

Financial Rules & Principles of Govt. Accounting

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INTRODUCTION

- Ž All Departmental Regulations containing orders/instructions of financial character or having important financial bearing MUST INVARIABLY be made by, or with the approval of MoF.
 - Ž (i) The system or procedures established by financial rules are subject to general or special instructions/orders of the MoF
- And
- Ž (ii) these system or procedures may be modified by any other authority only with the express approval of the MoF.

General System of Financial Management

- All moneys received by or on behalf of the Govt. either as dues of Govt. (Consolidated Fund) or for deposit, remittances or otherwise (Public Account) should be brought into Govt. A/c without delay.
- [Art 150 & 283 of the constitution]

General System of Financial Management

- Head of Accounts to which such moneys shall be credited in or withdrawn from shall be governed by the relevant provisions of GAR, 1990 and Jharkhand Treasury Code.

General System of Financial Management

- Receipts and Dues are to be correctly and promptly assessed, collected and duly credited to Govt. A/c.
- Credit of receipts and dues is to be supervised by the Controlling Officer through monthly accounts and returns and the statements furnished by the accounts officer
- Detailed rules and procedures to be provided regarding
 - (i) assessment, collection, allocation, remission and abandonment of revenue or other receipts AND
 - (ii) proper account of receipt and issue of Receipt Book

General System of Financial Management

- Amounts due to the Govt. shall not be left outstanding without sufficient reasons.
- No sums shall be credited as revenue by debit to a suspense head.
- Finance Ministry shall be kept informed of the progress of collection of revenue under his control.

General System of Financial Management

- Every authority having the power to impose/realize fine shall ensure that all money is realized, duly checked and deposited into treasury/bank

and

- Refund of fines, if any, are checked to avoid double refunds.

General System of Financial Management

Standards of Financial Propriety

Envisage to enforce financial order and strict economy and observance of the relevant financial rules and regulation by:

- His own office and
- Sub-ordinate office.

General System of Financial Management

Expenditure from Public Fund

No expenditure to be incurred or liability to be entered into without sanction of a competent authority.

Delegation of Financial Powers

Financial powers are delegated to various subordinate authority as per DFPR

Powers not delegated shall vest in the Fin. Min.

SANCTION

General System of Financial Management

Sanctions:-

All sanctions to the expenditure shall indicate the source of fund.

Proposal for sanction to expenditure shall indicate whether such expenditure can be met by valid appropriation or re-appropriation.

If it becomes necessary to issue a sanction before funds are communicated, the sanction to specify that the expenditure is subject to the funds being communicated in the budget.

Sanctions:

- All rules, sanctions or orders shall come into force from the date of issue unless any other date is specified therein.
- Sanction for creation of temporary post should specify the date from which it is to be created in addition to the sanctioned duration.

Sanctions:

Sanctions involving:

- grant of land,
- assignment of revenue,
- grant,
- concession
- lease or license of mineral or forest rights,
- right to water power,
- concession or relinquishment of revenue

shall be made in pursuance of *general delegation/with the approval of the President/with the previous consent of MoF.*

Lapse of Sanction:

Ž A Sanction for any fresh charge shall, unless it is specifically renewed, lapse if no payment in whole or part is made during the period of 12 month from the date of its issue.

Ž Exceptions:-

- When the period of currency of the sanction is prescribed in the departmental regulation or in the sanction itself,
- If expenditure is to be met from the budget provision of a specific year mentioned therein,
- In case of purchase of stores, if tenders have been accepted or indent has been placed on the CPO within one year of the date of issue of sanction

DEFALCATION & LOSSES

Defalcation and Losses

Reporting of Losses: Any loss/shortage of public money, departmental revenue or receipts, stamps, stores or other property shall be immediately reported to the next higher authority, statutory Audit Officer and the concerned Pr. Accounts Officer even when such loss has been made good by the responsible party.

[Except petty losses of value not exceeding ₹10,000.]

Reporting of Serious Irregularities: Cases involving serious irregularities shall be brought to the notice of Financial Advisor or Chief Accounting authority of the Ministry or department concerned.

Report of losses shall be made in 2 stages:

- Initial stage - as soon as suspicion arises.
- Final report – after investigation, indicating the nature and extent of losses, errors or neglect of rules and prospects of recovery.
- These report will reach the HoD through proper channel who will dispose the case under powers delegated to him.
- Reports which cannot be finally disposed by HoD shall be submitted to the Govt.

