

## **General Financial Rules, 2005**

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### **General Financial Rules, 2005**

(Amendments issued upto March 2010 have been added as Annexures) PREFACE General Financial Rules (GFRs) are a compendium of general provisions to be followed by all offices of Government of India while dealing with matters of a financial nature. 2. General Financial Rules were first issued in 1947 and were in the form of executive instructions. These were subsequently modified and issued as General Financial Rules, 1963. Over the last four decades, these GFRs had to be amplified and supplemented by various decisions of the Government of India. Many of the rules had also become redundant. These developments including a rapid growth of alternative service delivery systems, developments in information technology, outsourcing of services and liberalization of the system of procurement, accounting and disposal of goods in line with the international practices necessitated an overall review of the General Financial Rules, 1963. A Task Force was set up for this purpose. The report submitted by

the Task Force was widely circulated to all the Departments and Ministries and their suggestions were duly considered for making appropriate changes. 3. General Financial Rules, 2005 have evolved as a result of the wide consultations and extensive review. The rules have been simplified and put in a logical sequence for easy comprehension. The appendices and forms of General Financial Rules, 1963 have also been comprehensively reviewed but for the sake of convenience and to avoid confusion, the existing form numbers have been retained. Provisions regulating advances to government servants have been excluded from GFRs as these are distinct from direct government expenditure. These provisions have been issued separately as a compendium. 4. It is expected that General Financial Rules, 2005 will provide greater flexibility to officers in transacting government business while ensuring accountability commensurate with responsibility at different levels of Government. 5. Finally, Department of Expenditure would like to place on record the excellent work done by the Task Force on review of GFRs, the CGA, the Office of the C&AG, Budget Division of Department of Economic Affairs and the Ministries and Departments which gave valuable inputs for carrying out the exercise. (Adarsh Kishore) Secretary to the Government of India New Delhi, Ministry of Finance July 1st, 2005. Department of Expenditure

CHAPTER 1  
INTRODUCTION

**1. Short Title And Commencement :-**

- (1) These rules may be called General Financial Rules, 2005.
- (2) They shall come into force at once.

**2. Definitions :-**

In these rules, unless the context otherwise requires -

- (i) "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;
- (ii) "Administrator" means Administrator of a Union Territory;
- (iii) "Appropriation" means the assignment, to meet specified expenditure, of funds included in a primary unit of appropriation;
- (iv) "Audit Officer" means the Head of an Office of Audit;
- (v) "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;

(vi) "Comptroller and Auditor-General" means the Comptroller and Auditor-General of India;

(vii) "Consolidated Fund" means the Consolidated Fund of India referred to in Article 266 (1) of the Constitution;

(viii) "the Constitution" means the Constitution of India;

(ix) "Contingency Fund" means the Contingency Fund of India established under the Contingency Fund of India Act, 1950, in terms of Article 267 (1) of the Constitution;

(x) "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;

(xi) "Department of the Central Government" means a Ministry or a Department of the Central Government as notified from time to time and includes the Planning Commission, the Department of Parliamentary Affairs, the Presidents Secretariat, the Vice-Presidents Secretariat, the Cabinet Secretariat and the Prime Ministers Secretariat;

(xii) "Disbursing Officer" means a Head of Office and also any other Gazetted Officer so designated by a Department of the Central Government, a Head of Department or an Administrator, to draw bills and make payments on behalf of the Central Government. The term shall also include a Head of Department or an Administrator where he himself discharges such function;

(xiii) "Finance Ministry" means the Finance Ministry of the Central Government;

(xiv) "Financial year" means the year beginning on the 1st of April and ending on the 31st of March following;

(xv) "Government" means the Central Government;

(xvi) "Head of a Department" in relation to an office or offices under its administrative control means

(a) an authority specified in Schedule I 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;

(xvii) "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;

(xviii) "Local Body" means an authority legally entitled or specially empowered by Government to administer a local fund;

(xix) "Local Fund" means a local fund as defined in Rule 652 of the Treasury Rules;

(xx) "non-recurring expenditure" means expenditure other than recurring expenditure;

(xxi) "President" means the President of India;

(xxii) "Primary unit of appropriation" means a primary unit of appropriation referred to in Rule 8 of the Delegation of Financial Powers Rules, 1978;

(xxiii) "Public Account" means the Public Account of India referred to in Article 266 (2) of the Constitution;

(xxiv) "Public Works" means civil works and irrigation, navigation, embankment and drainage works;

(xxv) "reappropriation" means the transfer of funds from one primary unit of appropriation to another such unit;

(xxvi) "recurring expenditure" means the expenditure which is incurred at periodic intervals;

(xxvii) "Reserve Bank" means the Reserve Bank of India or any office or agency of the Reserve Bank of India and includes any Bank acting as the agent of the Reserve Bank of India in accordance with the provisions of the Reserve Bank of India Act, 1934 (Act II of 1934);

(xxviii) "Subordinate authority" means a Department of the Central Government or any authority subordinate to the President; and

(xxix) "Treasury Rules" means the Treasury Rules of the Central Government.

### **3. Interdepartmental Consultations :-**

When the subject of a case concerns more than one department, no order should be issued until all such departments have concurred, or, failing such concurrence, a decision has been taken by or under the authority of the Cabinet. In this regard it is clarified that every case in which a decision, if taken in one Department, is likely to affect the transaction of business allotted to another department, shall be deemed to be a case the subject of which concerns more than one department.

### **4. Departmental Regulations Of Financial Character :-**

All Departmental regulations, in so far as they embody orders or instructions of a financial character or have important financial bearing, shall be made by, or with the approval of the Finance

Ministry.

**5. Removal Of Doubts :-**

Where a doubt arises as to the interpretation of any of the provisions of these Rules, the matter shall be referred to the Finance Ministry for decision.

**6. Modifications :-**

(1) The systems and procedures established by these rules are subject to general or special instructions/ orders, which the Ministry of Finance may issue from time to time.

(2) The systems and procedures established by these rules may be modified by any other authority only with the express approval of the Ministry of Finance.

CHAPTER 2

GENERAL SYSTEM OF FINANCIAL MANAGEMENT

**7. General Principles :-**

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 without delay, in accordance with such general or special rules as may be issued under Articles 150 and 283 (1) of the Constitution.

**8. Rule 8 :-**

(1)(i) Under Article 284 of the Constitution all moneys received by or deposited with any officer employed in connection with the affairs of the Union in his capacity as such, other than revenues or public moneys raised or received by Government, shall be paid into the Public Account.

(ii) All 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, shall also be dealt with in accordance with Clause (i) of sub-rule (1).

(2) The Head of Account to which such moneys shall be credited and the withdrawal of moneys therefrom shall be governed by the relevant provisions of Government Accounting Rules 1990 and the Central Government Account (Receipts and Payments) Rules, 1983 or such other general or special orders as may be issued in this behalf.

**9. Rule 9 :-**

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.

**10. Rule 10 :-**

The Controlling Officer shall arrange to obtain from his subordinate officers monthly accounts and returns in suitable form claiming credit for the amounts paid into the treasury or bank as the case may be, or otherwise accounted for, and compare them with the statements of credits furnished by the Accounts Officer to see that the amounts reported as collected have been duly credited. For this each Accounts Officer will send an extract from his accounts showing the amounts brought to credit in the accounts in each month to the Controlling Officer concerned.

**11. Rules 11 :-**

(1) Detailed rules and procedure regarding assessment, collection, allocation, remission and abandonment of revenue and other receipts shall be laid down in the regulations of the department responsible for the same.

(2) In departments in which officers are required to receive moneys on behalf of Government and issue receipts therefor in Form GAR-6 the departmental regulations should provide for the maintenance of a proper account of the receipt and issue of the receipt books, the number of receipt books to be issued at a time to each officer and a check with the officers accounts of the used books when returned.

**12. Rules 12 :-**

Amounts due to Government shall not be left outstanding without sufficient reasons. Where such amounts appear to be irrecoverable, the orders of the competent authority shall be obtained for their adjustment.

**13. Rules 13 :-**

Unless specially authorized by any rule or order made by competent authority, no sums shall be credited as revenue by debit to a suspense head. The credit must follow and not precede actual realization.

**14. Rules 14 :-**

Subject to any general or special orders issued by a Department of the Central Government, an Administrator or a Head of a

Department responsible for the collection of revenue shall keep the Finance Ministry fully informed of the progress of collection of revenue under his control and of all important variations in such collections as compared with the Budget Estimates.

**15. Rents Of Buildings And Lands :-**

(1) When the maintenance of any rentable building is entrusted to a civil department, other than the Central Public Works Department, the Administrator or the Head of the Department concerned shall be responsible for the due recovery of the rent thereof.

(2) The procedure for the assessment and recovery of rent of any building hired out will be regulated generally by the rules applicable to residences under the direct charge of the Central Public Works Department.

(3) The detailed rules and procedure, regarding the demand and recovery of rent of Government buildings and lands, are contained in the departmental regulations of the departments in charge of those buildings.

**16. Fines :-**

(1) Every authority having the power to impose and/ or realize a fine shall ensure that the money is realized, duly checked and deposited into a treasury or bank as the case may be.

(2) Every authority having the power to refund fines shall ensure that the refunds are checked and no double refunds of amounts of fines collected or refunds of fines not actually paid into a treasury or bank as the case may be, are made.

**17. Miscellaneous Demands :-**

The Accounts Officer shall 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.

**18. Remission Of Revenue :-**

A claim to revenue shall not be remitted or abandoned save with the sanction of the competent authority.

**19. Rule 19 :-**

(1) Subject to any general or special orders issued by the

Government Departments of the Central Government, Administrators and Heads of Departments, other than those in the Department of Posts, shall 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 competent authorities in exercise of the discretionary powers vested in them otherwise than by law or rule having the force of law, provided that individual remissions below Rupees one hundred need not be included in the statements.

(2) For inclusion in the statements referred to in Rule 19 (1) above, remissions and abandonments should be classified broadly with reference to the grounds on which they were sanctioned and a total figure should be given for each class. A brief explanation of the circumstances leading to the remission should be added in the case of each class.

#### **20. Rule 20 :-**

Departments of the Central Government and Administrators may make rules defining remissions and abandonments of revenue for the purpose of Rule 19 above. I. GENERAL PRINCIPLES RELATING TO EXPENDITURE AND PAYMENT OF MONEY

#### **21. Standards Of Financial Propriety :-**

Every officer incurring or authorizing expenditure from public moneys should be guided by high standards of financial propriety. Every officer should also enforce financial order and strict economy and see that all relevant financial rules and regulations are observed, by his own office and by subordinate disbursing officers. Among the principles on which emphasis is generally laid are the following :-

(i) Every officer is expected to exercise the same vigilance in respect of expenditure incurred from public moneys as a person of ordinary prudence would exercise in respect of expenditure of his own money.

(ii) The expenditure should not be prima facie more than the occasion demands.

(iii) No authority should exercise its powers of sanctioning expenditure to pass an order which will be directly or indirectly to its own advantage.

(iv) Expenditure from public moneys should not be incurred for the benefit of a particular person or a section of the people, unless -

(a) a claim for the amount could be enforced in a Court of Law, or

(b) the expenditure is in pursuance of a recognized policy or custom.

(v) The amount of allowances granted to meet expenditure of a particular type should be so regulated that the allowances are not on the whole a source of profit to the recipients.

## **22. Expenditure From Public Funds :-**

No authority may incur any expenditure or enter into any liability involving expenditure or transfer of moneys for investment or deposit from Government account unless the same has been sanctioned by a competent authority.

## **23. Delegation Of Financial Powers :-**

The financial powers of the Government have been delegated to various subordinate authorities vide Delegation of Financial Powers Rules, 1978 as amended from time to time. The financial powers of the Government, which have not been delegated to a subordinate authority, shall vest in the Finance Ministry.

## **24. Consultation With Financial Advisers :-**

All draft memoranda for Expenditure Finance Committee or Public Investment Bureau and Cabinet Committee for Economic Affairs or Cabinet shall be circulated by the Ministry or Department concerned after consultation with the concerned Financial Adviser of the Ministry or Department. A confirmation to this effect shall be included in the draft memorandum at the circulation stage.

## **25. Provision Of Funds For Sanction :-**

(1) All sanctions to the expenditure shall indicate the details of the provisions in the relevant grant or appropriation wherefrom such expenditure is to be met.

(2) All proposals for sanction to expenditure, shall indicate whether such expenditure can be met by valid appropriation or re-appropriation.

(3) In cases where it become necessary to issue a sanction to expenditure before funds are communicated, the sanction should specify that such expenditure is subject to funds being communicated in the Budget of the year.

## **26. Responsibility Of Controlling Officer In Respect Of Budget Allocation :-**

The duties and responsibilities of a controlling officer in respect of funds placed at his disposal are to ensure :

- (i) that the expenditure does not exceed the budget allocation.
- (ii) that the expenditure is incurred for the purpose for which funds have been provided.
- (iii) that the expenditure is incurred in public interest.
- (iv) that adequate control mechanism is functioning in his department for prevention, detection of errors and irregularities in the financial proceedings of his subordinate offices and to guard against waste and loss of public money, and
- (v) that mechanism or checks contemplated at (iv) above are effectively applied

## **27. Rule 27 :-**

(1) Date of effect of sanction : Subject to fulfillment of the provisions of Rule 6 of the Delegation of Financial Powers Rules, 1978, all rules, sanctions or orders shall come into force from the date of issue unless any other date from which they shall come into force is specified therein.

(2) Date of creation to be indicated in sanctions for temporary posts: Orders sanctioning the creation of a temporary post should, in addition to the sanctioned duration, invariably specify the date from which it is to be created.

## **28. Powers In Regard To Certain Special Matters :-**

Except in pursuance of the general delegation made by, or with the approval of the President, a subordinate authority shall not, without the previous consent of the Finance Ministry, issue an order which -

- (i) involves any grant of land, or assignment of revenue, or concession, grant, lease or licence of mineral or forest rights, or rights to water power or any easement or privilege of such concessions, or

- (ii) involves relinquishment of revenue in any way.

## **29. Procedure For Communication Of Sanctions :-**

All financial sanctions and orders issued by a competent authority shall be communicated to the Audit Officer and the Accounts Officer. The procedure to be followed for communication of financial sanctions and orders will be as under :-

- (i) All financial sanctions issued by a Department of the Central Government which relate to a matter concerning the Department proper and on the basis of which payment is to be made or authorized by the Accounts Officer, should be addressed to him.

- (ii) All other sanctions should be accorded in the form of an Order,

which need not be addressed to any authority, but a copy thereof should be endorsed to the Accounts Officer concerned.

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

(iv) All financial sanctions and orders issued by a Department of the Central Government with the concurrence of the Internal Finance Wing or Ministry of Finance, as applicable, should be communicated to the Accounts Officer in accordance with the procedure laid down in Rule 25 of the Delegation of Financial Powers Rules, 1978, and orders issued thereunder from time to time.

(v) All financial sanctions and orders issued by a department with the concurrence of the Ministry of Home Affairs or Comptroller and Auditor General of India or Department of Personnel should specify that the sanction or orders are issued with the concurrence of that Department along with the number and date of relevant communication of that Department wherein the concurrence was conveyed.

(vi) All orders conveying sanctions to expenditure of a definite amount or up to a specific limit should express both in words and figures the amount of expenditure sanctioned.

(vii) Sanctions accorded by a Head of Department may be communicated to the Accounts Officer by an authorized Gazetted Officer of his Office duly signed by him for the Head of Department or conveyed in the name of the Head of the Department.

(viii) All 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 so as to enable the Accounts Officer to see that it is correctly termed as Special Allowance, Personal Pay, etc., as the case may be.

(ix) Orders issued by a Department of a Union Territory Government where Audit and Accounts

(a) have not been separated shall be communicated direct to the Audit authority;

(b) have been separated, copies shall be endorsed to the Audit authorities. In case of sanctions in respect of matters, where reference was made to the Central Government under the Rules of Business framed under Section 46 of the Government of Union Territory Act, 1963, the following clause shall be added in the sanction endorsed to Audit:- " A reference had been made in this

case to the Central Government and the above order/letter conforms to the decision of the Central Government vide Government of India, Ministry/Department of .....Letter No.....dated.....".

(x) Copies of all General Financial Orders issued by a Department of the Central Government with the concurrence of the Comptroller and Auditor General of India shall be supplied to the Comptroller and Auditor General of India.

(xi) Copies of all sanctions or orders other than the following types should be endorsed to the Audit Officers:-

(a) Sanctions relating to grant to advances to Central Government employees.

(b) Sanctions relating to appointment or promotion or transfer of Gazetted and non-Gazetted Officers.

(c) All sanctions relating to creation or continuation or abolition of posts.

(d) Sanctions for handing over charge and taking over charge, etc.

(e) Sanctions relating to payment or withdrawal of General Provident Fund advances to Government servants.

(f) Sanctions of contingent expenditure incurred under the powers of Head of Offices.

(g) Other sanctions of routine nature issued by Heads of Subordinate Officers (other than those issued by Ministries or Departments proper and under powers of a Head of Department).

(xii) Sanctions accorded by competent authority to grants of land and alienation of land revenue, other than those in which assignments of land revenue are treated as cash payment, shall be communicated to the Audit and/ or the Accounts Officer, as the case may be, in a consolidated monthly return giving the necessary details.

### **30. Lapse Of Sanctions :-**

A sanction for any fresh charge shall, unless it is specifically renewed, lapse if no payment in whole or in part has been made during a period of twelve months from the date of issue of such sanction. Provided that -

(i) when the period of currency of the sanction is prescribed in the departmental regulations or is specified in the sanction itself, it shall lapse on the expiry of such periods; or

(ii) 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; or

(iii) in the case of purchase of stores, a sanction shall not lapse, if tenders have been accepted (in the case of local or direct purchase of stores) or the indent has been placed (in the case of Central Purchases) on the Central Purchase Organization within the period of one year of the date of issue of that sanction, even if the actual payment in whole or in part has not been made during the said period.

