be met from Revenue Expenditure. [**R.77-79**]

Banking arrangements of the Government

- ❑ Rule 80 specifies the banking arrangements of the Government, and says that the Reserve Bank shall maintain the cash balance of the Government, and provide banking facility to the Ministries etc.

Banking arrangements of the Government

- ❑ A bank to function as Accredited Bank of Ministry/ Department, which shall make all payments and collect departmental /other receipts is nominated by the Reserve Bank in consultation with the Controller General of Accounts.

Annual Accounts Rule 81

- The Appropriation Account** of the Central Ministries (other than the Ministry of Railways) and of the Central Civil Departments (excluding Department of Posts and Defence Services) shall be prepared by the Principal Accounts Officers of the respective Ministries/Departments (under the control and guidance of the Controller General Of Accounts).

Annual Accounts

- The Appropriation Accounts for the Departments of Posts and Defence Services shall be prepared and signed by the Secretaries to the Government of India in the Department of Posts and Ministry of Defence respectively.

Annual Accounts

- ❑ Finance Accounts of the Government of India (including transactions of Department of Posts and Ministries of Defence and Railways and transactions under Public Account of India and of Union Territory Governments) shall be prepared by the Controller-General of Accounts. [R.82]**

Pro forma Accounts

- ❑ In Government Departments working on a commercial/quasi commercial basis the Head of the Unit is required to maintain subsidiary pro forma accounts in commercial form agreed between the Government and the Comptroller and Auditor General of India.

Pro forma Accounts

- This includes the maintenance of suitable Manufacturing, Trading, Profit & Loss Accounts and Balance Sheet
- The methods and principles on which the subsidiary accounts are to be kept have to be regulated by orders and instructions issued by Government in each case. [**R.84, 85**]

Personal Deposit Account

- ❑ Authorized to be opened by a special order by the concerned Ministry/Department in consultation with Controller General of Accounts Personal Deposit Account is intended to facilitate the Designated Officer to credit receipts into and effect withdrawals directly from the account.

Personal Deposit Account

- The overall check is exercised by the bank (who shall maintain a personal ledger account) and no withdrawal should result into a minus balance
- The provisions relating to '**Personal Deposit Account**' are contained in **Para 16.7 of Civil Accounts Manual and Rules 191 to 194 of Central Government Account (Receipt and payments) Rules**

Personal Deposit Account

- the cases in which the Personal Deposit accounts shall generally be authorized to be opened are discussed in **Rule 89 (2)**, Some of them are as under,
 - Chief Judicial Authority in respect of Civil/Criminal Court's deposits
 - Officers commanding units and others concerned in the administration of public funds in Defence Departments

Capital and Revenue Accounts

- ❑ **Rules 90.to96** deal with Capital and Revenue Accounts
- **The Capital Expenditure** is defined as significant expenditure incurred with the object of acquiring tangible assets of permanent nature (for use and not for sale) or enhancing the utility of existing assets
- Capital expenditure is generally met from the receipts of capital nature

Capital and Revenue Accounts

- **The Revenue expenditure** is defined as the expenditure incurred on subsequent maintenance, repair and upkeep etc. of the assets.
- **Rule 91** describes the principles for allocation of expenditure between Capital and Revenue.

Capital and Revenue Accounts

- The financial relief to public sector enterprises in the form of conversion of outstanding loans into equity investments/ grant-in-aid shall be approved by the Parliament.

Interest on Capital

- ❑ **Rules 97 to 100** describe the procedure for charging of interest on capital outlay met out of specific loans raised by Government, methods for calculation of interest and for writing back of interest charged to capital.

Interest on Capital

- The interest has to be charged at the rate prescribed by the Government in the case of capital outlay met out of specific loans, at the average rate to be determined by the department for capital outlay provided otherwise.

Interest on Capital

- The interest is to be calculated on the direct capital outlay at the end of the previous year plus half the outlay of the year itself, irrespective of whether such outlay has been met from current revenues or from other sources.

Adjustments with other Governments' Departments, etc

- **Rule 101 to 122** deal with the procedures to be adopted for adjustments between the Central Government and the State Governments
- The arrangement of adjustment in respect of pay and allowances, leave salaries, pensions, etc., is regulated by the rules contained in **Appendis-5 to Government Accounting Rules, 1990**

Adjustments with other Governments' Departments, etc

- petty and isolated claims (not exceeding Rupees two thousand five hundred) not to be preferred against each other by the Central and State Governments .