- > An amount lost through misappropriation, defalcation, embezzlement etc. may be redrawn on simple receipt pending investigation, recovery or write-off.
- Ž If loss is on account of culpability of Govt. servant, the loss shall be borne by the concerned Govt. (Cent. Govt./State Govt.). If recovery is made, the same shall be credited to the deptt. which sustained it.
- Ž Loss arising from erroneous or irregular issue of cheque or irregular accounting of receipts should be reported to the CGA so as to take steps to remedy defects in rules or procedures, if any.

Loss of Govt property due to fire, theft, fraud -

- All losses of Govt. property due to fire, theft, fraud above the value of rupees **50K** should invariably be reported to the police for investigation.
- All losses of immovable property of value **exceeding** rupees **50K** by fire, flood, cyclone, earthquake etc. shall be reported at once to the Govt. through usual channel.

Report to Audit & Accounts Officer -

- After full enquiry as to the cause and the extent of the loss, the detailed report should be made by the sub-ordinate authority to the Govt. and a copy of the report or abstract thereof should be simultaneously forwarded to the Audit and Accounts office.

Responsibility of losses-

- An officer shall be held personally responsible for any loss sustained by the Govt. through fraud or negligence on his part.
- He may also be held responsible for losses sustained through fraud and negligence of other officer to the extent to which his complicity may be shown.

Prompt disposal of cases of loss-

Prompt action at each stage of:

- Detection
- Reporting
- Write off
- Final Disposal
- Action against delinquent
- Remedial measures

CONTROL OF EXPENDITURE AGAINST BUDGET

CONTROL OF EXPENDITURE AGAINST BUDGET

- Deptt. of the Govt. on whose behalf grant/appropriation is authorised by parliament is responsible for control of expenditure against the sanctioned grants/appropriation
- Control is exercised by HoD, other Controlling Officer, if any and Disbursing Officer subordinate to them.

CONTROL OF EXPENDITURE AGAINST BUDGET

- Grant/appropriation to be utilized only to cover the charges of the financial year including liabilities, if any, of the past year. It lapses on expiry of the financial year.
- No expenditure to be incurred which may have the effect of exceeding the grant.
- Re-appropriation is not possible between voted and charged portion and also between revenue and capital sections.

› **Procedure for Drawal of Money:**

› For drawal of money, the DDO shall:

›

- Prepare and present bill for “charged” and “voted” expenditure separately.
- Enter on each bill the [full accounts classification](#) from major head down to the object head.
- Enter on each bill the progressive total of expenditure upto date under the object head of account including the amount of the current bill.
- Maintain a Bill Register in form TR-28 to note all bills presented for payment. Payment made against the bill should be watched to see whether the amount of payment matches the bill amount.

- Maintain a Cash Book to immediately enter into it all cash transactions taking place in his office. Book adjustments/e-transaction etc. need not be entered in the cash book.
- Maintain a “Cross Cheque and Bank Draft Transit Register” and “Register of Valuables”.
- Cash Book should be closed regularly and on monthly basis also.
- Maintain separate Register in Form GFR 5. This register shows expenditure against allocation of fund, adjustment of inward claim, book adjustments communicated by Accounts Officer, progressive expdr and available balance.

- On 3rd of each month the DDOs will send a copy of the entries made during preceding month in GFR Form 5 to HoD/CO.
- CO will maintain a broadsheet in Form GFR 6 to monitor the receipt of above return.
- The CO will see the following:
 - Accounts Classification
 - Progressive Expenditure and available balance
 - Whether up to date expenditure is within the grant/appr.
- If the CO finds any defect, he will take rectificatory steps

- When the returns are received from all the DDOs and found to be in order, the CO will compile a statement in GFR 7 in which he will incorporate:
 - The total of the figures supplied by DDOs
 - The total taken from his own register in GFR 5
 - Adjustments communicated to him by Accounts Officer and the adjustments of inward claim by Accounts officers but not reckoned by DDOs.
- Finally, on receipts of all these returns, the HoD will prepare a consolidated account in form GFR 8, showing the complete expenditure from the grant or appropriation at his disposal.

RECONCILIATION

- A monthly reconciliation between figures of DDO (GFR-05) and Accounts Officer/Treasury Officer
- A quarterly reconciliation between figures of HoD (GFR-08) and Principle Accounts Officer/AG.
- In case of un-reconciled figures, the figures of Principal Account Officer/AG will be taken as final.

- **Maintenance of Liability Register:**
 - Controlling Officer to obtain from DDOs a liability statement starting from the month of October (GFR 3A)
 - Controlling officer also to maintain a Liability Register (GFR 3).
- **Excess Expenditure:**
 - Accounts Officer shall not allow any expenditure in excess of the budget provision unless there is specific approval of Chief Accounting Authority.
 - FA and CAA shall ensure availability of fund through re-appropriation/supplementary demand for grant before authorizing excess expenditure.