**31. Rule 31 :-**

Notwithstanding anything contained in Rule 30, a sanction in respect of an addition to a permanent establishment, made from year to year under a general scheme by a competent authority, or in respect of an allowance sanctioned for a post or for a class of Government servants, but not drawn by the officer(s) concerned, shall not lapse.

**32. Remission Of Disallowances By Audit And Writing Off Of Overpayment Made To Government Servants :-**

The remission of disallowances by Audit and writing off of overpayments made to Government servants by competent authorities shall be in accordance with the provisions of the Delegation of Financial Powers Rules, 1978, and instructions issued thereunder. II. DEFALCATION AND LOSSES

**33. Report Of Losses :-**

(1) Any loss or shortage of public moneys, departmental revenue or receipts, stamps, opium, stores or other property held by, or on behalf of, Government irrespective of the cause of loss and manner of detection, shall be immediately reported by the subordinate authority concerned to the next higher authority as well as to the Statutory Audit Officer and to the concerned Principal Accounts Officer, even when such loss has been made good by the party responsible for it. However the following losses need not be reported:

(i) Cases involving losses of revenue due to -

(a) mistakes in assessments which are discovered too late to permit of a supplementary claim being made,

(b) under assessments which are due to interpretation of the law by the local authority being overruled by higher authority after the expiry of the time-limit prescribed under the law, and

(c) refunds allowed on the ground that the claims were time-barred:

(ii) Petty losses of value not exceeding Rupees two thousand.

(2) Cases involving serious irregularities shall be brought to the notice of Financial Adviser or Chief Accounting Authority of the Ministry or Department concerned and the Controller-General of Accounts, Ministry of Finance.

(3) Report of loss contemplated in sub-rule (1) & (2) shall be made at two stages-

(i) An initial report should be made as soon as a suspicion arises that a loss has taken place.

(ii) The final report should be sent to authorities indicated in sub rule (1) & (2) 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.

(4) The complete report contemplated in sub-rule 3, shall reach through proper channels to the Head of the Department, who shall finally dispose of the same under the powers delegated to him under the Delegation of Financial Power Rules, 1978. The reports, which he cannot finally dispose of under the delegated powers, shall be submitted to the Government.

(5) An 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 authority competent to write-off the loss in question.

(6) In cases of loss to Government on account of culpability of Government servants, the loss should be borne by the Central Government Department or State Government concerned with the transaction. Similarly, if any recoveries are made from the erring Government officials in cash, the receipt will be credited to the Central Government Department or the State Government who sustained the loss.

(7) All cases involving loss of Government money arising from erroneous or irregular issue of cheques or irregular accounting of receipts will be reported to the Controller-General of Accounts alongwith the circumstances leading to the loss, so that he can take steps to remedy defects in rules or procedures, if any, connected therewith.

#### **34. Loss Of Government Property Due To Fire, Theft, Fraud**

:-

Departmental Officers shall, in addition to taking action as prescribed in Rule 33, follow the provisions indicated below in cases involving material loss or destruction of Government property as a

result of fire, theft, fraud, etc. - All losses above the value of Rupees ten thousand due to suspected fire, theft, fraud, etc., shall be invariably reported to the Police for investigation as early as possible. Once the matter is reported to the Police Authorities, all concerned should assist the Police in their investigation. A formal investigation report should be obtained from the Police Authorities in all cases, which are referred to them.

**35. Loss Of Immovable Property By Fire, Flood, Etc :-**

All loss of immovable property exceeding Rupees fifty thousand, such as buildings, communications, or other works, caused by fire, flood, cyclone, earthquake or any other natural cause, shall be reported at once by the subordinate authority concerned to Government through the usual channel. All other losses should be immediately brought to the notice of the next higher authority.

**36. Report To Audit And Accounts Officers :-**

After a full enquiry as to the cause and the extent of the loss has been made, the detailed report should be sent by the subordinate authority concerned to Government through the proper channel; a copy of the report or an abstract thereof being simultaneously forwarded to the Audit or Accounts Officer.

**37. Responsibility For Losses :-**

An officer shall be held personally responsible for any loss sustained by the Government through fraud or negligence on his part. He will also be held personally responsible for any loss arising from fraud or negligence of any other officer to the extent to which it may be shown that he contributed to the loss by his own action or negligence. The departmental proceedings for assessment of responsibility for the loss shall be conducted according to the instructions contained in Appendix 1 and those issued by the Ministry of Personnel from time to time.

**38. Prompt Disposal Of Cases Of Loss :-**

Action at each stage of detection, reporting, write off, final disposal, in cases of losses including action against delinquents and remedial measures should be completed promptly with special attention to action against delinquents and remedial measures, taken to strengthen the control system. III. SUBMISSION OF RECORDS AND INFORMATION.

**39. Demand For Information By Audit Or Accounts Officer :-**

A subordinate authority shall afford all reasonable facilities to the

Audit Officer or Accounts Officer for the discharge of his functions, and furnish fullest possible information required by him for the preparation of any official account or report.

**40. Rule 40 :-**

A subordinate authority shall not withhold any information, books or other documents required by the Audit Officer or Accounts Officer.

**41. Rule 41 :-**

If the contents of any file are categorized as Secret or Top Secret the file maybe sent personally to the Head of the Audit Office specifying this fact, who will then deal with it in accordance with the standing instructions for handling and custody of such classified documents.

CHAPTER 3

BUDGET FORMULATION AND IMPLEMENTATION

**42. Financial Year :-**

Financial year of the Government shall commence on the 1st day of April of each year and end on the 31st day of March of the following year.

**43. Presentation Of Budget To Parliament :-**

(1) In accordance with the provisions of Article 112 (1) of the Constitution, the Finance Minister shall arrange to lay before both the Houses of Parliament, an Annual Financial Statement also known as the Budget showing the estimated receipts and expenditure of the Central Government in respect of a financial year, before the commencement of that year.

(2) A separate statement of estimated receipts and expenditure relating to the Railways shall similarly be presented to the Parliament by the Ministry of Railways in advance of the Annual Financial Statement. As the receipts and expenditure of the Railways are the receipts and expenditure of the Government, the figures relating to these are included in lump in the Annual Financial Statement.

(3) The provisions for preparation, formulation and submission of budget to the Parliament are contained in Articles 112 to 116 of the Constitution of India.

(4) The Ministry of Finance, Budget Division, shall issue guidelines for preparation of budget estimates from time to time. All the Ministries/Departments shall comply in full with these guidelines.

#### **44. The Budget Shall Contain The Following :-**

- (i) Estimates of all Revenue expected to be raised during the financial year to which the budget relates.
- (ii) Estimates of all Expenditure for each programme and project in that financial year.
- (iii) Estimates of all interest and debt servicing charges and any repayments on loans in that financial year.
- (iv) Any other information as may be prescribed.

#### **45. Receipt Estimates :-**

The detailed estimates of receipts will be prepared by the estimating authorities separately for each Major Head of Account in the prescribed form. For each Major Head, the estimating authority will give the break up of the Minor/Subhead wise estimate along with actuals of the past three years. Where necessary, itemwise break up should also be furnished so as to highlight individual items of significance. Any major variation in estimates with reference to past actuals or/and Budget Estimates will be supported by cogent reasons.

#### **46. Expenditure Estimates :-**

- (1) The expenditure estimates shall show separately the sums required to meet the expenditure Charged on the Consolidated Fund under Article 112 (3) of the Constitution and sums required to meet other expenditure for which a vote of the Lok Sabha is required under Article 113(2) of the Constitution.
- (2) The estimates shall also distinguish provisions for expenditure on revenue account from that for other expenditure including expenditure on capital account, on loans by the Government and for repayment of loans, treasury bills and ways and means advances.
- (3) The detailed estimates of expenditure will be prepared by the estimating authorities for each unit of appropriation (Sub or Detailed or Object head) under the prescribed Major and Minor Heads of Accounts separately for Plan and Non-Plan expenditure. Estimates should include suitable provision for liabilities of the previous years left unpaid during the relevant year.
- (4) The estimates of Plan expenditure will be processed in consultation with the Planning Commission in accordance with the instructions issued by them.
- (5) The Revised Estimates of both Plan and Non-Plan expenditure

and Budget Estimates for Non-Plan expenditure after being scrutinized by the Financial Advisers and approved by the Secretary of the Administrative Ministry or Department concerned will be forwarded to the Budget Division in the Ministry of Finance in such manner and forms as may be prescribed by them from time to time.

#### **47. Demands For Grants :-**

(1) The estimates for expenditure for which vote of Lok Sabha is required shall be in the form of Demand for Grants.

(2) Generally, one Demand for Grant is presented in respect of each Ministry or Department. However, in respect of large Ministries or Departments, more than one Demand is presented. Each Demand normally includes provisions required for a service, i.e. provisions on account of revenue expenditure, capital expenditure, grants to the State and Union Territory Governments and also Loans and Advances relating to the service.

(3) The Demand for Grants shall be presented to Parliament at two levels. The main Demand for Grants are presented to Parliament by the Ministry of Finance, Budget Division along with the Annual Financial Statement while the Detailed Demands for Grants, after consideration by the "Departmentally Related Standing Committee" (DRSC) of the Parliament, are laid on the Table of the Lok Sabha by the concerned Ministries/ Departments, a few days in advance of the discussion of the respective Ministries/ Departments Demands in that House.

#### **48. Form Of Annual Financial Statement And Demands For Grants :-**

(1) The form of the Annual Financial Statement and Demands for Grants shall be laid down by the Finance Ministry and no alteration of arrangement or classification shall be made without the approval of that Ministry.

(2) The sub-heads under which provision for expenditure will be made in the Demands for Grants or Appropriation shall be prescribed by the Finance Ministry in consultation with the Administrative Ministry or Department. The authorised sub-heads for expenditure in a year shall be as shown in the Detailed Demands for Grants passed by Parliament and no change shall be made therein without the formal approval of the Finance Ministry.

NOTE : Detailed instructions for preparation of the budget are

available in Appendix 2, 3, 4, and 6.

#### **49. Acceptance And Inclusion Of Estimates :-**

(1) The estimates of receipts and expenditure of each Ministry/Department will be scrutinized in the Budget Division of the Ministry of Finance. Finance Secretary or Secretary (Expenditure) may hold meetings with Secretaries or Financial Advisers of Administrative Ministries or Departments to discuss the totality of the requirements of funds for various programmes and schemes, along with receipts of the Ministries or Departments.

(2) The estimates initially submitted by the Departments may undergo some changes as a result of scrutiny in the Budget Division, Ministry of Finance and deliberations in the pre-budget meetings between the Finance Secretary or Secretary (expenditure) and the Secretary or Financial Adviser of the Department concerned. The final estimates arrived at on the basis of scrutiny and pre-budget meetings will be accepted by the Budget Division, Ministry of Finance and incorporated in the Budget documents.

#### **50. Vote On Account :-**

(1) The Budget is normally presented to the Parliament on the last day in the month of February but the corresponding Appropriation Bill seeking authorization of the Parliament to make expenditure in consonance with the Budget proposal is introduced and passed much later i.e. after due deliberation and approval by the Parliament.

(2) Pending the completion of the procedure prescribed in Article 113 of the Constitution for the passing of the Budget, the Finance Ministry may arrange to obtain a Vote on Account to cover expenditure for one month or such longer period as may be necessary in accordance with the provisions of Article 116 of the Constitution. Funds made available under Vote on Account are not to be utilized for expenditure on a New Service.

#### **51. Communication And Distribution Of Grants And Appropriations :-**

After the Appropriation Bill relating to Budget is passed, the Ministry of Finance shall communicate Budget provisions to the Ministries/Departments which, in turn, shall distribute the same to their subordinate formations. The distribution so made shall also be communicated to the respective Pay and Accounts Officers who

shall exercise check against the allocation to each subordinate authority. "CONTROL OF EXPENDITURE AGAINST BUDGET"

## **52. Responsibility For Control Of Expenditure :-**

(1) Departments of the Central Government shall be responsible for the control of expenditure against the11 sanctioned grants and appropriations placed at their disposal. The control shall be exercised through the Heads of Departments and other Controlling Officers, if any, and Disbursing Officers subordinate to them.

(2) A Grant or Appropriation can be utilised only to cover the charges (including liabilities, if any, of the past year) which are to be paid during the financial year of the Grant or Appropriation and adjusted in the account of the year. No charges against a Grant or Appropriation can be authorized after the expiry of the financial year.

(3) No expenditure shall be incurred which may have the effect of exceeding the total grant or appropriation authorized by Parliament by law for a financial year, except after obtaining a supplementary grant or appropriation or an advance from the Contingency Fund. Since voted and charged portions as also the revenue and capital sections of a Grant/Appropriation are distinct and reappropriation inter se is not permissible, an excess in any one portion or section is treated as an excess in the Grant/Appropriation.

(4) To have effective control over expenditure by the Departments, Controlling and Disbursing Officers subordinate to them shall follow the procedure given below :-

(i) For drawal of money the Drawing and Disbursing Officer shall :-

(a) Prepare and present bills for "charged" and "voted" expenditure separately.

(b) Enter on each bill the complete accounts classifications from major head down to the object head of account. When a single bill includes charges falling under two or more object heads, the charges shall be distributed accurately over the respective heads.

(c) Enter on each bill the progressive total of expenditure up-to-date under the primary unit of appropriation to which the bill relates, including the amount of the bill on which the entry is made.

(ii) (a) All Disbursing Officers shall maintain a separate expenditure register in Form GFR 9, for allocation under each minor or sub-head of account with which they are concerned.

(b) On the third day of each month, a copy of the entries made in

this register during the preceding month shall be sent by the officer maintaining it, to the Head of the Department or other designated Controlling Officer. This statement shall also include adjustment of an inward claim, etc., communicated by Pay and Accounts Officer directly to the DDO (and not to his Grant Controlling Officer). If there are no entries in the register in any month, a nil statement shall be sent.

(iii) (a) The Controlling Officer will maintain a broadsheet in Form GFR 10 to monitor the receipt of the return prescribed in the foregoing sub-clause;

(b) On receipt of the returns from Disbursing Officers, the Controlling Officer shall examine them and satisfy himself :-

(aa) that the accounts classification has been properly given;

(bb) that progressive expenditure has been properly noted and the available balances worked out correctly;

(cc) that expenditure up-to-date is within the grant or appropriation; and

(dd) that the returns have been signed by Disbursing Officers  
Where the Controlling Officer finds defects in any of these respects, he shall take steps to rectify the defect.

(iv) When all the returns from the Disbursing Officers for a particular month have been received and found to be in order, the Controlling Officer shall compile a statement in Form GFR 11, in which he will incorporate -

(a) the totals of the figures supplied by Disbursing Officers;

(b) the totals taken from his own registers in Form GFR 9;

(c) the totals of such adjustments under the various detailed heads as communicated to him by the Accounts Officer on account of transfer entries and expenditure debited to the grant as a result of settlement of inward account claims and not reckoned by his DDOs.

(v) If any adjustment communicated by the Accounts Officer affects the appropriation at the disposal of a subordinate Disbursing Officer, the fact that the adjustment has been made shall be communicated by the Controlling Officer to the Disbursing Officer concerned.

(vi) On receipt of all the necessary returns, the Head of the Department shall prepare a consolidated account in Form GFR 12, showing the complete expenditure from the grant or appropriation at his disposal upto the end of the preceding month.

(5) The Head of the Department and the Accounts Officer shall be jointly responsible for the monthly reconciliation of the figures given in the accounts maintained by the Head of the Department

with those appearing in the Accounts Officers books. The procedure for reconciliation shall be as follows :-12 I. DDOs shall maintain a Bill Register in Form TR 28-A, and note all bills presented for payment to the PAO in the register. As soon as cheques for the bills presented for payment are received, these will be noted in the appropriate column of the Bill Register and the DDOs will ensure that the amounts of cheques tally with the net amount of the bills presented. In case any retrenchment is made by the PAO, a note of such retrenchments should be kept against the bill in the remarks column in TR 28-A. II. The PAOs shall furnish to each of the DDOs including Cheque -drawing DDOs, an extract from the expenditure control register or from the Compilation Sheet every month indicating the expenditure relating to grants controlled by him classified under the various major-minor detailed head of accounts. The statements for May to March should also contain Progressive Figures. III. On receipt of these extracts from the PAOs, the DDOs should tally the figures received, excluding book adjustments, with the expenditure worked out for the month in the GFR 9 register. Discrepancies, if any, between the two sets of figures should be promptly investigated by the DDO in consultation with the PAO. He will also note in the GFR 9 register particulars of book adjustments advised by the PAO through the monthly statement. Thereafter, the DDO should furnish to the PAO a certificate of agreement of the figures as per his books with those indicated by the PAOs by the last day of the month following the month of accounts. IV. The Principal Accounts Officer (or PAO wherever payments, relating to a grant are handled wholly by a PAO) of each Ministry, should send a monthly statement showing the expenditure vis-à-vis the Budget provision under the various heads of accounts, in the prescribed pro forma, to the Heads of Departments responsible for overall control of expenditure against grant of the Ministry as a whole. The figures so communicated by the Principal Accounts Officer (or the PAO concerned) should be compared by the Heads of Departments with those consolidated in Form GFR 12 and differences, if any, should be taken up by the Heads of Departments with the Principal Accounts Officers (or the PAO concerned) for reconciliation. The Head of the Department should furnish a quarterly certificate to the Principal Accounts Officer certifying the correctness of the figures for the quarter by the 15th of the second following month after the end of quarters April-June, July-September, October-December and January-March.

(6) The Departments of the Central Government should obtain from

their Heads of Departments and other offices under them the departmental figures of expenditure in Form GFR 12 by the 15th of the month following the month to which the returns relate. The figures relating to Plan and Non-Plan expenditure should be separately shown in these returns. The information so obtained should be posted in register(s) kept for watching the flow of expenditure against the sanctioned grant or appropriation. Progressive totals of expenditure should be worked out for the purpose. If the departmental figures obtained in Form GFR 12 and posted in the register(s), require correction in a subsequent month, Heads of Departments or other offices should make such corrections by making plus or minus entries in the progressive totals. In case the Accounts Office figures which subsequently become available are found to be higher than departmental figures, the former should be assumed to be the correct figures, as appropriation accounts are prepared on the basis of the figures booked in the accounts.