Adjustments with other Governments' Departments, etc

- **Rules 112,113,114 and 115** prescribe the principles to be adopted for recoveries of expenditure for services rendered to non-Government parties

Inter-departmental adjustments:

- ❑ **Rule 116 to 122** govern the inter-departmental adjustments,
- A service department (except a commercial department) shall not charge other departments for services rendered/ supplies made which fall within the class of duties for which the former department is constituted. :

Inter-departmental adjustments:

- **Rule 117** describes the principles for division of departments for purposes of inter-departmental payments.
- All claims between the departments shall be preferred within the **same financial year and not beyond three years from the date of transaction**, and
- the settlement of inter-departmental adjustments shall be regulated by the directions contained in **Chapter 4 of Government Accounting Rules.**

Inter-departmental adjustments:

- Rule 121 to 122 provide that**
- the pensionary liability of commercial departments/undertakings, for which pro forma commercial accounts are maintained, shall be assessed on a contribution basis at such rates as may be fixed by the Government from time to time**

Inter-departmental adjustments:

- where no regular commercial accounts are maintained, the pensionary liability shall be taken into account in the estimates of overhead charges and manufacturing costs, at the rates prescribed by the Government

Works

- **Rules 123 to 134** specify the financial powers of various authorities to **sanction works** define certain terms, and **prescribe procedures for execution of works.**

Powers to sanction works

- ❑ The powers to subordinate authorities to
 - accord administrative approval,
 - sanction expenditure,
 - re-appropriate funds for works are regulated by the Delegation of Financial Powers Rules, 1978 and other orders contained in the respective departmental regulations

Powers to sanction works

- ❑ These rules state that,
 - All original works costing up to Rupees ten lakhs may be assigned by the Ministry/Department concerned to a Public Works Organization;

Powers to sanction works

- **All original works** estimated to cost **above Rupees ten lakhs** and **repair works** estimated to cost **above thirty lakhs** may be got executed through a Public Works Organization after consultation with the Ministry of Urban Development.

Powers to sanction works

- ❑ A Ministry/Department may at its discretion directly **execute repair works estimated to cost up to Rupees ten lakhs** after following the procedure prescribed for execution of works vide **Rule 132**

Powers to sanction works

- ❑ The rule *inter-alia* provides for taking up of a work for execution **after preparation of detailed estimates, designs,**
- **accord of Administrative Approval, Expenditure Sanction,**

Powers to sanction works

- **calling of open tenders for works costing Rupees five lakhs to Rupees ten lakhs,**
- **limited tenders for works costing less than Rupees five lakhs, and**
- **execution of agreement, etc.**

Original work

❑ **Original work** means

- all new constructions,
- additions and alterations to existing works,
- special repairs to newly purchased/
previously abandoned buildings/structures,
including remodeling/replacement.

Original work

- ❑ Works not specifically allotted to any Ministry/Department shall be included in the Grants for Civil Works to be administered by the Central Public Works Department.

Original work

- ❑ No work shall be commenced/liability incurred until,
 - administrative approval and sanction to incur expenditure has been obtained, from the competent authority,
 - tenders have been invited,
 - funds are provided, and
 - a work order has been issued.

Original work

- ❑ For purposes of approval and sanctions, a group of works which forms one project, shall be considered one work and the necessity of obtaining approval/sanction of higher authority to a project consisting of such a group of works should not be avoided.

Original work

- ❑ After a project costing **Rupees ten crores or above** is approved the Administrative Ministry/Department will set up a Review Committee consisting of a representative each from the Administrative Ministry, Finance (Internal Finance Wing) and the Executing Agency to review the progress of the work.

Original work

- ❑ The Review committee shall have the powers to accept **variation within 10% of the approved estimates**

- **for works costing less than Rupees ten crores the Administrative Ministry/Department may at its discretion set up a Review committee.**

Procurement of goods and services

Rules 135 to 185

- ❑ All Government purchases have to be made in a transparent, competitive and fair manner
 - to secure the best value for money,
 - for which the prescribed instructions/principles should be followed.

Procurement of goods and services

Rules 135 to 185

- ❑ The efficiency, economy and the accountability in the system of public procurement has also to be ensured.
- ❑ **Rules 160&161** define the goods required for use in the public service by different Ministries/Departments; prescribe the fundamental principles for buying, authorities competent to purchase goods, powers for procurement of goods etc

Procurement of goods and services

Rules 135 to 185

- ❑ An authority competent to incur contingent expenditure may sanction the purchase of goods required for use in public service in accordance with Schedule V of the Delegation of Financial Powers Rules, 1978, following the general rules.