Savings

Reasons for saving can be:

- actual postponement of expenditure
- real savings due to economy
- normal saving due either
 - to original over-estimating
 - Slow pace of utilization of fund

- Ž Dept. should surrender to FM all anticipated savings before close of the FY
- Ž Saving should be surrendered immediately as soon as they are anticipated without waiting till the end
- Ž Saving should not be held in reserve for future excess in other object heads.
- Ž Rush of expenditure at the end of FY is an indication of poor financial management and should be avoided.
- Ž *Target:*
 - Ž *Not more than 33% during last quarters*
 - Ž *Not more than 15% during last month*

- Expenditure shall not be incurred during the financial year on a 'New Service' not contemplated in the Annual budget
- When any excess over the allotment is apprehended, the subordinate authority shall obtain additional allotment before incurring the excess expenditure.

- **Reappropriation of Funds**
- Reappropriation of funds (RoF) from one primary unit of appropriation to another such unit within a grant/appropriation may be sanctioned by a CA at any time before the close of the FY
- RoF shall be made only when savings are anticipated

- **Supplementary Grants**
- If funds are not available for meeting the requirements or if expenditure is to be made for ‘new service’ not provided in the budget, fund should be obtained through:
- Supplementary Grant in accordance with Art 115 of the constitution
- Advances from the Contingency fund

PROCUREMENT OF GOOD AND SERVICES

- **What is goods?**
- ‘Goods’ include articles, materials, commodities, livestock, furniture, fixtures, raw material, spares, instrument, machinery, equipment, industrial plants purchased or otherwise acquired by Govt. but **excludes** books, publications periodicals etc. for a library.

Fundamental Principles for public buying

The description of the subject matter of procurement should:

- be objective, functional, generic, and measurable and specify technical, qualitative and performance characteristics.
- not indicate a requirement of a particular trade mark or brand
- the specification and quantity to be clearly spelt out keeping in view the specific need of the deptt.
- the specification worked out should meet the basic need without including superfluous features.

Fundamental Principles for public buying

- the technical specification to be based on national technical regulation/recognized national standards/building codes. In absence, it may be based on relevant international standards.
- to avoid purchasing quantity in excess of requirement.
- offer should be invited following a fair, transparent and reasonable procedure
- the procuring authority should be satisfied that price of the selected offer is reasonable and consistent
- procuring authority must place on record, in precise terms, the considerations which weighed with it while taking the procurement decision.

- An authority which is competent to incur contingent expenditure may sanction the purchase of goods required
- The Ministries/deptt have been delegated full powers to make their own arrangement for procurement of goods
- The CPO shall include rate contracts with registered suppliers for goods/items of standard types identified as common user items.

Central Purchase Organization

- For establishing reliable sources for procurement of goods, the CPO shall maintain item wise lists of eligible and capable suppliers known as ‘registered suppliers’
- Credentials, manufacturing capability, quality control systems, past performance, after sales service, financial background shall be verified.

Central Purchase Organization

- The supplier will be registered for a fixed period depending on the nature of the goods
- Performance and conduct of every suppliers should be watched by the concerned Ministry/deptt

WELCOME

Introduction to
Government e-Market
Place
GeM

Objectives & Importance of GeM

- National Public Procurement Portal;
- End-to-end online Marketplace for procurement of goods and services
- Meant for Central and State Government entities
- PSUs, Autonomous Bodies, Local Bodies
- Owned and managed by GeM SPV registered under the Companies Act, 2013 Section 8 (Non-Profit)
- Enhance transparency and efficiency in the procurement process
- **Rule – 149: Procurement of Goods & Services by the Min/Dep will be mandatory for Goods/services available on GeM.**

Objectives Importance of GeM

- Encourages and enables local businesses, MSEs and startups to conduct business with the Government, in accordance with Govt policy.
- Contactless, cashless and paperless procurement system
- Credentials of suppliers certified by GeM SPV
- Procuring authority responsible for reasonableness of rates
- Facility for online e-bidding and reverse auction available
- Buyer and seller can rate each other

Role of buyer

- HOD –Primary user;
- Buyer (Designated) – Secondary user
- Buyer to
 - Obtain administrative and expenditure sanction
 - Search and shortlist items using filters such as quantity, technical parameters, delivery period, warranty period, consignee location(s), Seller's eligibility etc. as per requirements.
 - Ascertain reasonability of the price of the selected offer