(7) The Departments of Central Government should also obtain from the Heads of Departments and other authorities under them, statements showing the details of the physical progress of the schemes for which they are responsible. This statement should show the name of the scheme, the Budget provision for each scheme, the progressive expenditure on each scheme, the progress of the scheme in physical terms and the detailed reasons for any shortfalls or excess, both against physical and financial targets.

(8) A Broadsheet in Form GFR 13 should be maintained by the Departments of Central Government or each Head of Department and other authorities directly under them, to watch the prompt receipt of the various returns mentioned above from month to month and to take necessary measures for rectifying any defaults noticed.

### **53. Maintenance Of Liability Register For Effecting Proper Control Over Expenditure :-**

In order to maintain proper control over expenditure, a Controlling Officer should obtain from the spending authorities liability statements in Form GFR 6-A every month, starting from the month of October in each financial year. The Controlling Officer should also maintain a Liability Register in Form GFR 6.

### **54. Personal Attention Of The Head Of Department /Controlling Officer Required To Estimate Savings Or Excesses :-**

A Head of Department or Controlling Officer should be in a position to estimate the likelihood of savings or excesses every month and to regularize them in accordance with the instructions laid down in Rule 56.

**55. Rule 55 :-**

Control of expenditure against grant/appropriation and ultimate responsibility of the authority administering it : The Accounts Officer should report to the Head of the Department concerned immediately on the first appearance of any disproportionate expenditure, particularly in respect of recurring items of expenditure under any grant or appropriation or a primary unit of appropriation thereof. However, the authority administering a grant/ appropriation is ultimately responsible for the control of expenditure against the grant/appropriation and not the Accounts Officer.

**56. Surrender Of Savings :-**

(1) Departments of the Central Government shall surrender to the Finance Ministry, by the dates prescribed by that Ministry before the close of the financial year, all the anticipated savings noticed in the Grants or Appropriations controlled by them. The Finance Ministry shall communicate the acceptance of such surrenders as are accepted by them to the Accounts Officer, before the close of the year. The funds provided during the financial year and not utilized before the close of that financial year shall stand lapsed at the close of the financial year.

(2) The savings as well as provisions that cannot be profitably utilised should be surrendered to Government immediately they are foreseen without waiting till the end of the year. No savings should be held in reserve for possible future excesses.

(3) Rush of expenditure, particularly in the closing months of the Financial year, shall be regarded as a breach of financial propriety and shall be avoided.

**57. Expenditure On New Service :-**

No expenditure shall be incurred during a financial year on a "New Service" not contemplated in the Annual Budget for the year except after obtaining a supplementary grant or appropriation or an advance from the Contingency Fund during that year. The guidelines to determine cases of "New Service"/"New Instrument of Service" are contained in Annexure-1 to Appendix -3.

## **58. Additional Allotment For Excess Expenditure :-**

(1) A subordinate authority incurring the expenditure will be responsible for seeing that the allotment placed at its disposal is not exceeded. Where any excess over the allotment is apprehended, the subordinate authority should obtain additional allotment before incurring the excess expenditure. For this purpose, the authorities incurring expenditure should maintain a Liability Register in Form GFR 6.

(2) A Disbursing Officer may not, on his own authority, authorize any payment in excess of the funds placed at his disposal. If the Disbursing Officer is called upon to honour a claim, which is certain to produce an excess over the allotment or appropriation at his disposal, he should take the orders of the administrative authority to which he is subordinate before authorizing payment of the claim in question. The administrative authority will then arrange to provide funds either by reappropriation or by obtaining a Supplementary Grant or Appropriation or an advance from the Contingency Fund.

## **59. Reappropriation Of Funds :-**

(1) Subject to the provisions of Rule 10 of the Delegation of Financial Powers Rules, 1978, and also subject to such other general or specific restrictions as may be imposed by the Finance Ministry in this behalf, reappropriation of funds from one primary unit of appropriation to another such unit within a grant or appropriation, may be sanctioned by a competent authority at any time before the close of the financial year to which such grant or appropriation relates.

(2) Reappropriation of funds shall be made only when it is known or anticipated that the appropriation for the unit from which funds are to be transferred will not be utilized in full or that savings can be effected in the appropriation for the said unit.

(3) Funds shall not be reappropriated from a unit with the intention of restoring the diverted appropriation to that unit when savings become available under other units later in the year.

(4) An application for reappropriation of funds should ordinarily be supported by a statement in Form GFR 4 or any other special form authorized by departmental regulations showing how the excess is proposed to be met. In all orders, sanctioning reappropriation, the reasons for saving and excess of Rupees 1 lakh or over and the

primary units (secondary units, wherever necessary), affected should be invariably stated. The authority sanctioning the reappropriation should endorse a copy of the order to the Accounts Officer.

### **60. Supplementary Grants :-**

If savings are not available within the Grant to which the payment is required to be debited, or if the expenditure is on "New Service" or "New Instrument of Service" not provided in the budget, necessary Supplementary Grant or Appropriation in accordance with Article 115 (1) of the Constitution should be obtained before payment is authorized.

### **61. Rule 61 :-**

(1) Advance from Contingency Fund : When a need arises to incur unforeseen expenditure in excess of the sanctioned grant or appropriation or on a new service not provided in Budget and there is not sufficient time for the voting of the Supplementary Demand and the passing of the connected appropriation bill before close of the financial year, an advance from the Contingency Fund set up under Article 267 (1) of the Constitution shall be obtained before incurring the expenditure.

(2) An advance from the Contingency Fund shall also be obtained to meet expenditure in excess of the provisions for the service included in an Appropriation (Vote on Account) Act.

(3) The application for an advance from the Contingency Fund should indicate inter alia the particulars of the additional expenditure involved and the sanction to the advance has also to indicate the sub-head and the primary unit of the Grant to which the expenditure appropriately relates. In case, however, any difficulty is felt, the matter should be referred to the Finance Ministry for clarification.

(4) The procedure for obtaining an advance from the Contingency Fund and recouplement of the Fund shall be as laid down in the Contingency Fund of India Rules, 1952, as amended from time to time. For ready reference, rules have been placed at Appendix - 7 to this volume.

### **62. Inevitable Payments :-**

(i) Subject to the provisions of Article 114 (3) of the Constitution, money indisputably payable by Government shall not ordinarily be

left unpaid.

(ii) Suitable provision for anticipated liabilities should invariably be made in Demands for Grants to be placed before Parliament.

**63. Rule 63 :-**

For easy reference an extract relating to procedures followed in the Accounts Office for check against provision of funds as a part of pre-check of bills has been placed at Appendix 14.

**64. Duties And Responsibilities Of The Chief Accounting Authority :-**

The Secretary of a Ministry/Department who is the Chief Accounting Authority of the Ministry/Department shall

(i) be responsible and accountable for financial management of his Ministry or Department.

(ii) ensure that the public funds appropriated to the Ministry or Department are used for the purpose for which they were meant.

(iii) be responsible for the effective, efficient, economical and transparent use of the resources of the Ministry or Department in achieving the stated project objectives of that Ministry or Department, whilst complying with performance standards.

(iv) appear before the Committee on Public Accounts and any other Parliamentary Committee for examination.

(v) review and monitor regularly the performance of the programmes and projects assigned to his Ministry to determine whether stated objectives are achieved.

(vi) be responsible for preparation of expenditure and other statements relating to his Ministry or Department as required by regulations, guidelines or directives issued by Ministry of Finance.

(vii) shall ensure that his Ministry or Department maintains full and proper records of financial transactions and adopts systems and procedures that will at all times afford internal controls.

(viii) shall ensure that his Ministry or Department follows the Government procurement procedure for execution of works, as well as for procurement of services and supplies, and implements it in a fair, equitable, transparent, competitive and cost-effective manner;

(ix) shall take effective and appropriate steps to ensure his Ministry or Department : -

(a) collects all moneys due to the Government and

(b) avoids unauthorized, irregular and wasteful expenditure.

CHAPTER 4

GOVERNMENT ACCOUNTS

### **65. Preparation And Presentation Of Accounts :-**

Accounts of the Union Government shall be prepared every year showing the receipts and disbursements for the year, surplus or deficit generated during the year and changes in Government liabilities and assets. The accounts so prepared shall be certified by the Comptroller and Auditor General of India. The report of the Comptroller and Auditor-General of India relating to these accounts shall be submitted to the President of India, who shall cause them to be laid before each House of Parliament.

### **66. Form Of Accounts :-**

By virtue of the provisions of Article 150 of the Constitution, the Accounts of the Union Government shall be kept in such form as the President may, on the advice of the Comptroller and Auditor General of India, prescribe. The Controller General of Accounts in the Ministry of Finance (Department of Expenditure) is responsible for prescribing the form of accounts of the Union and States, and to frame, or revise, rules and manuals relating thereto on behalf of the President of India in terms of Article 150 of the Constitution of India, on the advice of the Comptroller and Auditor General of India.

### **67. Principles Of Accounting :-**

The main principles according to which the accounts of the Government of India shall be maintained are contained in Government Accounting Rules, 1990; Accounting Rules for Treasuries; and Account Code Volume-III. Detailed rules and instructions relating to the forms of the initial and subsidiary accounts to be kept and rendered by officers of the Department of Posts and other technical departments are laid down in the respective Accounts Manuals or in the departmental regulations relating to the department concerned.

### **68. Cash Based Accounting :-**

Government accounts shall be prepared on cash basis. With the exception of such book adjustments as may be authorised by Government Accounting Rules, 1990 or by any general or special order issued by the Central Government on the advice of the Comptroller and Auditor General of India, the transactions in Government accounts shall represent the actual cash receipts and disbursements during a financial year as distinguished from amounts due to or by Government during the same period.

### **69. Period Of Accounts :-**

The annual accounts of the Central Government shall record transactions which take place during a financial year running from the 1st April to the 31st March thereof.

**70. Currency In Which Accounts Are Kept :-**

The accounts of Government shall be maintained in Indian rupees. All foreign currency transactions and foreign aid shall be brought into account after conversion into Indian rupees.

**71. Main Divisions And Structure Of Accounts :-**

The accounts of Government shall be kept in three parts, namely Consolidated Fund (Part-I), Contingency Fund (Part-II) and Public Account (Part-III). Part-I - Consolidated Fund is divided into two Divisions, namely, Revenue and Capital divisions. The Revenue Division comprises of the sections Receipt Heads (Revenue Account) dealing with the proceeds of taxation and other receipts classified as revenue and the section Expenditure Heads (Revenue Account) dealing with the expenditure met therefrom. The Capital Division comprises of three sections, viz., Receipt Heads (Capital Account), Expenditure Heads (Capital Account) and Public Debt, Loans and Advances, etc.. These sections are in turn divided into sectors such as General Services, Social and Community Services, Economic Services, etc., under which specific functions or services are grouped corresponding to the sectors of Plan classification and which are represented by Major Heads (comprising Sub-Major Heads wherever necessary). In Part-II - Contingency Fund, are recorded transactions connected with the Contingency Fund set up by the Government of India under Article 267 of the Constitution or Section 48 of Government of Union Territories Act, 1963. There shall be a single Major Head to record the transactions thereunder, which will be followed by Minor, Sub and/or Detailed Heads. In Part-III - Public Account, transactions relating to debt (other than those included in Part-I), reserve funds, deposits, advances, suspense, remittances and cash balances shall be recorded.

**72. Classification Of Transactions In Government Accounts :-**

As a general rule, classification of transactions in Government Accounts, shall have 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. Major Heads (comprising Sub-Major Heads wherever necessary) are divided into Minor Heads. Minor Heads

may have a number of subordinate heads, generally known as Sub Heads. The Sub Heads are further divided into Detailed Heads followed by Object Heads. The Major Heads of account, falling within the sectors for expenditure heads, generally correspond to functions of Government, while the Minor Heads identify the programmes undertaken to achieve the objectives of the functions represented by the Major Head. The Sub Head represents schemes, the Detailed Head denotes sub scheme and Object Head represent the primary unit of appropriation showing the economic nature of expenditure such as salaries and wages, office expenses, travel expenses, professional services, grants-in-aid, etc. The above six tiers are represented by a unique 15 digit numeric code.

### **73. Authority To Open A New Head Of Account :-**

The List of Major and Minor Heads of Accounts of Union and States is maintained by the Ministry of Finance (Department of Expenditure - Controller General of Accounts) which is authorised to open a new head of account on the advice of the Comptroller and Auditor General of India under the powers flowing from Article 150 of the Constitution. It contains General Directions for opening Heads of Accounts and a complete list of the Sectors, Major, Sub-Major and Minor Heads of Accounts (and also some Sub/Detailed Heads under some of them authorised to be so opened). Ministries/Departments may open Sub-Heads and Detailed Heads as required by them in consultation with the Budget Division of the Ministry of Finance. Their Principal Accounts Offices may open Sub/Detailed Heads required under the Minor Heads falling within the Public Account of India subject to the above stipulations. The Object Heads have been prescribed under Government of India's Orders below Rule 8 of Delegation of Financial Power Rules. The power to amend or modify these object heads and to open new Object Heads rest with Department of Expenditure of Ministry of Finance on the advice of the Comptroller and Auditor General of India.

### **74. Conformity Of Budget Heads With Rules Of Classification :-**

Budget Heads exhibited in estimates of receipts and expenditure framed by the Government or in any appropriation order shall conform to the prescribed rules of classification.

### **75. Responsibility Of Departmental Officers :-**

Every officer responsible for the collection of Government dues or

expenditure of Government money shall see that proper accounts of the receipts and expenditure, as the case may be, are maintained in such form as may have been prescribed for the financial transactions of Government with which he is concerned and tender accurately and promptly all such accounts and returns relating to them as may be required by Government, Controlling Officer or Accounts Officer, as the case may be.

**76. Classification Should Be Recorded In All The Bills And Challans By Drawing Officers :-**

Suitable classification shall be recorded by Drawing Officers on all bills drawn by them. Similarly, classification on challans crediting Government money into the Bank shall be indicated or recorded by Departmental Officers responsible for the collection of Government dues, etc. In cases of doubt regarding the Head under which a transaction should be accounted, however, the matter shall be referred to the Principal Accounts Officer of the Ministry/Department concerned for clarification of the Ministry of Finance and the Controller General of Accounts, wherever necessary.

**77. Charged Or Voted Expenditure :-**

The expenditure covered under Article 112 (3) of the Constitution of India is charged on the Consolidated Fund of India and is not subject to vote by the legislature. All other expenditure met out of the Consolidated Fund of India is treated as Voted expenditure. Charged or Voted Expenditure shall be shown separately in the accounts as well as in the Budget documents.

**78. Plan Or Non Plan Expenditure :-**

Plan expenditure representing expenditure on Plan outlays approved for each scheme or organisation by the Planning Commission and indicating the extent to which such outlays are met out of budgetary provisions shall be shown distinctly from the other (Non-Plan) expenditure in the accounts as well as in the Budget documents.

**79. Capital Or Revenue Expenditure :-**

Significant expenditure incurred with the object of acquiring tangible assets of a permanent nature (for use in the organisation and not for sale in the ordinary course of business) or enhancing the utility of existing assets, shall broadly be defined as Capital expenditure. Subsequent charges on maintenance, repair, upkeep and working expenses, which are required to maintain the

assets in a running order as also all other expenses incurred for the day to day running of the organisation, including establishment and administrative expenses shall be classified as Revenue expenditure. Capital and Revenue expenditure shall be shown separately in the Accounts.

### **80. Banking Arrangements :-**

The Reserve Bank of India (RBI) shall be the banker to the Government. It shall maintain cash balance of the Government and provide banking facilities to the Ministries and subordinate or attached offices either directly through its own offices or through its agent banks. For this purpose, RBI shall, in consultation with the Controller General of Accounts, nominate a bank to function as Accredited Bank of a Ministry or Department. Pay & Accounts offices and Cheque Drawing and Disbursing Officer shall have assignment accounts with the identified branches of the Accredited Bank of the ministry. All payments shall be made through these identified bank branches. These branches shall also collect departmental and other receipts. Tax revenues of the Government shall be collected by the RBI through its own offices or through the nominated branches of its agent banks. Note: Detailed procedure to be followed for remittance of Government receipts into Government cash balance and reimbursement of payments made on behalf of Government by the banks are laid down in the Memoranda of Instructions issued by the Reserve Bank of India.

### **81. Appropriation Accounts :-**

Appropriation Accounts of Central Ministries (other than Ministry of Railways) and of Central Civil Departments (excluding Department of Posts and Defence Services) shall be prepared by the Principal Accounts Officers of the respective Ministries and Departments (under the guidance and supervision of the Controller General of Accounts) and signed by their respective Chief Accounting Authorities i.e., the Secretaries in the concerned Ministries or Departments. Union Government Appropriation Accounts (Civil) required to be submitted to Parliament, shall be prepared annually by the Controller General of Accounts by consolidating the aforesaid Appropriation Accounts. Appropriation Accounts pertaining to 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 and that of Ministry of Railways by the Chairman, Railway Board.

## **82. Finance Accounts :-**

Annual 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 of Union Territory Governments), showing under the respective Heads the annual receipts and disbursements for the purpose of the Union, called Finance Accounts, shall be prepared by the Controller-General of Accounts.

## **83. Presentation Of Annual Accounts :-**

The Appropriation and Finance accounts mentioned above, shall be prepared by the respective authorities on the dates mutually agreed upon with the Comptroller and Auditor-General of India, in the forms prescribed by the President on the advice of the Comptroller and Auditor-General of India and sent to the latter for recording his certificate. The certified annual accounts and the Reports relating to the accounts shall be submitted by the Comptroller and Auditor-General of India to the President in accordance with the provisions of Section 11 of the Comptroller and Auditor-Generals (Duties, Powers and Conditions of Service) Act, 1971 and Clause (1) of Article 151 of the Constitution of India.