Procurement of goods and services

Rules 135 to 185

- ❑ The procuring organization should spell out its needs;
 - specify the quality,
 - type, and quantity etc.
- ❑ It should satisfy itself that the price of the selected offer is reasonable and consistent with the quality required.

Procurement of goods and services

Rules 135 to 185

- ❑ The Ministries/Departments have been delegated full powers to make their own arrangements for procurement of goods, they may, however, project their indents to Central Purchase Organization (e.g. DGS&D) with the approval of the competent authority.

Procurement of goods and services

Rules 135 to 185

- ❑ In case a Ministry/ Department directly procure DGS&D rate contracted goods from suppliers, the prices to be paid for such goods shall not exceed those stipulated in the rate contract, and they shall make their own arrangements for inspection/testing of goods where required.

Procurement of goods and services

Rules 135 to 185

- ❑ **Rules 141 to 144** deal with the functioning of the Central Purchase Organizations (like DGS&D) concluding of **rate contract** by these organizations with the registered suppliers, registration of suppliers etc.

Procurement of goods and services

Rules 135 to 185

- ❑ There are certain items, like handspun and hand-woven textiles (Khadi goods), which are reserved to be purchased from Khadi and Village Industries Commission (KVIC).

Purchase of goods without quotation

- ❑ As per rule 145 Goods up to the value of Rs.15000 (Rupees Fifteen Thousand) only on each occasion can be purchased without inviting quotations/ bids on the basis of a certificate to be recorded by the competent authority**

Purchase of goods without quotation

- ❑ The format of the certificate is,
 - ‘I,-----, am personally satisfied that these goods purchased are of the requisite quality and specification and have been purchased from a reliable supplier at a reasonable price.’”

Purchase of goods by purchase Committee:

- Purchase of Goods costing above Rs.15000 (Rupees fifteen thousand) and up to Rs.100000 (Rupees One lakh) only on each occasion may be made on the recommendations of a duly constituted Local Purchase Committee consisting of three members of an appropriate level as decide by the Head of the Department.**

Purchase of goods by purchase Committee

- ❑ As per **Rule 146** the Committee will jointly record a certificate in the format shown as under;
- ‘Certified that we -----, members of the purchase committee are jointly and individually satisfied that the goods recommended for purchase are of the requisite specifications and quality, priced at the prevailing market rate and the supplier recommended is reliable and competent to supply the goods in question’

Purchase of goods by purchase Committee

- ❑ Rule 148 provides that a demand for goods should not be divided into small quantities to make piecemeal purchases and to avoid the necessity of obtaining the sanction of higher authority.**

Purchase by Tender Enquiry

- ❑ In all cases other than those mentioned above Ministries/Departments shall procure goods by obtaining bids in
 - (i) Advertised Tender Enquiry,
 - (ii) Limited Tender Enquiry, or
 - (iii) Single Tender Enquiry.

Advertised Tender Enquiry

- ❑ **As per Rule 150** Invitation to tenders by advertisement should be used for procurement of goods of **estimated value of Rs.25 lakhs and above.**
- Advertisement should be given in the **Indian Trade Journal (ITJ)** and at least in **one national daily** having wide circulation,

Advertised Tender Enquiry

- should also be published on departmental website, in which address should also be given
- **the minimum time** to be allowed for **submission of bids should be three weeks** from the date of publication of the tender notice/availability of the bidding document for sale, whichever is later.

Advertised Tender Enquiry

- **In the case in which foreign bidders are also involved the time should be four weeks.**
- **The number of supplier firms should be more than three.**

Limited Tender Enquiry

- ❑ **Limited Tender Enquiry:** may be adopted when estimated value of the goods to be procured is up to **Rupees twenty five lakhs.**

- **Copies** of the bidding documents should **be sent directly** by speed post/registered post etc. **to firms which are borne on the list of registered suppliers for the goods in question.**

Limited Tender Enquiry

- **Efforts should be made to identify a higher number of approved suppliers to obtain more responsive bids on competitive basis.**
- **Sufficient time should be allowed for submission of bids.**

Limited Trade Enquiry

- ❑ **As per Rule 151** this method may also be adopted in cases where the estimated value of the goods to be procured **is more than Rupees twenty five lakhs,**
- if the Competent Authority in the Ministry/ Department certifies the **demand to be of urgent nature** and

Limited Trade Enquiry

- **justifies any additional expenditure** involved by not procuring through advertised tender enquiry, and
- if it is specified in writing by the competent authority that it will not be in public interest to procure the goods through advertisement or tender enquiry.