Procurement process

Estimated cost	Selection of supplier	Exception
Up to ₹ 50,000	From any supplier on the GeM, Meeting the requisite quality, specification and delivery period	
Above ₹ 50,000/- and up to ₹ 10,00,000/-	L1 among at least three suppliers / three different manufacturers available on GeM, meeting the requisite quality, specification and delivery period.	Automobiles where limit of ₹ 30,00,000/-
Above ₹ 10,00,000/-	L1 after mandatory bidding process, Using online bidding or reverse auction tool Meeting the requisite quality, specification and delivery period	Automobiles where limit of ₹ 30,00,000/-

Purchase Procedure

- Buyer login
- Browse for the product required
 - With specifications, consignee location, quantity, seller location (if necessary) etc
- Fix the quantity & consignee address

Purchase process

- If the estimated cost is up to ₹ 50,000/-
 - Choose the product which meets criteria
 - Take screen shot and print
- If the estimated cost is above ₹ 50,000 up to ₹ 10 lakh
 - Find the L1 product
 - Compare with similar products of at least three different OEM fulfilling the criteria
 - Take a printout of the Comparison Statement

Purchase process

- Obtain administrative and financial sanctions
- Go to cart, select and proceed to checkout
- Fill the mandatory fields specifying consignee address, DDO, delivery period etc
- Upload sanction orders of competent authority
- Verify details & Enter OTP
- Take printout of purchase sanction order & contract order

Purchase process

- If estimated cost more than ₹10 lakh
 - Select the parameters and product which meets the specifications
 - Select quantity
 - Add to cart
 - Check specifications
 - Select bid & proceed
 - Check specifications, consignee address, quantity,
 - Fix delivery period

Purchase Process- Bidding

- Fix the bid specifications
- Specify Bid duration, bid cycle, bid validity, eligibility criteria, documents required, Bid security (EMD), Performance guaranty etc
- Select additional Terms and conditions as per requirement
- Verify details & enter OTP
- Publish bid

Purchase Process- Bidding

- Open the bids, verify the bids and documents submitted online (Technical and Financial)
- Prepare a Comparative Statement
- Prepare a Technical evaluation report (**Optional**-Can be done online in GeM by examining the documents submitted by the Sellers)

Purchase Process- Bidding

- Select L1 among the accepted Technical bids
- Obtain Financial and Administrative Sanction Orders
- Upload the Orders
- Verify the details and enter the OTP
- Award the Contract (Sanction Order and Contract Order)

Special features

- Reverse auction
- <https://gem.gov.in>
- <https://gem.gov.in/trainingMaterial>

Types of Bidding Process

- Standard method of obtaining bids are

Advertised Tender Enquiry

Limited Tender Enquiry

Single tender Enquiry

Advertised Tender enquiry

- For estimated value of Rs. 25 lakh and above
- Publication of NIT on CPPP (www.eprocure.gov.in), GeM and the website of the deptt.
- Complete bidding documents to be posted on website and CPPP.
- When competitive offers are expected from abroad, the ministry/deptt should send tender document to Indian embassies well as foreign embassies in India
- Min. time allowed for submission of bids is 3 weeks. And 4 weeks in cases where bids are invited form abroad.

Limited Tender Enquiry

- Estimated upto Rs. 25 lakh
- Copies of bidding doc to be sent to firms borne on the list of registered suppliers.
- Supplier firms should be more than 3
- Web based publicity should be given
- Unsolicited bids should not be accepted.

Single Tender Enquiry

- If a particular firm is the sole manufacturer of the required goods
- In case of emergency
- Standardization of machinery/compatible spare parts

- **Two bid system:**
- In this process both the technical and financial bids are received simultaneously.

- **Two Stage Bidding:**
- In this process first the technical bid is invited and then final bid along with financial bid is invited from the technically qualified bidders.

Content of Bidding Documents:

- Instruction to Bidders
- Condition of Contract
- Schedule of Requirement
- Specification and Allied Technical Details
- Price Schedule (to be utilized by bidders)
- Contract Form
- Other standard forms, if any, to be utilized by the purchaser or bidders

Bid Security/Earnest Money:-

(2 – 5)% of estimated value of procurement to be asked from the bidders against their withdrawing or altering the bids.

Performance Security:-

(5 – 10)% of the value of contract to be obtained from the successful bidders to ensure due performance of contract.

Rule 39:

Demand for information by Audit or Accounts Officer –

A subordinate authority shall afford all reasonable facilities to the Audit Officer and PAO for discharge of his functions, and furnish fullest possible information required by him for the preparation of any official account or report, payments and internal audit.

Thank You