## **84. Subsidiary Accounts Of Government Departments Undertaking Commercial Activities :-**

Where the operations of certain government departments working on a commercial or quasi-commercial basis e.g., an industrial factory or a store cannot be suitably brought within the cash based Government accounting system, the Head of the units shall be required to maintain such subsidiary proforma accounts in commercial form as may be agreed between Government and Comptroller and Auditor-General. This includes the maintenance of suitable Manufacturing, Trading, Profit & Loss Accounts and Balance Sheet.

## **85. Methods And Principles On Which Subsidiary Accounts In Commercial Form Are To Be Kept :-**

The methods and principles in accordance with which subsidiary and proforma accounts in commercial form are to be kept shall be regulated by orders and instructions issued by Government in each case. Note 1. Proforma accounts of regular Government Workshops and Factories shall be kept in accordance with the detailed rules and procedure prescribed in the departmental regulations. Proforma accounts relating to Public Works shall be prepared by the Accounts

Officers in accordance with the instructions contained in Account Code for Accountants General.18 Note 2. The Heads of Account (which should, as far as possible, be common to the Government accounts and the General Ledger maintained by a Commercial Undertaking) shall be selected with due regard to the principles of Governmental and Commercial accounting so that the monthly classified account of income and expenditure of the undertaking may be prepared readily from the General Ledger maintained by it.

**86. Adequate Regulations To Be Framed To Ensure Cost Deduced Is Accurate And True :-**

Where commercial accounts are maintained for the purpose of assessment of the cost of an article or service, the Head of the unit shall ensure that adequate regulations are framed with the approval of Government in order to ensure that the cost deduced from the accounts is accurate and true.

**87. Maintenance And Submission Of Subsidiary Accounts And Statements By Department Units :-**

The Head of the unit shall arrange to obtain the orders of Government regarding the nature and form of subsidiary accounts and statements, if any. Such accounts and statements shall be submitted to the Accounts Officer on such date as may be required by him. The same shall be appended to the Appropriation Accounts of each year. PERSONAL DEPOSIT ACCOUNT

**88. Personal Deposit Account :-**

Personal Deposit Account is a device intended to facilitate the Designated Officer thereof to credit receipts into and effect withdrawals directly from the account, subject to an overall check being exercised by the bank in which the account is authorised to be opened. The Designated Officer shall ensure (with the help of a personal ledger account to be maintained by the bank for the purpose) that no withdrawal will result in a minus balance therein. Only Government officers acting in their official or any other capacity shall be the Designated Officer thereof.

**89. Authority To Open Personal Deposit Account :-**

(1) The Personal Deposit Account shall be authorised to be opened by a special order by the concerned Ministry or Department in consultation with the Controller General of Accounts. Such special order or permission shall be issued or granted by the Ministry or Department concerned after it is satisfied that the initial accounts

of the moneys to be held in a personal deposit account and disbursed, shall be arranged to be maintained properly and shall be subject to audit. Every personal deposit account so authorised to be opened, shall form part of the Government Account and be located in the Public Account thereof. The provisions relating to "Personal Deposit Account" are contained in para 16.7 of Civil Accounts Manual and Rule 191 to 194 of Central Government Account (Receipts and Payments) Rules.

(2) Personal Deposit accounts shall generally be authorised to be opened in the following types of cases:

(a) in favour of a Designated Officer appointed for the purpose of administering monies tendered by or on behalf of wards and attached estates under Government management. It shall also be ensured that proper arrangements are made for the maintenance and audit of connected initial accounts;

(b) in relation to Civil and Criminal Courts deposits, in favour of the Chief Judicial authority concerned;

(c) where, under certain regulatory activities of the Government, receipts are realised and credited to a Fund or Account under the provisions of an Act to be utilised towards expenditure thereunder and no outgo from the Consolidated Fund is involved.

(d) where a personal deposit account is required to be created by a law or rules having the force of law and certain liabilities devolve on the Government out of the special enactments;

(e) officers commanding units and others concerned in the administration of public funds in the Defence Departments can be authorised to open personal deposit accounts for such funds.

### **90. Capital Expenditure :-**

Significant expenditure incurred with the object of acquiring tangible assets of a permanent nature (for use in the organisation and not for sale in the ordinary course of business) or enhancing the utility of existing assets, shall broadly be defined as Capital expenditure. Subsequent, charges on maintenance, repair, upkeep and working expenses, which are required to maintain the assets in a running order as also all other expenses incurred for the day to day running of the organisation, including establishment and administrative expenses, shall be classified as Revenue expenditure. Capital and Revenue expenditure shall be shown separately in the Accounts. Expenditure on a temporary asset or on grants-in-aid cannot ordinarily be considered as a capital expenditure and shall not, except in cases specifically authorised by

the President on the advice of the Comptroller and Auditor General of India, be debited to a Capital Head.<sup>19</sup> Capital expenditure is generally met from receipts of capital nature, as distinguished from ordinary revenues derived from taxes, duties, fees, fines and similar items of current income including extraordinary receipts. It is open to the Government to meet capital expenditure from ordinary revenues, provided there are sufficient revenue resources to cover this liability. Expenditure of a capital nature, as defined above, shall not be classed as Capital expenditure in the Government Accounts unless the classification has been expressly authorised by general or special orders of Government. Expenditure of a Capital nature shall be distinguished from Revenue expenditure both in the Budget estimates and in Government Accounts.

### **91. Principles For Allocation Of Expenditure Between Capital And Revenue :-**

The following are the main principles governing the allocation of expenditure between Revenue and Capital:-

(a) Capital shall bear all charges for the first construction and equipment of a project as well as charges for intermediate maintenance of the work while not yet opened for service. It shall also bear charges for such further additions and improvements, which enhance the useful life of the asset, as may be sanctioned under rules made by competent authority.

(b) Subject to Clause (c) below, revenue shall bear subsequent charges for maintenance and all working expenses. These embrace all expenditure on the working and upkeep of the project and also on renewals and replacements and additions, improvements or extensions that are revenue in nature as per rules made by Government.

(c) In the case of works of renewal and replacement, which partake expenditure both of a capital and revenue nature, the allocation of expenditure shall be regulated by the broad principle that Revenue should pay or provide a fund for the adequate re- placement of all wastage or depreciation of property originally provided out of capital grants. Only the cost of genuine improvements, which enhance the useful life of the asset whether determined by prescribed rules or formulae, or under special orders of Government, may be debited to Capital. Where under special orders of Government, a Depreciation or Renewals Reserve Fund is established for renewing assets of any commercial department or undertaking, the distribution of expenditure on renewals and

replacements between Capital and the Fund shall be so regulated as to guard against overcapitalisation on the one hand and excessive withdrawals from the Fund on the other.

(d) Expenditure on account of reparation of damage caused by extraordinary calamities such as flood, fire, earthquake, enemy action, etc., shall be charged to Capital, or to Revenue, or divided between them, depending upon whether such expenditure results in creation/acquisition of new assets or whether it is only for restoring the condition of the existing assets, as may be determined by Government according to the circumstance of each case.

**92. Allocation Between Capital And Revenue Expenditure :-**

The allocation between capital and revenue expenditure on a Capital Scheme for which separate Capital and Revenue Accounts are to be kept, shall be determined in accordance with such general or special orders as may be prescribed by the Government after consultation with the Comptroller and Auditor-General

**93. Capital Receipts During Construction Mainly To Be Utilised In Reduction Of Capital Expenditure :-**

Capital receipts in so far they relate to expenditure previously debited to Capital accruing during the process of construction of a project, shall be utilised in reduction of capital expenditure. Thereafter their treatment in the accounts will depend on circumstances, but except under special rule or order of Government, they shall not be credited to the revenue account of the department or undertaking.

**94. Receipts And Recoveries Representing Recoveries Of Expenditure Previously Debited To Capital Major Head :-**

Receipts and recoveries on Capital Account in so far as they represent recoveries of expenditure previously debited to a Capital Major Head shall be taken in reduction of expenditure under the Major Head concerned except where, under the rules of allocation applicable to a particular department, such receipts have to be taken to Revenue.

**95. Capital Cost Of Non-Productive Work To Be Met From Ordinary Revenues :-**

As a general rule, capital cost of works which are non productive in nature is met from ordinary revenues. Borrowed moneys and other resources outside the Revenue Account shall not ordinarily be spent for non productive purposes unless the following conditions are

fulfilled:-

- (a) The objects for which the money is wanted are so urgent and vital that the expenditure can neither be avoided, postponed or distributed over a series of years; and
- (b) The amount is too large to be met from current revenues.

#### **96. Conversion Of Outstanding Loans Into Equity Investments Or Grants-In-Aid :-**

Government takes from time to time, suitable measures to strengthen/restructure the Capital base of public sector enterprises so that these enterprises can improve their performance and productivity. As a part of the package scheme, financial relief in the form of conversion of outstanding loans into equity investments or grants-in-aid are also agreed to. Where loans outstanding against Public Sector Undertakings are proposed to be converted into equity investments in or as grants-in-aid to the Public Sector Undertakings, the approval of the Parliament to such proposals, shall be obtained by including a token provision in the relevant Demands for Grants or Supplementary Demands for Grants as may be found expedient. The details of such conversion of loans may be explained in the relevant Budget/Supplementary Demand documents. After obtaining the approval of the Parliament, the balances under loans and the progressive expenditure of the Capital Heads of Accounts shall be corrected pro forma through "Prior Period Adjustment Account" in the relevant Finance Accounts of the Union Government without affecting the current transactions of the year, under the Loan/Capital Major Heads concerned.

#### **97. Interest Rate :-**

Except in special cases regulated by special orders of Government, interest at such rates as may be specified from time to time shall be charged in the accounts of all Commercial departments or units for which separate capital and revenue accounts are maintained within the Government accounts.

#### **98. Charging Of Interest On Capital Outlay Met Out Of Specific Loans Raised By Government :-**

( 1 ) For capital outlay met out of specific loans raised by Government, the interest shall be charged at such rate as may be prescribed by Government, having regard to the rate of interest actually paid on such loans and the incidental charges incurred in raising and managing them. By specific loans are meant loans that

are raised in the open market for one specific purpose which is clearly specified in the prospectus and in regard to which definite information is given at the time of raising of the loans.

(2) For capital outlay provided otherwise, interest shall be charged at the average rate of interest to be determined each year by the Department of Economic Affairs, Ministry of Finance.

(3) In the case of Capital Outlay of the Railways, dividend is payable to the general revenues on the capital-at-charge at the rate prescribed in the Railway Convention Resolution from time to time.

### **99. Method Of Calculation Of Interest :-**

The interest shall 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.

### **100. How Interest Charged To Capital Is To Be Written Back**

:-

When under any special orders of Government, charges for interest during the process of construction of a project are temporarily met from capital, the writing back of capitalised interest shall form the first charge on any capital receipts or surplus revenue derived from the project when opened for working. ADJUSTMENTS WITH OTHER GOVERNMENTS DEPARTMENTS, ETC.

### **101. Adjustments With State Governments :-**

Subject to the relevant provision of the Constitution or of law made by Parliament or any orders issued thereunder, adjustments in respect of financial transactions with State Governments shall, unless otherwise provided for, be made in such manner, and to such extent as may be mutually agreed upon between the Central Government and the State Government concerned. However, adjustments with State Government in respect of the matters mentioned below shall be regulated by the rules contained in Appendix- 5 to the Government Accounting Rules, 1990. The rules are based on reciprocal arrangements made with the State Governments and are, therefore, binding on all of them:-

(i) Pay and Allowances, other than Leave Salaries.

(ii) Leave Salaries.

(iii) Pensions.

(iv) Expenditure involved in Audit and Keeping Accounts.

(v) Cost of Police functions on Railways including the cost of protecting Railway Bridges.

- (vi) Cost of (a) Forest Surveys carried out by the Survey of India, and
- (b) Forest maps prepared by that Department.
- (vii) Leave Salary and Pension Contributions recovered in respect of Government servants lent on Foreign Service.

**102. Reaudit :-**

As a convention, a period of three years has been accepted by the Central and State Governments for the reaudit of past transactions involving errors in classification.

**103. When Adjustment Necessary :-**

Adjustment shall always be made unless otherwise agreed upon-

- (a) If a commercial department or undertaking or a regularly organised store department or store section of a department is concerned, or
- (b) If under the operation of any rule or order, an adjustment would have been made if the particular transaction with State Government were a transaction between two departments of the Central Government.

**104. Petty And Isolated Claims For Services Rendered Not To Be Preferred :-**

The Central Government (which includes Union Territories) and the State Governments have agreed under reciprocal arrangements not to prefer petty and isolated claims for an amount not exceeding Rupees two thousand five hundred against one another.

**105. Criteria In Determining Whether A Particular Claim Is Covered By The Reciprocal Arrangement :-**

The significant criterion in determining whether a particular claim is covered by the reciprocal arrangement mentioned above, will be that the claim shall be both petty and of an occasional character and shall cover services rendered and not supplies made unless the latter forms part of service. The term "service rendered" will be taken to mean an individual act of service, like providing police escort to a high dignitary and will not apply to supply of stores etc. Claims relating to Commercial undertakings under the Government of India or the State Governments such as those of the Railways, the Department of Post, the Electrical undertakings, etc., shall fall outside the purview of the proposed reciprocal arrangements and shall continue to be settled as hitherto. If a doubt arises as to whether a particular claim would fall within or outside the purview of the proposed arrangement, it shall be decided by mutual

consultation. The above arrangements will remain in force without any time limit in respect of all State Governments.

**106. Projects Jointly Executed By Several State Governments :-**

In the case of Projects, jointly executed by several Governments, where the expenditure is to be shared by the participating Governments in agreed proportions, but the expenditure is ab-initio incurred by one Government and shares of other participating Governments recovered subsequently; such recoveries from other Governments shall be exhibited as abatement of charges under the relevant expenditure Head of Account in the books of the Governments incurring the expenditure initially.

**107. Claims Of State Governments, On Account Of The Extra Cost Of Agency Functions :-**

Claims of State Governments, on account of the extra cost of agency functions entrusted to them under Article 258 of the Constitution shall be dealt with and settled in accordance with such directions as may be issued by the President in this regard from time to time.

**108. Principles To Be Observed In Dealing With State Government Claims :-**

The following principles shall be generally observed in dealing with claims preferred by State Governments under Clause (3) of Article 258 of the Constitution:-

(a) If the agency work involves the employment of a State Commercial Department, it would be open to that department to charge its normal commercial costs.

(b) Public Works Department agency costs shall be represented by such percentage charges on the cost of Central Works executed by the State as may be agreed between the Central and the State Government concerned, works outlay being treated as an amount placed at the disposal of the State Government for actual expenditure on the execution of the work.

(c) The cost of regular joint establishment shall be shared as far as practicable on the basis of fixed annual sums settled in agreement with the State Government concerned.

(d) In other cases, the following procedure shall be adopted unless there are special orders to the contrary:-

(i) Details of claims preferred by State Governments shall be ascertained.

(ii) If the work has been performed by the State Government in the past, the charges shall be compared with those charged in the past but it is not necessary to be meticulous in the matter.

(iii) If the charges are found to be reasonable and do not exceed Rupees twenty thousand per annum for any individual item (or connected group of items), a five years contract shall be offered to the State Government during which the Central Government would pay the fixed sum per annum for the work.<sup>22</sup> The amount will be subjected to review at the end of each period of five years.

(iv) If the amount agreed upon exceeds Rupees twenty thousand, it shall be necessary to have an annual statement of proposed charges from the State Government at the time of preparation of the Budget. However, if in any individual case, the charges are obviously static, then the contract system may be adopted in these cases also.

(e) In exceptional cases in which arbitration has to be resorted to, the Finance Ministry will make the requisite arrangement in the matter.

(f) The Finance Ministry shall be consulted on all matters arising under Article 258 (3) of the Constitution.

### **109. Principles Governing Transactions In Connection With The Agency Functions Entrusted To State Government :-**

The following procedure shall be followed in regard to transactions arising in connection with the agency functions entrusted to the State Governments under Article 258 of the Constitution:

(a) The expenditure on extra staff or contingencies which the State Government have to incur.-The extra cost to the State Government arising mainly in respect of the additional staff employed or contingent and other expenditure, as in the case of work devolving on the State Governments in connection with the administration of the Census Act, is reimbursable under Article 258 (3) of the Constitution. Expenditure in this regard shall be provided in the State Budget in the first instance and adjusted in the accounts of the State Governments under the normal Heads of Accounts. These will be reimbursed in lump to the State Governments, necessary provision being made under a distinct sub-head" Amounts paid to other Governments, Departments, etc.", under the concerned Demand of the Ministry administratively concerned with the subject. In computing the extra cost, the element of leave and pensionary charges can also be included, provided the relevant service and financial rules of the State Governments provide for

this.

(b) The expenditure on work entrusted to the State Government, such as expenditure on construction and maintenance of National Highways, expenditure on Defence Works, Aviation Works, etc. - The expenditure directly connected with the execution of the scheme or work entrusted to the State Government such as expenditure on the construction or maintenance of National Highways, etc., will be adjusted direct in the accounts of the Central Government under the relevant Head of Account. The question of including the estimates in this regard in the Budget of the State Governments and subjecting them to the vote of the State Legislature will not arise. The expenditure will be adjusted under the Head "8658 - Suspense Accounts -PAO Suspense" in the Remittance Section of the State Accounts in the first instance pending their eventual clearance in accordance with the prescribed procedure. Note: In the converse case relating to the entrustment of a State function to the Central Government under Article 258-A of the Constitution, a procedure similar to that indicated in the Rule 109 above shall be followed. The extra cost on staff and other contingent expenditure, etc., will accordingly have to be provided in the Budget of the Central Government in the usual manner and recovery made in lump from the State Government concerned. The other expenditure on execution of the work proper should be debited to the State Government concerned direct and the question of obtaining a vote of the Parliament for the same will not arise.