Limited Trade Enquiry

- ❑ In this case the Sources of supply are known and possibility of tapping fresh sources is remote
- ❑ The bids received after the specified date and time for receipt of bids should not be considered both in the case of advertised tender enquiry/limited tender enquiry

Two bid System [R.152]

- Two bid system is resorted to in case of high value plant, machinery etc., of a complex and technical nature. Bids are obtained in two parts,**
- a) Technical bid consisting all technical details along with commercial terms and conditions; and**
- b) Financial bids indicating item wise price for the items mentioned in the technical bid.**

Two bid System [R.152]

- Both bids have to be sealed by the bidder in separate covers, put in a bigger cover to be sealed and super scribed.

Single tender Enquiry

- ❑ Procurement from a single source/single tender basis can be resorted to in the circumstances where a particular firm /supplier is the sole manufacturer of the required goods,

Single tender Enquiry

- the item to be purchased is the propriety item of the supplier/firm (in which case a Propriety Article Certificate in the prescribed form has to be provided by the Ministry/Department),
- there is emergency and the purchase is to be effected(for reasons to be recorded from a particular source etc.) [**R.154**]

Securities [R.157, 158]

- ❑ To safeguard against a bidder's withdrawing/altering its bid during the bid validity period, **Bid Security** (also known as **Earnest Money**) is to be obtained from the bidders along with their bids
- ❑ The amount of the bid security ranges between two per cent to five per cent of the estimated value of goods to be procured

Securities [R.157, 158]

- It may be obtained in the shape of Account Payee Demand Draft, Fixed Deposit receipt etc.
- Normally it remains valid for a period of **forty five days** beyond the final bid validity period

Securities [R.157, 158]

- The bid securities of the successful bidders should be returned to them at the earliest after the expiry of the final bid validity,
- latest on or before the 30th day after the award of the contract and on receipt of performance security from them..

Securities [R.157, 158]

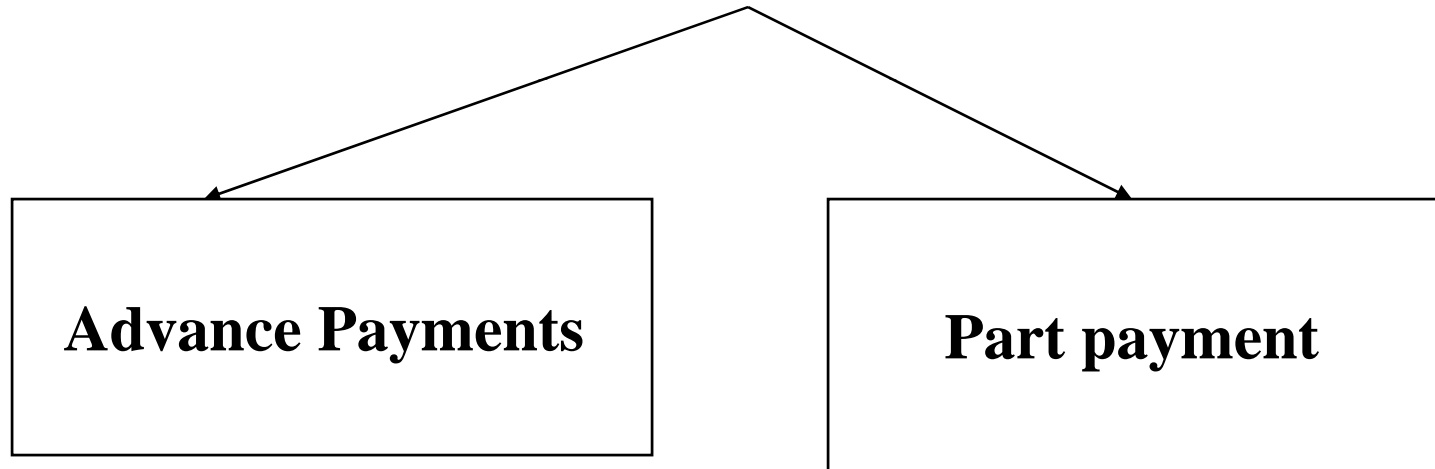
- **Performance Security** is to be obtained, from the successful bidder to ensure due performance of the contract
- It should remain valid for a period of sixty days beyond the date of completion of all contractual obligations of supplier including warranty obligations.