**110. Crucial Date For Closure Of Inter-Government Adjustments :-**

Inter-Governmental adjustments can be carried out upto the 15th of April on which date the books of the Reserve Bank are closed for the month of March. Every endeavour must, therefore, be made to settle as far as possible all transactions with State Governments before the close of the year.

**111. Adjustments With Foreign Governments, Outside Bodies, Etc :-**

Unless exempted by Government by general or special orders, services shall not be rendered to any foreign Government or non-Government body or institution or to a separate fund constituted as such except on payment.

**112. Recoveries Of Expenditure For Services Rendered To Non-Government Parties :-**

Recoveries of expenditure for services rendered or supplies made to non-Government parties or other Governments (including local funds and Governments outside India), shall in all cases, be classified as receipts of the Government rendering such services.

**113. Recoveries Of Expenditure For Services Rendered As An Agent :-**

When a Government undertakes a service merely as an agent of a private body, the entire cost of the service shall be recovered from that body so that the net cost to Government is nil. The recoveries shall be taken as reduction of expenditure. Explanation: The term recovery is used in these rules to denote repayment of, or payment by non-Government parties or other Governments towards charges initially incurred and classified by a Central Government Department in the account, as final expenditure by debit to a Revenue or Capital Head of Account. Recoveries towards<sup>23</sup> establishment charges, tools and plants, fees for procurement of inspection of stores or both etc., effected at percentage rates or otherwise, are some examples.

**114. Payments To Outside Body Or Fund To Be Through Grant-In-Aid :-**

Any relief in respect of payment for services rendered or supplies made to any outside body or fund shall ordinarily be given through a grant-in-aid rather than by remission of dues.

**115. Charges Relating To The Maintenance And Demarcations And Disputes Over Boundaries :-**

The incidence of charges relating to the maintenance and demarcations and disputes over boundaries between India and a foreign country is regulated by the following principles;-

(a) Maintenance - Half the maintenance charges will be borne by the Central Government, the other half being recovered, as far as practicable, from the foreign country, failing which the foreign country's share will also be borne by the Central Government.

(b) Demarcation and Disputes - Charges relating to demarcation of boundaries and boundary disputes will be borne by the Central Government under Entry 10 of the Union List, subject to such recovery as shall be made from the Foreign Country.

(c) Where streams or other watercourses form the boundaries and where the ordinary principle of median line applies, the Government concerned (i.e., Foreign Country or India) will bear the cost of maintenance of the boundary line on its side. Where a

separate set of survey marks is maintained by each of the two Governments on its side, the cost of maintenance of the survey marks shall be borne by the Government concerned. Exception:

(i) The arrangement in

(a) above in its application to Nepal will be subject to special arrangements worked out in consultation with the Nepal Government.

(ii) The share of the Bhutan Government for maintenance and demarcation of and disputes over boundaries will be borne by the Central Government for the present. INTER-DEPARTMENTAL ADJUSTMENTS

### **116. Inter-Departmental Adjustments :-**

Save as expressly provided by any general or special orders, a Service Department shall not charge other departments for services rendered or supplies made which falls within the class of duties for which the former department is constituted. However, a commercial department or undertaking shall ordinarily charge and be charged for any supplies made and services rendered to, or by, other departments of Government.

### **117. Principles For Division Of Departments For Purposes Of Inter-Departmental Payments :-**

For purposes of inter-departmental payments, the departments of a Government shall be divided into service departments and commercial departments according to the following principles:-

(a) Service Departments. -These are constituted for the discharge of those functions which either-

(i) Are inseparable from and form part of the idea of Government e.g. Departments of Administration of Justice, Jails, Police, Education, Medical, Public Health, Forest, Defence; or

(ii) Are necessary to and form part of, the general conduct of the business of Government e.g. Departments of Survey, Government Printing, Stationery, Public Works (Building and Roads Branch), Central Purchase Organisation (Director-General of Supplies and Disposals, New Delhi).

( b ) Commercial Departments or Undertakings.-These are established mainly for the purposes of rendering services or providing supplies, of certain special kinds, on payment for the services rendered or for the articles supplied. They perform functions, which are not necessarily governmental functions. They are required to work to a financial result determined through accounts maintained on commercial principles.

**118. Period For Preferment Of Claims :-**

All claims shall ordinarily be preferred between Departments, both commercial and non-commercial of the Central Government, within the same financial year and not beyond three years from the date of transaction. This limitation, however, may be waived in specific cases by mutual agreement between the departments concerned.

**119. Procedure For Settlement Of Inter-Departmental Adjustments :-**

The settlement of inter-departmental adjustments shall be regulated by the directions contained in Chapter 4 of Government Accounting Rules, 1990.

**120. Inter-Departmental And Other Adjustments To Be Made In The Account Year :-**

Under the directions<sup>24</sup> contained in the Account Code for Accountants General, inter-departmental and other adjustments are not to be made in the accounts of the past year, if they could not have been reasonably anticipated in time for funds being obtained from the proper authority. In all cases, where the adjustment could have reasonably been anticipated as, for example, recurring payments to another Government or department and payments which, though not of fixed amount, are of a fixed character, etc., the Accounts Officer will automatically make the adjustment in the accounts before they are finally closed. The onus of proving that the adjustments could not have been reasonably anticipated should lie with the Controlling Officer. As between different Departments of the same Government, the recoveries effected for services rendered shall be classified as deductions from the gross expenditure. However, recoveries made by a Commercial Department, e.g., Railways, Posts or a departmental commercial undertaking in respect of services rendered in pursuance of the functions for which the Commercial Department is constituted shall be treated as receipts of the Department but where it acts as an agent for the discharge of functions not germane to the essential purpose of the Department, the recoveries shall be taken as reduction of expenditure. Exception.-Recoveries of fees for purchase, inspection, etc., effected by the Central Purchase Organizations of Government of India, are treated as receipts of the Department concerned. NOTE I.-The term recovery is used in this rule to denote repayment of/or payment by one Department of the same Government towards charges initially incurred and classified by another Department in its accounts as final

expenditure by debit to a Revenue or Capital Head of Account. Recoveries towards establishment charges, tools and plants, fees for procurement or inspection of stores or both, etc., effected at percentage rates or otherwise, are some examples. NOTE 2.- Recoveries effected from another Department of the same Government which are to be classified as deduction from the gross expenditure, shall be shown in the relevant Demand for Grant as "below the line" recovery under the appropriate major, etc., Head of Account. Recovery actually effected, irrespective of the year to which it relates shall be adjusted in accounts in the schedule of recovery to be attached to the Appropriation Account of the year in which the recovery is effected.

**121. Adjustment Of Pensionary Charges Of Certain Commercial Departments :-**

Except as otherwise provided, the pensionary liability of commercial departments and undertakings, for which pro forma commercial accounts are maintained, shall be assessed on a contribution basis at such rates as may be fixed by Government from time to time. In the case of departments and undertakings, for which no regular commercial accounts are maintained either within or outside the regular Government accounts but which are allowed to charge for their products or services rendered, the pensionary liability shall be taken into account in the estimate of overhead charges and manufacturing costs for the purpose of calculating the issue price of goods manufactured or fees for services rendered. The calculation shall be made at rates prescribed for the purpose by Government. NOTE: The Railways, Posts and Defence Departments are regarded as separate Governments for the purpose of adjustment of pensionary charges.

**122. Pensionary Liability In The Case Of Government Departments/Undertakings Declared As Commercial :-**

In the case of Government Departments and Undertakings declared as commercial, adjustment of Pensionary liability shall be made in the regular accounts by charging the average of the percentage for 15th year of service stipulated in Appendix-II-A to the P & T Compilation of Fundamental and Supplementary Rules, Volume-II, duly rounded to the nearest whole number. The average of the rates for Groups A to D employees prescribed in O.M. No. F. 8 (9)-E. 111/81, dated the 29th July, 1982, issued by the Ministry of Finance (Department of Expenditure), works out to twelve per cent.

**123. Rule 123 :-**

Original works means all new constructions, additions and alterations to existing works, special repairs to newly purchased or previously abandoned buildings or structures, including remodeling or replacement. Repair works means works undertaken to maintain building and fixtures.

**124. Administrative Control Of Works Includes :-**

- (i) assumption of full responsibility for construction, maintenance and upkeep;
- (ii) proper utilization of buildings and allied works;
- (iii) provision of funds for execution of these functions.

**125. Powers To Sanction Works :-**

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

**126. Rule 126 :-**

- (1) A Ministry or Department at its discretion may directly execute repair works estimated to cost upto Rupees ten Lakhs after following due procedure indicated in Rule 132.
- (2) A Ministry or Department may, at its discretion, assign repair works estimated to cost above Rupees ten Lakhs and upto Rupees thirty Lakhs to any Public Works Organisation, which includes State Public Works Divisions, other Central Government organisations authorised to carry out civil or electrical works such as Central Public Works Department (CPWD), Military Engineering Service (MES), Border Roads Organisation etc. or Public Sector Undertakings set up by the Central or State Government to carry out civil or electrical works.
- (3) All original works costing upto Rupees ten Lakhs may be assigned by the Ministry or Department concerned to a Public Works Organisations as defined in Rule 126(2).
- (4) All original works estimated to cost above Rupees ten Lakhs and repair works estimated to cost above Rupees thirty Lakhs may be got executed through a Public Works Organisations as defined in

Rule 126(2) after consultation with the Ministry of Urban Development.

**127. Work Under The Administrative Control Of The Public Works Departments :-**

Works not specifically allotted to any Ministry or Department shall be included in the Grants for Civil Works to be administered by Central Public Works Department. No such work may be financed partly from funds provided in departmental budget and partly from the budget for Civil works as mentioned above.

**128. General Rules :-**

Subject to the observance of these general rules, the initiation, authorization and execution of works allotted to a particular Ministry or Department shall be regulated by detailed rules and orders contained in the respective departmental regulations and by other special orders applicable to them.

**129. Rule 129 :-**

(1) No works shall be commenced or liability incurred in connection with it until, -

(i) administrative approval has been obtained from the appropriate authority in each case;

(ii) sanction to incur expenditure has been obtained from the competent authority;

(iii) a properly detailed design has been sanctioned;

(iv) estimates containing the detailed specifications and quantities of various items have been prepared on the basis of the Schedule of Rates maintained by CPWD or other Public Works Organisations and sanctioned;

(v) funds to cover the charge during the year have been provided by competent authority;

(vi) tenders invited and processed in accordance with rules;

(vii) a Work Order issued.

(2) On grounds of urgency or otherwise, if it becomes necessary to carry out a work or incur a liability under circumstances when the provisions set out under sub rule 1 of rule 129 cannot be complied with, the concerned executive officer may do so on his own judgement and responsibility. Simultaneously, he should initiate action to obtain approval from the competent authority and also to intimate the concerned Accounts Officer.

(3) Any development of a project considered necessary while a

work is in progress, which is not contingent on the execution of work as first sanctioned, shall have to be covered by a supplementary estimate.

**130. Rule 130 :-**

For purpose of approval and sanctions, a group of works which forms one project, shall be considered as one work. The necessity for obtaining approval or sanction of higher authority to a project which consists of such a group of work should not be avoided because of the fact that the cost of each particular work in the project is within the powers of such approval or sanction of a lower authority. This provision, however, shall not apply in case of works of similar nature which are independent of each other.

**131. Rule 131 :-**

Any anticipated or actual savings from a sanctioned estimate for a definite project, shall not, without special authority, be applied to carry out additional work not contemplated in the original project.

**132. Procedure For Execution Of Works :-**

The broad procedure to be followed by a Ministry or Department for execution of works under its own arrangements shall be as under :-

(i) the detailed procedure relating to expenditure on such works shall be prescribed by departmental regulations framed in consultation with the Accounts Officer, generally based on the procedures and the principles underlying the financial and accounting rules prescribed for similar works carried out by the Central Public Works Department (CPWD);

(ii) preparation of detailed design and estimates shall precede any sanction for works;

(iii) no work shall be undertaken before Issue of Administrative Approval and Expenditure Sanction by the competent Authority on the basis of estimates framed;

(iv) open tenders will be called for works costing Rupees five lakhs to Rupees ten lakhs;

(v) limited tenders will be called for works costing less than Rupees five lakhs;

(vi) execution of Contract Agreement or Award of work should be done before commencement of the work;

(vii) final payment for work shall be made only on the personal certificate of the officer-in-charge of execution of the work in the format given below: " I ....., Executing Officer of (Name of the Work), am personally satisfied that the work has

been executed as per the specifications laid down in the Contract Agreement and the workmanship is upto the standards followed in the Industry."

**133. Rule 133 :-**

For original works and repair works entrusted to a Public Works Organisation as defined in Rule 126(2), the administrative approval and expenditure sanction shall be accorded and funds allotted by the concerned authority under these rules and in accordance with the Delegation of Financial Power Rules 1978. The Public Works Organisation shall then execute the work entrusted to it in accordance with the rules and procedures prescribed in that organisation.

**134. Review Of Projects :-**

After a project costing Rupees ten crores or above is approved, the Administrative Ministry or 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. The Review Committee shall have the powers to accept variation within 10% of the approved estimates. For works costing less than Rupees ten crores, it will be at the discretion of the Administrative Ministry/Department to set up a Review Committee on the above lines.

CHAPTER 6

PROCUREMENT OF GOODS AND SERVICES

**135. Rule 135 :-**

This chapter contains the general rules applicable to all Ministries or Departments, regarding procurement of goods required for use in the public service. Detailed instructions relating to procurement of goods may be issued by the procuring departments broadly in conformity with the general rules contained in this Chapter.

**136. Definition Of Goods :-**

The term goods used in this chapter includes all articles, material, commodities, livestock, furniture, fixtures, raw material, spares, instruments, machinery, equipment, industrial plant etc. purchased or otherwise acquired for the use of Government but excludes books, publications, periodicals, etc. for a library.

**137. Fundamental Principles Of Public Buying :-**

Every authority delegated with the financial powers of procuring

goods in public interest shall have the responsibility and accountability to bring efficiency, economy, transparency in matters relating to public procurement and for fair and equitable treatment of suppliers and promotion of competition in public procurement. The procedure to be followed in making public procurement must conform to the following yardsticks :-

- (i) the specifications in terms of quality, type etc., as also quantity of goods to be procured, should be clearly spelt out keeping in view the specific needs of the procuring organisations. The specifications so worked out should meet the basic needs of the organisation without including superfluous and non-essential features, which may result in unwarranted expenditure. Care should also be taken to avoid purchasing quantities in excess of requirement to avoid inventory carrying costs;
- (ii) offers should be invited following a fair, transparent and reasonable procedure;
- (iii) the procuring authority should be satisfied that the selected offer adequately meets the requirement in all respects;
- (iv) the procuring authority should satisfy itself that the price of the selected offer is reasonable and consistent with the quality required;
- (v) at each stage of procurement the concerned procuring authority must place on record, in precise terms, the considerations which weighed with it while taking the procurement decision.

**138. Authorities Competent To Purchase Goods :-**

An authority which is 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 procedure contained in the following rules.

**139. Rule 139 :-**

Procurement of goods required on mobilisation : Procurement of goods required on mobilisation and/ or during the continuance of Military operations shall be regulated by special rules and orders issued by the Government on this behalf from time to time.

**140. Powers For Procurement Of Goods :-**

The Ministries or Departments have been delegated full powers to make their own arrangements for procurement of goods. In case however, a Ministry or Department does not have the required expertise, it may project its indent to the Central Purchase

Organisation (e.g. DGS&D) with the approval of competent authority. The indent form to be utilised for this purpose will be as per the standard form evolved by the Central Purchase Organisation.

**141. Rate Contract :-**

The Central Purchase Organisation (e.g. DGS&D) shall conclude rate contracts with the registered suppliers, for goods and items of standard types, which are identified as common user items and are needed on recurring basis by various Central Government Ministries or Departments. Definition of Registered suppliers is given in Rule 142 below. The Central Purchase Organisation will furnish and update all the relevant details of the rate contracts in its web site. The Ministries or Departments shall follow those rate contracts to the maximum extent possible.

**142. Registration Of Suppliers :-**

(i) With a view to establishing reliable sources for procurement of goods commonly required for Government use, the Central Purchase Organisation (e.g. DGS&D) will prepare and maintain item-wise lists of eligible and capable suppliers. Such approved suppliers will be known as "Registered Suppliers". All Ministries or Departments may utilise these lists as and when necessary. Such registered suppliers are prima facie eligible for consideration for procurement of goods through Limited Tender Enquiry. They are also ordinarily exempted from furnishing bid security along with their bids. A Head of Department may also register suppliers of goods which are specifically required by that Department or Office.

(ii) Credentials, manufacturing capability, quality control systems, past performance, after-sales service, financial background etc. of the supplier(s) should be carefully verified before registration.

(iii) The supplier(s) will be registered for a fixed period (between 1 to 3 years) depending on the nature of the goods. At the end of this period, the registered supplier(s) willing to continue with registration are to apply afresh for renewal of registration. New supplier(s) may also be considered for registration at any time, provided they fulfil all the required conditions.

(iv) Performance and conduct of every registered supplier is to be watched by the concerned Ministry or Department. The registered supplier(s) are liable to be removed from the list of approved suppliers if they fail to abide by the terms and conditions of the registration or fail to supply the goods on time or supply

substandard goods or make any false declaration to any Government agency or for any ground which, in the opinion of the Government, is not in public interest.

**143. Enlistment Of Indian Agents :-**

As per the Compulsory Enlistment Scheme of the Department of Expenditure, Ministry of Finance, it is compulsory for Indian agents, who desire to quote directly on behalf of their foreign principals, to get themselves enlisted with the Central Purchase Organisation (eg. DGS&D). However, such enlistment is not equivalent to registration of suppliers as mentioned under Rule 142 above.

**144. Reserved Items :-**

The Central Government, through administrative instructions, has reserved all items of handspun and handwoven textiles (khadi goods) for exclusive purchase from Khadi Village Industries Commission (KVIC). It has also reserved all items of handloom textiles required by Central Government departments for exclusive purchase from KVIC and/or the notified handloom units of ACASH (Association of Corporations and Apex Societies of Handlooms). The Central Government has also reserved some items for purchase from registered Small Scale Industrial Units. The Central Departments or Ministries are to make their purchases for such reserved goods and items from such units as per the instructions issued by the Central Government in this regard.

**145. Purchase Of Goods Without Quotation :-**

Purchase of goods upto the value of Rs. 15,000/- (Rupees Fifteen Thousand) only on each occasion may be made without inviting quotations or bids on the basis of a certificate to be recorded by the competent authority in the following format. "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."

**146. Purchase Of Goods By Purchase Committee :-**

Purchase of goods costing above Rs. 15,000/- (Rupees Fifteen Thousand) only and upto Rs. 1,00,000/- (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 decided by the Head of the Department. The committee will survey the market to ascertain the reasonableness of rate, quality and specifications and identify the appropriate supplier. Before recommending placement of the

purchase order, the members of the committee will jointly record a certificate 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 specification and quality, priced at the prevailing market rate and the supplier recommended is reliable and competent to supply the goods in question. "

**147. Purchase Of Goods Directly Under Rate Contract :-**

(1) In case a Ministry or Department directly procures Central Purchase Organisation (e.g. 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 the other salient terms and conditions of the purchase should be in line with those specified in the rate contract. The Ministry or Department shall make its own arrangement for inspection and testing of such goods where required.

(2) The Central Purchase Organisation (e.g. DGS&D) should host the specifications, prices and other salient details of different rate contracted items, appropriately updated, on the web site for use by the procuring Ministry or Department.

**148. Rule 148 :-**

A demand for goods should not be divided into small quantities to make piecemeal purchases to avoid the necessity of obtaining the sanction of higher authority required with reference to the estimated value of the total demand.

**149. Purchase Of Goods By Obtaining Bids :-**

Except in cases covered under Rule 145, 146 and 147(1), Ministries or Departments shall procure goods under the powers referred to in Rule 140 above by following the standard method of obtaining bids in :

- (i) Advertised Tender Enquiry;
- (ii) Limited Tender Enquiry;
- (iii) Single Tender Enquiry.

**150. Advertised Tender Enquiry :-**

(i) Subject to exceptions incorporated under Rules 151 and 154, invitation to tenders by advertisement should be used for procurement of goods of estimated value Rs. 25 lakh (Rupees Twenty Five Lakh) and above. Advertisement in such case should

be given in the Indian Trade Journal (ITJ), published by the Director General of Commercial Intelligence and Statistics, Kolkata and at least in one national daily having wide circulation.

(ii) An organisation having its own web site should also publish all its advertised tender enquiries on the web site and provide a link with NIC web site. It should also give its web site address in the advertisements in ITJ and newspapers.

(iii) The organisation should also post the complete bidding document in its web site and permit prospective bidders to make use of the document downloaded from the web site. If such a downloaded bidding document is priced, there should be clear instructions for the bidder to pay the amount by demand draft etc. along with the bid.

(iv) Where the Ministry or Department feels that the goods of the required quality, specifications etc., may not be available in the country and it is necessary to also look for suitable competitive offers from abroad, the Ministry or Department may send copies of the tender notice to the Indian embassies abroad as well as to the foreign embassies in India. The selection of the embassies will depend on the possibility of availability of the required goods in such countries.

(v) Ordinarily, the minimum time to be allowed for submission of bids should be three weeks from the date of publication of the tender notice or availability of the bidding document for sale, whichever is later. Where the department also contemplates obtaining bids from abroad, the minimum period should be kept as four weeks for both domestic and foreign bidders.

### **151. Limited Tender Enquiry :-**

(i) This method may be adopted when estimated value of the goods to be procured is up to Rupees Twentyfive Lakhs. Copies of the bidding document should be sent directly by speed post/registered post/courier/ e-mail to firms which are borne on the list of registered suppliers for the goods in question as referred under Rule 142 above. The number of supplier firms in Limited Tender Enquiry should be more than three. Further, web based publicity should be given for limited tenders. Efforts should be made to identify a higher number of approved suppliers to obtain more responsive bids on competitive basis.

(ii) Purchase through Limited Tender Enquiry may be adopted even where the estimated value of the procurement is more than Rupees

twenty-five Lakhs, in the following circumstances.

(a) The competent authority in the Ministry or Department certifies that the demand is urgent and any additional expenditure involved by not procuring through advertised tender enquiry is justified in view of urgency. The Ministry or Department should also put on record the nature of the urgency and reasons why the procurement could not be anticipated.

(b) There are sufficient reasons, to be recorded in writing by the competent authority, indicating that it will not be in public interest to procure the goods through advertised tender enquiry.

(c) The sources of supply are definitely known and possibility of fresh source(s) beyond those being tapped, is remote.

(iii) Sufficient time should be allowed for submission of bids in Limited Tender Enquiry cases.

### **152. Two Bid System :-**

For purchasing high value plant, machinery etc. of a complex and technical nature, bids may be obtained in two parts as under :-

(a) Technical bid consisting of all technical details alongwith commercial terms and conditions; and

(b) Financial bid indicating item-wise price for the items mentioned in the technical bid.<sup>30</sup> The technical bid and the financial bid should be sealed by the bidder in separate covers duly superscribed and both these sealed covers are to be put in a bigger cover which should also be sealed and duly superscribed. The technical bids are to be opened by the purchasing Ministry or Department at the first instance and evaluated by a competent committee or authority. At the second stage financial bids of only the technically acceptable offers should be opened for further evaluation and ranking before awarding the contract.

### **153. Late Bids :-**

In the case of advertised tender enquiry or limited tender enquiry, late bids (i.e. bids received after the specified date and time for receipt of bids) should not be considered.

### **154. Single Tender Enquiry :-**

Procurement from a single source may be resorted to in the following circumstances :

(i) It is in the knowledge of the user department that only a particular firm is the manufacturer of the required goods.

(ii) In a case of emergency, the required goods are necessarily to be purchased from a particular source and the reason for such

decision is to be recorded and approval of competent authority obtained.

(iii) For standardisation of machinery or spare parts to be compatible to the existing sets of equipment (on the advice of a competent technical expert and approved by the competent authority), the required item is to be purchased only from a selected firm. Note : Proprietary Article Certificate in the following form is to be provided by the Ministry/Department before procuring the goods from a single source under the provision of sub Rule 154 (i) and 154 (iii) as applicable. (i) The indented goods are manufactured by M/s..... (ii) No other make or model is acceptable for the following reasons :

(iii) Concurrence of finance wing to the proposal vide :  
.....

(iv) Approval of the competent authority vide :.....  
(Signature with date and designation of the procuring officer)

### **155. Contents Of Bidding Document :-**

All the terms, conditions, stipulations and information to be incorporated in the bidding document are to be shown in the appropriate chapters as below :- Chapter - 1 : Instructions to Bidders. Chapter - 2 : Conditions of Contract. Chapter - 3 : Schedule of Requirements. Chapter - 4 : Specifications and allied Technical Details. Chapter - 5 : Price Schedule(to be utilised by the bidders for quoting their prices). Chapter - 6 : Contract Form. Chapter - 7 : Other Standard Forms, if any, to be utilised by the purchaser and the bidders.

### **156. Maintenance Contract :-**

Depending on the cost and nature of the goods to be purchased, it may also be necessary to enter into maintenance contract(s) of suitable period either with the supplier of the goods or with any other competent firm, not necessarily the supplier of the subject goods. Such maintenance contracts are especially needed for sophisticated and costly equipment and machinery. It may however be kept in mind that the equipment or machinery is maintained free of charge by the supplier during its warranty period or such other extended periods as the contract terms may provide and the paid maintenance should commence only thereafter.

### **157. Bid Security :-**

(i) To safeguard against a bidders withdrawing or altering its bid

during the bid validity period in the case of advertised or limited tender enquiry, Bid Security (also known as Earnest Money) is to be obtained from the bidders except those who are registered with the Central Purchase Organisation, National Small Industries Corporation (NSIC) or the concerned Ministry or Department. The bidders should be asked to furnish bid security along with their bids. Amount of bid security should ordinarily range between two percent to five percent of the estimated value of the goods to be procured. The exact amount of bid security, should be determined accordingly by the Ministry or Department and indicated in the bidding documents. The bid security may be accepted in the form of Account Payee Demand Draft, Fixed Deposit Receipt, Bankers Cheque or Bank Guarantee from any of the commercial banks in an acceptable form, safeguarding the purchasers interest in all respects. The bid security is normally to remain valid for a period of forty-five days beyond the final bid validity period.

(ii) Bid securities of the unsuccessful bidders should be returned to them at the earliest after expiry of the final bid validity and latest on or before the 30th day after the award of the contract.

#### **158. Performance Security :-**

(i) To ensure due performance of the contract, Performance Security is to be obtained from the successful bidder awarded the contract. Performance Security is to be obtained from every successful bidder irrespective of its registration status etc. Performance Security should be for an amount of five to ten per cent. of the value of the contract. Performance Security may be furnished in the form of an Account payee Demand Draft, Fixed Deposit Receipt from a Commercial bank, Bank Guarantee from a Commercial bank in an acceptable form safeguarding the purchasers interest in all respects.

(ii) Performance Security should remain valid for a period of sixty days beyond the date of completion of all contractual obligations of the supplier including warranty obligations.

(iii) Bid security should be refunded to the successful bidder on receipt of Performance Security.

#### **159. Rule 159 :-**

(1) Advance payment to supplier : Ordinarily, payments for services rendered or supplies made should be released only after the services have been rendered or supplies made. However, it may

become necessary to make advance payments in the following types of cases :-

(i) Advance payment demanded by firms holding maintenance contracts for servicing of Air-conditioners, computers, other costly equipment, etc.

(ii) Advance payment demanded by firms against fabrication contracts, turn-key contracts etc. Such advance payments should not exceed the following limits :

(i) Thirty per cent. of the contract value to private firms;

(ii) Forty per cent. of the contract value to a State or Central Government agency or a Public Sector Undertaking; or

(iii) in case of maintenance contract, the amount should not exceed the amount payable for six months under the contract. Ministries or Departments of the Central Government may relax, in consultation with their Financial Advisers concerned, the ceilings (including percentage laid down for advance payment for private firms) mentioned above. While making any advance payment as above, adequate safeguards in the form of bank guarantee etc. should be obtained from the firm.

(2) Part payment to suppliers : Depending on the terms of delivery incorporated in a contract, part payment to the supplier may be released after it despatches the goods from its premises in terms of the contract.

### **160. Transparency, Competition, Fairness And Elimination Of Arbitrariness In The Procurement Process :-**

All government purchases should be made in a transparent, competitive and fair manner, to secure best value for money. This will also enable the prospective bidders to formulate and send their competitive bids with confidence. Some of the measures for ensuring the above are as follows:-

(i) the text of the bidding document should be self-contained and comprehensive without any ambiguities. All essential information, which a bidder needs for sending responsive bid, should be clearly spelt out in the bidding document in simple language. The bidding document should contain, inter alia;

(a) the criteria for eligibility and qualifications to be met by the bidders such as minimum level of experience, past performance, technical capability, manufacturing facilities and financial position etc.;

(b) eligibility criteria for goods indicating any legal restrictions or conditions about the origin of goods etc which may required to be

met by the successful bidder;

(c) the procedure as well as date, time and place for sending the bids;

(d) date, time and place of opening of the bid;

(e) terms of delivery;

(f) special terms affecting performance, if any.<sup>32</sup>

(ii) Suitable provision should be kept in the bidding document to enable a bidder to question the bidding conditions, bidding process and/ or rejection of its bid.

(iii) Suitable provision for settlement of disputes, if any, emanating from the resultant contract, should be kept in the bidding document.

(iv) The bidding document should indicate clearly that the resultant contract will be interpreted under Indian Laws.

(v) The bidders should be given reasonable time to send their bids.

(vi) The bids should be opened in public and authorised representatives of the bidders should be permitted to attend the bid opening.

(vii) The specifications of the required goods should be clearly stated without any ambiguity so that the prospective bidders can send meaningful bids. In order to attract sufficient number of bidders, the specification should be broad based to the extent feasible. Efforts should also be made to use standard specifications which are widely known to the industry.

(viii) Pre-bid conference : In case of turn-key contract(s) or contract(s) of special nature for procurement of sophisticated and costly equipment, a suitable provision is to be kept in the bidding documents for a pre-bid conference for clarifying issues and clearing doubts, if any, about the specifications and other allied technical details of the plant, equipment and machinery projected in the bidding document. The date, time and place of pre-bid conference should be indicated in the bidding document. This date should be sufficiently ahead of bid opening date.

(ix) Criteria for determining responsiveness of bids, criteria as well as factors to be taken into account for evaluating the bids on a common platform and the criteria for awarding the contract to the responsive lowest bidder should be clearly indicated in the bidding documents.

(x) Bids received should be evaluated in terms of the conditions already incorporated in the bidding documents; no new condition which was not incorporated in the bidding documents should be brought in for evaluation of the bids. Determination of a bids

responsiveness should be based on the contents of the bid itself without recourse to extrinsic evidence.

(xi) Bidders should not be permitted to alter or modify their bids after expiry of the deadline for receipt of bids.

(xii) Negotiation with bidders after bid opening must be severely discouraged. However, in exceptional circumstances where price negotiation against an ad-hoc procurement is necessary due to some unavoidable circumstances, the same may be resorted to only with the lowest evaluated responsive bidder.

(xiii) In the rate contract system, where a number of firms are brought on rate contract for the same item, negotiation as well as counter offering of rates are permitted with the bidders in view and for this purpose special permission has been given to the Directorate General of Supplies and Disposals (DGS&D).

(xiv) Contract should ordinarily be awarded to the lowest evaluated bidder whose bid has been found to be responsive and who is eligible and qualified to perform the contract satisfactorily as per the terms and conditions incorporated in the corresponding bidding document. However, where the lowest acceptable bidder against ad-hoc requirement is not in a position to supply the full quantity required, the remaining quantity, as far as possible, be ordered from the next higher responsive bidder at the rates offered by the lowest responsive bidder.

(xv) The name of the successful bidder awarded the contract should be mentioned in the Ministries or Departments notice board or bulletin or web site

### **161. Efficiency, Economy And Accountability In Public Procurement System :-**

Public procurement procedure is also to ensure efficiency, economy and accountability in the system. To achieve the same, the following keys areas should be addressed :-

(i) To reduce delay, appropriate time frame for each stage of procurement should be prescribed by the Ministry or Department. Such a time frame will also make the concerned purchase officials more alert.

(ii) To minimise the time needed for decision making and placement of contract, every Ministry/Department, with the approval of the competent authority, may delegate, wherever necessary, appropriate purchasing powers to the lower functionaries.

(iii) The Ministries or Departments should ensure placement of

contract within the original validity of the bids. Extension of bid validity must be discouraged and resorted to only in exceptional circumstances.

(iv) The Central Purchase Organisation (e.g. DGS&D) should bring into the rate contract system more and more common user items which are frequently needed in bulk by various Central Government departments. The Central Purchase Organisation (e.g. DGS&D) should also ensure that the rate contracts remain available without any break.

**162. Buy-Back Offer :-**

When it is decided with the approval of the competent authority to replace an existing old item(s) with a new and better version, the department may trade the existing old item while purchasing the new one. For this purpose, a suitable clause is to be incorporated in the bidding document so that the prospective and interested bidders formulate their bids accordingly. Depending on the value and condition of the old item to be traded, the time as well as the mode of handing over the old item to the successful bidder should be decided and relevant details in this regard suitably incorporated in the bidding document. Further, suitable provision should also be kept in the bidding document to enable the purchaser either to trade or not to trade the item while purchasing the new one.

**163. Rule 163 :-**

The Ministries or Departments may hire external professionals, consultancy firms or consultants (referred to as consultant hereinafter) for a specific job, which is well defined in terms of content and time frame for its completion or outsource certain services.

**164. Rule 164 :-**

This chapter contains the fundamental principles applicable to all Ministries or Departments regarding engagement of consultant(s) and outsourcing of services. Detailed instructions to this effect may be issued by the concerned Ministries or Departments. However, the Ministries or Departments shall ensure that they do not contravene the basic rules contained in this chapter.

**165. Identification Of Work/Services Required To Be Performed By Consultants :-**

Engagement of consultants may be resorted to in situations requiring high quality services for which the concerned Ministry/ Department does not have requisite expertise. Approval of the

competent authority should be obtained before engaging consultant(s).

**166. Preparation Of Scope Of The Required Work/Service :-**

The Ministries/Departments should prepare in simple and concise language the requirement, objectives and the scope of the assignment. The eligibility and prequalification criteria to be met by the consultants should also be clearly identified at this stage.

**167. Estimating Reasonable Expenditure :-**

Ministry or Department proposing to engage consultant(s) should estimate reasonable expenditure for the same by ascertaining the prevalent market conditions and consulting other organisations engaged in similar activities.

**168. Identification Of Likely Sources :-**

(i) Where the estimated cost of the work or service is upto Rupees twenty-five lakhs, preparation of a long list of potential consultants may be done on the basis of formal or informal enquiries from other Ministries or Departments or Organisations involved in similar activities, Chambers of Commerce & Industry, Association of consultancy firms etc.

(ii) Where the estimated cost of the work or service is above Rupees twenty-five lakhs, in addition to

(i) above, an enquiry for seeking Expression of Interest from consultants should be published in at least one national daily and the Ministry's web site. The web site address should also be given in the advertisements. Enquiry for seeking Expression of Interest should include in brief, the broad scope of work or service, inputs to be provided by the Ministry or Department, eligibility and the pre-qualification criteria to be met by the consultant(s) and consultants past experience in similar work or service. The consultants may also be asked to send their comments on the objectives and scope of the work or service projected in the enquiry. Adequate time should be allowed for getting responses from interested consultants

**169. Short Listing Of Consultants :-**

On the basis of responses received from the interested parties as per Rule 168 above, consultants meeting the requirements should be short listed for further consideration. The number of short listed consultants should not be less than three.