Securities [R.157, 158]

- It should be for **an amount of five to ten per cent of the value of the contract** and it may be furnished in the form of an Account Payee's Demand draft, Fixed Deposit Receipt etc.

Payments to supplier

❑ The payments to a supplier can be,



Advance Payments

- ❑ Ordinarily payments for services rendered/supplies made should be released only after the services have been rendered/supplies made
- ❑ Advance payments may be demanded by firms, like firms holding maintenance contracts for servicing of A Cs/ Computers/other costly equipment, against fabrication contracts/turnkey contracts, etc.

Advance Payments

- Advances in such cases should not exceed:
 - (i) thirty five per cent of contract value to private firms,
 - (ii) forty per cent of the contract value to a State/Central Government agency/Public Sector Undertaking, and
 - (iii) in the case of maintenance contract the amount should not exceed the amount payable for six months under the contract, the ceilings may be relaxed in consultations with the Financial Advisers concerned. **[R.159]**

Part payment

- ❑ Part payment may be released to a supplier depending upon the terms of delivery incorporated in a contract.

Procurement/Outsourcing of Services

- ❑ **Rules 163 to 177** deal with procedures to be adopted in procurement of external services
- ❑ External professionals/consultancy firms may be hired for
 - specific jobs,
 - well defined in terms of content/timeframe.

Procurement/Outsourcing of Services

- for its completion in situations requiring high quality services for which the concerned Ministry/Department has no expertise.
- Approval of the competent authority should be obtained before engaging consultants

Procurement/Outsourcing of Services

- ❑ The likely sources for potential consultants should be identified in terms of Rule 168 and not less than three consultants short listed
- ❑ The proposals from consultants should be in two-bid system with technical and financial bids sealed separately.

Procurement/Outsourcing of Services

- The technical bids should be evaluated by Consultancy Evaluation Committee (CEC) constituted by the Ministry/Department.**

Procurement/Outsourcing of Services

- ❑ The financial bids of only those bidders bids who have been declared technically qualified on the basis of their technical bids shall be evaluated /analyzed for final selection of the successful bidder for placement of the consultancy contract**

Outsourcing of services

- ❑ **R.178 to 185** deal with the provisions regarding the outsourcing of services which has to be resorted in the interest of economy and efficiency.
- ❑ In this case also
 - the contractors have to be identified,
 - the tender enquiry has to be prepared,
 - bids invited,
 - responsive bids segregated, evaluated and
 - the successful bidder selected.

Inventory Management

- ❑ Rules 186 to 202: deal with the basics applicable to all Ministries/Departments regarding inventory management. .
- ❑ Detailed instructions may be issued by the Ministries/ Departments in conformity with these basic rules.

Inventory Management

- ❑ These rules require that
 - the terms and conditions of the relevant contract should be referred to by the concerned officer while receiving goods/material from a supplier, and
 - material counted measured or weighed and subjected to visual inspection to ensure the correctness in quantity and quality.

Inventory Management

- The material received and accepted is to be entered in appropriate stock register; with a certificate from the officer in charge of stores that the material has been actually received and entered in the appropriate stock register

Inventory Management

- It has to be issued to indenting officers **from internal divisions on an indent,** against an appropriate receipt.
- In case of **issue of material from stock** for **departmental use,** etc, the material shall be issued against an **indent against a written acknowledgement of receipt** of material issued

Inventory Management

- In cases where full supplies are not available or alternative material has been issued the officer in charge should record the facts on the indent

Inventory Management

- The officer-in-charge stores shall maintain suitable item-wise lists and accounts and prepare accurate returns in respect of goods and materials in his charge.
- Records should also be kept when a fixed asset is hired to a local body, contractor or other, and the hire and other charges should be recovered regularly

The forms to be used may be as shown in the table

Items	Form
Fixed Assets, such as Plant, machinery, equipment, furniture, fixtures etc.	GFR-40
Consumables such as office stationery, chemicals, maintenance spares parts etc.	GFR-41
Library books	GFR-35
Assets of historical/artistic value held by museum /Government Departments as required	GFR-42

Inventory Management

- The inventory for fixed assets should normally be maintained at site, and
- fixed assets should be physically verified at least once in a year and
- outcome of the verification should be recorded in the corresponding register, investigating the discrepancies, if any

Inventory Management

- The verification should be conducted in presence of the officer responsible for custody of the inventory being verified.
- The discrepancies including shortages etc. should be brought to the notice of the concerned authority for appropriate action.