**170. Preparation Of Terms Of Reference (Tor) :-**

The TOR should include

- (i) Precise statement of objectives;
- (ii) Outline of the tasks to be carried out;
- (iii) Schedule for completion of tasks;
- (iv) The support or inputs to be provided by the Ministry or Department to facilitate the consultancy.
- (v) The final outputs that will be required of the Consultant;

**171. Preparation And Issue Of Request For Proposal (Rfp) :-**

RFP is the document to be used by the Ministry/34 Department for obtaining offers from the consultants for the required work/service. The RFP should be issued to the shortlisted consultants to seek their technical and financial proposals. The RFP should contain :

- (i) A letter of Invitation
- (ii) Information to Consultants regarding the procedure for submission of proposal .
- (iii) Terms of Reference (TOR).
- (iv) Eligibility and pre-qualification criteria incase the same has not been ascertained through Enquiry for Expression of Interest.
- (v) List of key position whose CV and experience would be evaluated.
- (vi) Bid evaluation criteria and selection procedure.
- (vii) Standard formats for technical and financial proposal.
- (viii) Proposed contract terms.
- (ix) Procedure proposed to be followed for midterm review of the progress of the work and review of the final draft report.

**172. Receipt And Opening Of Proposals :-**

Proposals should ordinarily be asked for from consultants in Twobid system with technical and financial bids sealed separately. The bidder should put these two sealed envelops in a bigger envelop duly sealed and submit the same to the Ministry or Department by the specified date and time at the specified place. On receipt, the technical proposals should be opened first by the Ministry or Department at the specified date, time and place.

**173. Late Bids :-**

Late bids i.e. bids received after the specified date and time of receipt, should not be considered.

**174. Evaluation Of Technical Bids :-**

Technical bids should be analysed and evaluated by a Consultancy Evaluation Committee (CEC) constituted by the Ministry or Department. The CEC shall record in detail the reasons for

acceptance or rejection of the technical proposals analysed and evaluated by it.

**175. Evaluation Of Financial Bids Of The Technically Qualified Bidders :-**

The Ministry or Department shall open the financial bids of only those bidders who have been declared technically qualified by the Consultancy Evaluation Committee as per Rule 174 above for further analysis or evaluation and ranking and selecting the successful bidder for placement of the consultancy contract.

**176. Consultancy By Nomination :-**

Under some special circumstances, it may become necessary to select a particular consultant where adequate justification is available for such single-source selection in the context of the overall interest of the Ministry or Department. Full justification for single source selection should be recorded in the file and approval of the competent authority obtained before resorting to such single-source selection.

**177. Monitoring The Contract :-**

The Ministry/Department should be involved throughout in the conduct of consultancy, preferably by taking a task force approach and continuously monitoring the performance of the consultant(s) so that the output of the consultancy is in line with the Ministry /Departments objectives.

**178. Outsourcing Of Services :-**

A Ministry or Department may outsource certain services in the interest of economy and efficiency and it may prescribe detailed instructions and procedures for this purpose without, however, contravening the following basic guidelines.

**179. Identification Of Likely Contractors :-**

The Ministry or Department should prepare a list of likely and potential contractors on the basis of formal or informal enquiries from other Ministries or Departments and Organisations involved in similar activities, scrutiny of Yellow pages, and trade journals, if available, web site etc.

**180. Preparation Of Tender Enquiry :-**

Ministry or Department should prepare a tender enquiry containing, inter alia :

(i) The details of the work or service to be performed by the contractor;

- (ii) The facilities and the inputs which will be provided to the contractor by the Ministry or Department;
- (iii) Eligibility and qualification criteria to be met by the contractor for performing the required work/service; and
- (iv) The statutory and contractual obligations to be complied with by the contractor.

**181. Invitation Of Bids :-**

(a) For estimated value of the work or service upto Rupees ten lakhs or less : The Ministry or Department should scrutinise the preliminary list of likely contractors as identified as per Rule 179 above, decide the prima facie eligible and capable contractors and issue limited tender enquiry to them asking for their offers by a specified date and time etc. as per standard practice. The number of the contractors so identified for issuing limited tender enquiry should not be less than six.

(b) For estimated value of the work or service above Rupees ten lakhs: The Ministry or Department should issue advertised tender enquiry asking for the offers by a specified date and time etc. in at least one popular largely circulated national newspaper and web site of the Ministry or Department.

**182. Late Bids :-**

Late bids i.e. bids received after the specified date and time of receipt, should not be considered.

**183. Evaluation Of Bids Received :-**

The Ministry or Department should evaluate, segregate, rank the responsive bids and select the successful bidder for placement of the contract.

**184. Outsourcing By Choice :-**

Should it become necessary, in an exceptional situation to outsource a job to a specifically chosen contractor, the Competent Authority in the Ministry or Department may do so in consultation with the Financial Adviser. In such cases the detailed justification, the circumstances leading to the outsourcing by choice and the special interest or purpose it shall serve shall form an integral part of the proposal.

**185. Monitoring The Contract :-**

The Ministry or Department should be involved throughout in the conduct of the contract and continuously monitor the performance

of the contractor.

## CHAPTER 7

### INVENTORY MANAGEMENT

#### **186. Rule 186 :-**

This chapter contains the basic rules applicable to all Ministries or Departments regarding inventory management. Detailed instructions and procedures relating to inventory management may be prescribed by various Ministries or Departments broadly in conformity with the basic rules contained in this chapter.

#### **187. Receipt Of Goods And Materials From Private Suppliers**

**:-**

(1) While receiving goods and materials from a supplier, the officer-in-charge of stores should refer to the relevant contract terms and follow the prescribed procedure for receiving the materials.

(2) All materials shall be counted, measured or weighed and subjected to visual inspection at the time of receipt to ensure that the quantities are correct, the quality is according to the required specifications and there is no damage or deficiency in the materials. Technical inspection where required should be carried out at this stage by Technical Inspector or Agency approved for the purpose. An appropriate receipt, in terms of the relevant contract provisions may also be given to the supplier on receiving the materials.

(3) Details of the material so received should thereafter be entered in the appropriate stock register. The officer-in-charge of stores should certify that he has actually received the material and recorded it in the appropriate stock registers.

#### **188. Receipt/Issue Of Goods And Materials From Internal Divisions Of The Same Organisation :-**

(1) The indenting officer requiring goods and materials from internal division(s) of the same organisation should project an indent in the prescribed form for this purpose. While receiving the supply against the indent, the indenting officer shall examine, count, measure or weigh the materials as the case may be, to ensure that the quantities are correct, the quality is in line with the required specifications and there is no damage or deficiency in the materials. An appropriate receipt shall also be given to this effect by the indenting officer to the division sending the materials.

(2) In the case of issue of materials from stock for departmental

use, manufacture, sale, etc., the Officer-in-charge of the stores shall see that an appropriate indent, in the prescribed form has been projected by the indenting officer. A written acknowledgement of receipt of material issued shall be obtained from the indenting officer or his authorised representative at the time of issue of materials.

(3) In case of materials issued to a contractor, the cost of which is recoverable from the contractor, all relevant particulars, including the recovery rates and the total value chargeable to the contractor should be got acknowledged from the contractor duly signed and dated.

(4) If the Officer-in-charge of the stores is unable to comply with the indent in full, he should make the supply to the extent available and make suitable entry to this effect in the indentors copy of the indent. In case alternative materials are available in lieu of the indented materials, a suitable indication to this effect may be made in the document.

### **189. Custody Of Goods And Materials :-**

The officer-in-charge of stores having custody of goods and materials, especially valuable and/or combustible articles, shall take appropriate steps for arranging their safe custody, proper storage accommodation, including arrangements for maintaining required temperature, dust free environment etc.

### **190. Lists And Accounts :-**

(1) The Officer-in-charge of stores shall maintain suitable item-wise lists and accounts and prepare accurate returns in respect of the goods and materials in his charge making it possible at any point of time to check the actual balances with the book balances. The form of the stock accounts mentioned above shall be determined with reference to the nature of the goods and materials, the frequency of the transactions and the special requirements of the concerned Ministries/Departments.

(2) Separate accounts shall be kept for

(i) Fixed Assets such as plant, machinery, equipment, furniture, fixtures etc. in the Form GFR-40.

(ii) Consumables such as office stationery, chemicals, maintenance spare parts etc. in the Form GFR-41.

(iii) Library books in the Form GFR 35

(iv) Assets of historical/artistic value held by museum/government departments in the Form GFR-42. Note : These forms can be

supplemented with additional details by Ministries/Departments as required.

**191. Hiring Out Of Fixed Assets :-**

When a fixed asset is hired to local bodies, contractors or others, proper record should be kept of the assets and the hire and other charges as determined under rules prescribed by the competent authority, should be recovered regularly. Calculation of the charges to be recovered from the local bodies, contractors and others as above should be based on the historical cost.

**192. Rule 192 :-**

(1) Physical verification of Fixed Assets : The inventory for fixed assets shall ordinarily be maintained at site. Fixed assets should be verified at least once in a year and the outcome of the verification recorded in the corresponding register. Discrepancies, if any, shall be promptly investigated and brought to account.

(2) Verification of Consumables : A physical verification of all the consumable goods and materials should be undertaken at least once in a year and discrepancies, if any, should be recorded in the stock register for appropriate action by the competent authority.

(3) Procedure for verification :

(i) Verification shall always be made in the presence of the officer, responsible for the custody of the inventory being verified.

(ii) A certificate of verification alongwith the findings shall be recorded in the stock register.

(iii) Discrepancies, including shortages, damages and unserviceable goods, if any, identified during verification, shall immediately be brought to the notice of the competent authority for taking appropriate action in accordance with provision given in Rule 33 to 38.

**193. Buffer Stock :-**

Depending on the frequency of requirement and quantity thereof as well as the pattern of supply of a consumable material, optimum buffer stock should be determined by the competent authority.

Note : As the inventory carrying cost is an expenditure that does not add value to the material being stocked, a material remaining in stock for over a year shall generally be considered surplus, unless adequate reasons to treat it otherwise exist.

**194. Physical Verification Of Library Books :-**

(i) Complete physical verification of books should be done every year in case of libraries having not more than twenty thousand volumes. For libraries having more than twenty thousand volumes and upto fifty thousand volumes, such verification should be done at least once in three years. Sample physical verification at intervals of not more than three years should be done in case of libraries having more than fifty thousand volumes. In case such a verification reveals unusual or unreasonable shortages, complete verification shall be done.

(ii) Loss of five volumes per one thousand volumes of books issued/consulted in a year may be taken as reasonable provided such losses are not attributable to dishonesty or negligence. However, loss of a book of a value exceeding Rs. 1,000/- (Rupees One thousand only) and rare books irrespective of value shall invariably be investigated and appropriate action taken.

**195. Transfer Of Charge Of Goods, Materials Etc :-**

In case of transfer of Officer-in-charge of the goods, materials etc., the transferred officer shall see that the goods or material are made over correctly to his successor. A statement giving all relevant details of the goods, materials etc., in question shall be prepared and signed with date by the relieving officer and the relieved officer. Each of these officers will retain a copy of the signed statement.

**196. Disposal Of Goods :-**

(i) An item may be declared surplus or obsolete or unserviceable if the same is of no use to the Ministry or Department. The reasons for declaring the item surplus or obsolete or unserviceable should be recorded by the authority competent to purchase the item.

(ii) The competent authority may, at his discretion, constitute a committee at appropriate level to declare item(s) as surplus or obsolete or unserviceable.

(iii) The book value, guiding price and reserved price, which will be required while disposing of the surplus goods, should also be worked out. In case where it is not possible to work out the book value, the original purchase price of the goods in question may be utilised. A report of stores for disposal shall be prepared in Form GFR - 17.

(iv) In case an item becomes unserviceable due to negligence, fraud or mischief on the part of a Government servant, responsibility for the same should be fixed.

### **197. Modes Of Disposal :-**

(i) Surplus or obsolete or unserviceable goods of assessed residual value above Rupees Two Lakh should be disposed of by : a) obtaining bids through advertised tender or b) public auction.

(ii) For surplus or obsolete or unserviceable goods with residual value less than Rupees Two Lakh, the mode of disposal will be determined by the competent authority, keeping in view the necessity to avoid accumulation of such goods and consequential blockage of space and, also, deterioration in value of goods to be disposed of.

(iii) Certain surplus or obsolete or unserviceable goods such as expired medicines, food grain, ammunition etc., which are hazardous or unfit for human consumption, should be disposed of or destroyed immediately by adopting suitable mode so as to avoid any health hazard and/or environmental pollution and also the possibility of misuse of such goods.

(iv) Surplus or obsolete or unserviceable goods, equipment and documents, which involve security concerns (e.g. currency, negotiable instruments, receipt books, stamps, security press etc.) should be disposed of/ destroyed in an appropriate manner to ensure compliance with rules relating to official secrets as well as financial prudence.

### **198. Disposal Through Advertised Tender :-**

(i) The broad steps to be adopted for this purpose are as follows :  
a) Preparation of bidding documents. b) Invitation of tender for the surplus goods to be sold. c) Opening of bids. d) Analysis and evaluation of bids received. e) Selection of highest responsive bidder. f) Collection of sale value from the selected bidder. g) Issue of sale release order to the selected bidder. h) Release of the sold surplus goods to the selected bidder. i) Return of bid security to the unsuccessful bidders.

(ii) The important aspects to be kept in view while disposing the goods through advertised tender are as under:-

(a) The basic principle for sale of such goods through advertised tender is ensuring transparency, competition, fairness and elimination of discretion. Wide publicity should be ensured of the sale plan and the goods to be sold. All the required terms and conditions of sale are to be incorporated in the bidding document comprehensively in plain and simple language. Applicability of

taxes, as relevant, should be clearly stated in the document.

(b) The bidding document should also indicate the location and present condition of the goods to be sold so that the bidders can inspect the goods before bidding.

(c) The bidders should be asked to furnish bid security along with their bids. The amount of bid security should ordinarily be ten per cent. of the assessed or reserved price of the goods. The exact bid security amount should be indicated in the bidding document.

(d) The bid of the highest acceptable responsive bidder should normally be accepted. However, if the price offered by that bidder is not acceptable, negotiation may be held only with that bidder. In case such negotiation does not provide the desired result, the reasonable or acceptable price may be counteroffered to the next highest responsive bidder(s).

(e) In case the total quantity to be disposed of cannot be taken up by the highest acceptable bidder, the remaining quantity may be offered to the next higher bidder(s) at the price offered by the highest acceptable bidder.

(f) Full payment, i.e. the residual amount after adjusting the bid security should be obtained from the successful bidder before releasing the goods.

(g) In case the selected bidder does not show interest in lifting the goods, the bid security should be forfeited and other actions initiated including re-sale of the goods in question at the risk and cost of the defaulter, after obtaining legal advice.

(iii) Late bids i.e. bids received after the specified date and time of receipt should not to be considered.

### **199. Disposal Through Auction :-**

(i) A Ministry or Department may undertake auction of goods to be disposed of either directly or through approved auctioneers.

(ii) The basic principles to be followed here are similar to those applicable for disposal through advertised tender so as to ensure transparency, competition, fairness and elimination of discretion. The auction plan including details of the goods to be auctioned and their location, applicable terms and conditions of the sale etc. should be given wide publicity in the same manner as is done in case of advertised tender.

(iii) While starting the auction process, the condition and location of the goods to be auctioned, applicable terms and conditions of sale etc.,

(as already indicated earlier while giving wide publicity for the same), should be announced again for the benefit of the assembled bidders.

(iv) During the auction process, acceptance or rejection of a bid should be announced immediately on the stroke of the hammer. If a bid is accepted, earnest money (not less than twenty-five per cent. of the bid value) should immediately be taken on the spot from the successful bidder either in cash or in the form of Deposit-at-Call-Receipt (DACR), drawn in favour of the Ministry or Department selling the goods. The goods should be handed over to the successful bidder only after receiving the balance payment.

(v) The composition of the auction team will be decided by the competent authority. The team should however include an officer of the Internal Finance Wing of the department.

### **200. Disposal At Scrap Value Or By Other Modes :-**

If a Ministry or Department is unable to sell any surplus or obsolete or unserviceable item in spite of its attempts through advertised tender or auction, it may dispose off the same at its scrap value with the approval of the competent authority in consultation with Finance division. In case the Ministry or Department is unable to sell the item even at its scrap value, it may adopt any other mode of disposal including destruction of the item in an eco-friendly manner.

### **201. Rule 201 :-**

A sale account should be prepared for goods disposed of in Form GFR 18 duly signed by the officer who supervised the sale or auction.

### **202. Rule 202 :-**

(1) Powers to write off : All profits and losses due to revaluation, stock-taking or other causes shall be duly recorded and adjusted where necessary. Formal sanction of the competent authority shall be obtained in respect of losses, even though no formal correction or adjustment in government accounts is involved. Power to write off of losses are available under the Delegation of Financial Powers Rules, 1978.

(2) Losses due to depreciation : Losses due to depreciation shall be analyzed, and recorded under following heads, as applicable :-

- (i) normal fluctuation of market prices;
- (ii) normal wear and tear;

- (iii) lack of foresight in regulating purchases; and
  - (iv) negligence after purchase.
- (3) Losses not due to depreciation : Losses not due to depreciation shall be grouped under the following heads :-
- (i) losses due to theft or fraud;
  - (ii) losses due to neglect;
  - (iii) anticipated losses on account of obsolescence of stores or of purchases in excess of requirements;
  - (iv) losses due to damage, and
  - (v) losses due to extra ordinary situations under Force Majeure conditions like fire, flood, enemy action, etc.;

## CHAPTER 8

### CONTRACT MANAGEMENT

#### **203. Rule 203 :-**

(1) All contracts shall be made by an authority empowered to do so by or under the orders of the President in terms of Article 299 (1) of the Constitution of India.