Inventory Management

- In the case of **library books**, complete physical verification should be done every year
- where there are **more than twenty thousand volumes**,
- once in three years where the number of books is between **twenty thousand to fifty thousand**,

Inventory Management

- **sample physical verification** should be done in the case of libraries **having more than fifty thousand books** at the **intervals of not more than three years.**

Inventory Management

- Loss of five volumes per one thousand volumes of books issued/consulted in a year may be taken as reasonable,
- loss of a book of a value exceeding Rs.1000/rare books irrespective of value should be investigated and appropriate action taken. [R.194]

Disposal of surplus/obsolete/unserviceable items

- ❑ **Rules 197, 198,199 deal with disposal of surplus/obsolete/unserviceable material.**
- ❑ The competent authority may at his discretion constitute a committee at appropriate level to declare item(s) as surplus/obsolete/unserviceable.

Disposal of surplus/obsolete/unserviceable items

- ❑ **The competent authority will for recorded reasons declare an item(s) surplus/obsolete/unserviceable**
- **the book value, guiding price and the reserved price should be worked out in such cases.**
- **Original purchase price of the goods in question may be utilized where the book value is not possible to be worked out**

Disposal of surplus/obsolete/unserviceable items

- A report of the stores for disposal shall be prepared in form **GFR-17**
- Responsibility in respect of items becoming unserviceable due to negligence; fraud/mischief of a government servant should be fixed.

Disposal of surplus/obsolete/unserviceable items

- Surplus/obsolete/ unserviceable material of **assessed residual value above rupees Two Lakh** should be disposed of by
 - (a) obtaining bids through advertised tender,
 - (b) public auction.

Disposal of surplus/obsolete/unserviceable items

- The items may be disposed of at scrap value if it is not possible to sell the items through advertised tender/auction.
- A sale account should be prepared for goods disposed of in Form **GFR-18**

Disposal of surplus/obsolete/unserviceable items

- **Losses** shall be categorized under losses due to depreciation,
- losses due to theft, neglect, obsolescence of stores/ excess purchases etc. shall be taken under losses not due to depreciation,
- All losses shall be written off as per provisions under the Delegation of Financial Powers Rules, 1978.

Contract Management

- ❑ Rules 203 to 205: describe the general principles to be observed, and procedures to be adopted for management of contracts,
- the terms of the contract must be precise, definite and without any ambiguities.

Contract Management

- Standard forms of contracts should be adopted wherever possible,
- legal and financial advice should be taken in drafting the clauses in the contract where the standard forms are not used.

Contract Management

- A Ministry/Department may at its discretion **make purchases of value up to Rupees one Lakh** by issuing purchase orders containing basic terms and conditions

Contract Management

- In the case of **Works contracts/Contracts for purchases between Rupees one lakh to Rupees ten lakhs**, where tender documents include the general conditions of Contract (GOC)/Special Conditions of Contract (SCC) and scope of work, **the letter of acceptance will result in a binding contract.**

Contract Management

- For contracts of works/for purchases with estimated value of Rupees ten lakhs or above a contract document with all necessary clauses to make it a self contained contract should be executed.

Contract Management

- Contract document should be invariably executed in cases of turnkey works/ agreements for maintenance of equipments/ provision of service, etc.
- Contract document should, wherever necessary be **executed within 21 days** of the issue of letter of acceptance.

Price Variation Clause

- ❑ Usually provided in long term contracts, where the **delivery period extends beyond 18 months**
- **The price agreed upon in such cases should specify the base level, viz the month and year to which the price is linked, to enable variations being calculated with reference to the price levels prevailing in that month and year**

Price Variation Clause

- The formula for calculation of the price variations that have taken place between the **Base level** and the **Scheduled Delivery Date** should be included in this clause.
- It should also specify the **cut-off dates for material and labour** other conditions specified in Rule 204 [(viii), (a) to (k)] should also be followed.

Price Variation Clause

- **In short term contracts firm and fixed prices** should be provided for.

Lump sum Contract

- ❑ Should be entered in case of absolute necessity only
- The contracting authority should ensure that the conditions in lump sum contract adequately safeguard /protect the interests of the Government.