(2) All the contracts and assurances of property made in the exercise of the executive power of the Union shall be executed on behalf of the President. The words "for and on behalf of the President of India" should follow the designation appended below the signature of the officer authorized in this behalf. Note 1: The various classes of contracts and assurances of property, which may be executed by different authorities, are specified in the Notifications issued by the Ministry of Law from time to time. Note 2 : The powers of various authorities, the conditions under which such powers should be exercised and the general procedure prescribed with regard to various classes of contracts and assurances of property are laid down in Rule 21 of the Delegation of Financial Powers Rules, 1978.

#### **204. General Principles For Contract :-**

The following general principles should be observed while entering into contracts:

(i) The terms of contract must be precise, definite and without any ambiguities. The terms should not involve an uncertain or indefinite liability, except in the case of a cost plus contract or where there is a price variation clause in the contract.

(ii) Standard forms of contracts should be adopted wherever possible, with such modifications as are considered necessary in respect of individual contracts. The modifications should be carried

out only after obtaining financial and legal advice.

(i) In cases where standard forms of contracts are not used, legal and financial advice should be taken in drafting the clauses in the contract.

(iv) (a) A Ministry or Department may, at its discretion, make purchases of value upto Rupees one lakh by issuing purchase orders containing basic terms and conditions:

(b) In respect of Works Contracts, or Contracts for purchases valued between Rupees one lakh to Rupees ten lakhs, where tender documents include the General Conditions of Contract (GCC), Special Conditions of Contract (SCC) and scope of work, the letter of acceptance will result in a binding contract.

(c) In respect of contracts for works with estimated value of Rupees ten lakhs or above or for purchase above Rupees ten lakhs, a Contract document should be executed, with all necessary clauses to make it a self-contained contract. If however, these are preceded by Invitation to Tender, accompanied by GCC and SCC, with full details of scope and specifications, a simple one page contract can be entered into by attaching copies of the GCC and SCC, and details of scope and specifications, Offer of the Tenderer and Letter of Acceptance.

(d) Contract document should be invariably executed in cases of turnkey works or agreements for maintenance of equipment, provision of services etc.

(v) No work of any kind should be commenced without proper execution of an agreement as given in the foregoing provisions.

(vi) Contract document, where necessary, should be executed within 21 days of the issue of letter of acceptance. Non-fulfilment of this condition of executing a contract by the Contractor or Supplier would constitute sufficient ground for annulment of the award and forfeiture of Earnest Money Deposit.

(vii) Cost plus contracts should ordinarily be avoided. Where such contracts become unavoidable, full justification should be recorded before entering into the contract. Where supplies or special work covered by such cost plus contracts have to continue over a long duration, efforts should be made to convert future contracts on a firm price basis after allowing a reasonable period to the suppliers/contractors to stabilize their production/ execution methods and processes. Explanation : A cost plus contract means a contract in which the price payable for supplies or services under the contract is determined on the basis of actual cost of production of the supplies or services concerned plus profit either at a fixed

rate per unit or at a fixed percentage on the actual cost of production.

(viii) (a) Price Variation Clause can be provided only in long-term contracts, where the delivery period extends beyond 18 months. In short-term contracts firm and fixed prices should be provided for. Where a price variation clause is provided, the price agreed upon 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.

(b) A 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. The variations are calculated by using indices published by Governments or Chambers of Commerce periodically. An illustrative formula has been appended to these rules at Appendix -15 for guidance.

(c) The Price variation clause should also specify cut off dates for material and labour, as these inputs taper off well before the scheduled Delivery Dates.

(d) The price variation clause should provide for a ceiling on price variations, particularly where escalations are involved. It could be a percentage per annum or an overall ceiling or both. The buyer should ensure a provision in the contract for benefit of any reduction in the price in terms of the price variation clause being passed on to him.

(e) The clause should also stipulate a minimum percentage of variation of the contract price above which price variations will be admissible (e.g. where resultant increase is lower than two per cent. no price adjustment will be made in favour of the supplier).

(f) Where advance or stage payments are made there should be a further stipulation that no price variations will be admissible on such portions of the price, after the dates of such payment.

(g) Where deliveries are accepted beyond the scheduled Delivery Date subject to levy of liquidated damages as provided in the Contract, the liquidated damages (if a percentage of the price) will be applicable on the price as varied by the operation of the Price variation clause.

(h) No price variation will be admissible beyond the original Scheduled Delivery Date for defaults on the part of the supplier.

(i) Price variation may be allowed beyond the original Scheduled Delivery Date, by specific alteration of that date through an amendment to the contract in cases of Force Majeure or defaults by Government.

(j) Where contracts are for supply of equipment, goods etc, imported (subject to customs duty and foreign exchange fluctuations) and/or locally manufactured (subject to excise duty and other duties and taxes), the percentage and element of duties and taxes included in the price should be specifically stated, along with the selling rate of foreign exchange element taken into account in the calculation of the price of the imported item. The mode of calculation of variations in duties and taxes and Foreign exchange rates and the documents to be produced in support of claims for such variations, should also be stipulated in the Contract.

(k) The clause should also contain the mode and terms of payment of the price variation admissible.

(ix) Contracts should include provision for payment of all applicable taxes by the contractor or supplier.

(x) "Lumpsum contracts should not be entered into except in cases of absolute necessity. Where lumpsum contracts become unavoidable, full justification should be recorded. The contracting authority should ensure that conditions in the lumpsum contract adequately safeguard and protect the interests of the Government.

(xi) Departmental issue of materials should be avoided as far as possible. Where it is decided to supply materials departmentally, a schedule of quantities with the issue rates of such material as are required to execute the contract work, should form an essential part of the contract.

(xii) (a) In contracts where government property is entrusted to a contractor either for use on payment of hire charges or for doing further work on such property, specific provision for safeguarding government property (including insurance cover) and for recovery of hire charges regularly, should be included in the contracts.

(b) Provision should be made in the contract for periodical physical verification of the number and the physical condition of the items at the contractors premises. Results of such verification should be recorded and appropriate penal action taken where necessary.

(xiii) Copies of all contracts and agreements for purchases of the value of Rupees Twenty-five Lakhs and above, and of all rate and running contracts entered into by civil departments of the Government other than the departments like the Directorate General of Supplies and Disposals for which a special audit procedure exists, should be sent to the Audit Officer and /or the Accounts officer as the case may be.

(xiv) (a) The terms of a contract, including the scope and specification once entered into, should not be materially varied.

(b) Wherever material variation in any of the terms or conditions in a contract becomes unavoidable, the financial and other effects involved should be examined and recorded and specific approval of the authority competent to approve the revised financial and other commitments obtained, before varying the conditions.

(c) All such changes should be in the form of an amendment to the contract duly signed by all parties to the contract.

(xv) Normally no extensions of the scheduled delivery or completion dates should be granted except where events constituting force majeure, as provided in the contract, have occurred or the terms and conditions include such a provision for other reasons. Extensions as provided in the contract may be allowed through formal amendments to the contract duly signed by parties to the contract.

(xvi) All contracts shall contain a provision for recovery of liquidated damages for defaults on the part of the contractor.

(xvii) A warranty clause should be incorporated in every contract, requiring the supplier to, without charge, repair or rectify defective goods or to replace such goods with similar goods free from defect. Any goods repaired or replaced by the supplier shall be delivered at the buyers premises without costs to the buyer.

(xviii) All contracts for supply of goods should reserve the right of Government to reject goods which do not conform to the specifications.

## **205. Management Of Contracts :-**

(1) Implementation of the contract should be strictly monitored and notices issued promptly whenever a breach of provisions occur.

(2) Proper procedure for safe custody and monitoring of Bank Guarantees or other Instruments should be laid down. Monitoring should include a monthly review of all Bank Guarantees or other instruments expiring after three months, alongwith a review of the progress of supply or work. Extensions of Bank Guarantees or other instruments, where warranted, should be sought immediately.

(3) Wherever disputes arise during implementation of a contract, legal advice should be sought before initiating action to refer the dispute to conciliation and/or arbitration as provided in the contract or to file a suit where the contract does not include an arbitration clause. The draft of the plaint for arbitration should be got vetted by obtaining legal and financial advice. Documents to be filed in the matter of resolution of dispute, if any, should be carefully

scrutinized before filing to safeguard government interest.

## CHAPTER 9

### GRANTS-IN-AID AND LOANS

#### **206. Rule 206 :-**

As a general principle grants-in-aid can be given to a person or a public body or an institution having a distinct legal entity. Thus grants-in-aid including scholarships may be sanctioned by an authority competent to do so under the Delegation of Financial Powers Rules, 1978 to :-

(a) institutions or organizations set up as Autonomous Organisation under a specific statute or as a society registered under the Societies Registration Act, 1860 or Indian Trusts Act, 1882 or other statutes.

(b) Voluntary organizations or Non Government Organisations carrying out activities which promote the welfare schemes and programmes of the Government should be selected on the basis of well defined criteria regarding financial and other resources, credibility and type of activities undertaken.

(c) Educational and other institutions by way of scholarships or stipends to the students.

(d) Urban and Rural local self government institutions (e) Co-operative societies.

(f) Societies or clubs set up by Government servants to promote amongst themselves social, cultural and sports activities as recreational avenue.

#### **207. Rule 207 :-**

The Ministry or Department of the Central Government directly concerned with the aim or activity of the Institution should consider requests for grants-in-aid in consultation with the concerned Financial Adviser. The Financial Adviser may associate a representative of Ministry of Finance wherever considered necessary.

#### **208. General Principles For Setting Up Of Autonomous Organisations :-**

referred to under Rule 206 (a) : -

(i) No new autonomous institutions should be created by Ministries or Departments without the approval of the Cabinet.

(ii) Stringent criteria should be followed for setting up of new autonomous organisations and the type of activities to be undertaken by them. The Ministry or Department should examine

in detail;

(a) whether the activities proposed to be taken up are necessary at all;

(b) whether these activities, if necessary, need to be undertaken by setting up an autonomous organisation only or whether these could be performed by the concerned government agency or any other organisation already existing.

(iii) All autonomous organisations, new or already in existence should be encouraged to maximise generation of internal resources and eventually attain self sufficiency.

(iv) Instead of giving recurring grants, wherever possible, the Ministry or Department may consider creating a Corpus Fund, the returns on investment of which, alongwith their internally generated resources should enable the autonomous organisation to meet its revenue expenditure.

(v) A system of external or peer review of autonomous organisations every three or five years depending on the size and nature of activity should be put in place. Such a review should focus, inter alia, on;

(a) the objective for which the autonomous organisation was set up and whether these objectives have been or are being achieved;

(b) whether the activities should be continued at all, either because they are no longer relevant or have been completed or if there has been a substantial failure in achievement of objectives. A zero based budget approach should be followed in making this assessment.

(c) whether the nature of the activities is such that these need to be performed only by an autonomous organisation.

(d) whether similar functions are also being undertaken by other organisations, be it in the central government or state governments or the private sector, and if so, whether there is scope for merging or winding up the organisations under review.

(e) whether the total staff complement, particularly at the support level, is kept at a minimum, whether the enormous strides in information technology and communication facilities as also facilities for outsourcing of work on a contract basis, have been taken into account in determining staff strength; and whether scientific or technical personnel are being deployed on functions which could well be carried out by non scientific or non technical personnel etc.

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(f) whether user charges, wherever the output or services are utilised by others, are levied at appropriate rates

(g) the scope for maximizing internal resources generation in the organisation so that the dependence upon government budgetary support is minimised.

(vi) An organisation whose performance is found to be outstanding and internationally acclaimed as a result of the review envisaged under

(v) above should be granted greater autonomy and increased flexibility in matters of recruitment and financial rules thereby enabling it to devise and adopt staff structures, procedures and rules suited to improving their productivity.

(vii) Autonomous organisations as defined in

(vi) above as also others with a budgetary support of more than Rupees five crores per annum, should be required to enter into a Memorandum of Understanding with the Administrative Ministry or Department, spelling out clearly the output targets in terms of details of programme of work and qualitative improvement in output, alongwith commensurate input requirements. The output targets, given in measurable units of performance, should form the basis of budgetary support extended to these organisations.

## **209. Principles And Procedure For Award Of Grants-In-Aid**

:-

(1) Any Institution or Organisation seeking grants-in-aid from Government will be required to submit an application which includes all relevant information such as Articles of Association, bye-laws, audited statement of accounts, sources and pattern of income and expenditure etc. enabling the sanctioning authority to assess the suitability of the Institution or Organisation seeking grant. The application should clearly spell out the need for seeking grant and should be submitted in such form as may be prescribed by the sanctioning authority. The Institution or Organisation seeking grants-in-aid should also certify that it has not obtained or applied for grants for the same purpose or activity from any other Ministry or Department of the Government of India or State Government. NOTE : In order to obviate duplication in grants-in-aid, each Ministry or Department should maintain a list of Institutions or Organisations alongwith details of amount and purpose of grants given to them on its web site.

(2) The Internal Finance Wing of the Ministry or Department concerned should lay down the rules or pattern of assistance under the broad guidelines contained in this Chapter and instructions

issued by the Ministry of Finance from time to time. All sanctions of grants-in-aid issued by a Ministry or Department of the Central Government or an Administrator in exercise of their powers under Rule 20 of the Delegation of Financial Powers Rule, 1978, as amended from time to time, should conform to the pattern of assistance or rules governing such grants-in-aid.

(3) Award of grants should be considered only on the basis of viable and specific schemes drawn up in sufficient detail by the Institution or Organisation. The budget for such schemes should disclose, inter alia, the specific quantified and qualitative targets likely to be attained against the outlay.

(4) Subject to the following terms and conditions, grants-in-aid towards administrative expenditure may be sanctioned to voluntary organizations to ensure a certain minimum staff structure and qualified personnel to improve their effectiveness and expand their activities under the following conditions :-

(a) The grants-in-aid should not exceed twenty-five per cent. of approved administrative expenditure on pay and allowances of the personnel of the voluntary organisation concerned;

(b) Grants-in-aid to meet administrative expenditure to any private institutions other than the voluntary organizations should not ordinarily be sanctioned. In exceptional cases such grants can be considered for sanction in consultation with Internal Finance Wing.

(5) Every order sanctioning a grant shall indicate whether it is recurring or non-recurring and specify clearly the object for which it is being given and the general and special conditions, if any, attached to the grant. In the case of non-recurring grants for specified object, the order shall also specify the time limit within which the grant or each installment of it, is to be spent.

(6) (i) The sanctioning authority may prescribe conditions regarding quantum and periodicity for release of Grants-in-aid in installments in consultation with the Financial Adviser. However, the release of the last installment of the annual grant must be conditional upon the grantee institutions providing reasonable evidence of proper utilization of installments released earlier.

(ii) In order to avoid delay in sanction or release of grants in aid to the grantee Institutions, the Ministry or Department should impress upon Institution or Organisation desiring grants from Government, to submit their requirement with supporting details by the end of October in the year preceding the year for which the grants-in-aid is sought. The Ministry or Department should finalize their examination of the requests with the utmost expedition and make

the necessary budget provision where it is decided to sanction grants. The Institution or Organisation should be informed of the result of their requests by April of the succeeding year.

(iii) When recurring grants-in-aid are sanctioned to the same Institution or Organisation for the same purpose, the unspent balance of the previous grant should be taken into account in sanctioning the subsequent grant.

(iv) (a) All grantee Institutions or Organisations which receive more than fifty per cent. of their recurring expenditure in the form of grants-in-aid, should ordinarily formulate terms and conditions of service of their employees which are, by and large, not higher than those applicable to similar categories of employees in Central Government. In exceptional cases relaxation may be made in consultation with the Ministry of Finance.

(b) Grantee Institutions or Organisations should be encouraged to take advantage of the pension or gratuity schemes or group insurance schemes or house buildings loans or vehicle loans schemes etc. available in the market for employees instead of undertaking liability on their own or Government account.

(v) In making grants to non-government or quasi-government Institutions or Organisations, a condition should be laid down that assets acquired wholly or substantially out of Government grants, except those declared as obsolete and unserviceable or condemned in accordance with the procedure laid down in the General Financial Rules, shall not be disposed of without obtaining the prior approval of the authority which sanctioned the grants-in-aid.

(vi) The sanctioning authority, while laying down the pattern of assistance, may decide whether the ownership of buildings constructed with grants-in-aid may vest with Government or the grantee Institution or Organisation. Where the ownership is vested in the Government, the grantee Institution or Organisation may be allowed to occupy the building as a lessee. In such cases suitable record of details of location, cost, name of lessee and terms and conditions of lease must be maintained in the records of the granting Ministry or Department. In all cases of buildings constructed with grants-in-aid, responsibility of maintenance of such buildings should be laid on the grantee Institution or Organisation.

(vii) Any other special terms and conditions or procedures for transaction of business as Government may desire to be followed by the grantee Institution or Organisation, shall be got incorporated in the Articles of Association or bye-laws of the Institution or

Organisation concerned before release of grants-in-aid.

(viii) Grants-in-aid may be sanctioned to meet the bona fide expenditure incurred not earlier than a year prior to the date of issue of the sanction.

(ix) Before a grant is released, the members of the executive committee of the the grantee should be asked to execute bonds in a prescribed format binding themselves jointly and severally to:-

(a) abide by the conditions of the grants-in-aid by the target dates, if any, specified therein; and

(b) not to divert the grants or entrust execution of the scheme or work concerned to another Institution(s) or Organization(s); and

(c) abide by any other conditions specified in the agreement governing the grants-in-aid. In the event of the grantee failing to comply with the conditions or committing breach of the conditions of the bond, the signatories to the bond shall be jointly and severally liable to refund to the President of India, the whole or a part amount of the grant with interest at ten per cent. per annum thereon or the sum specified under the bond. The stamp duty for this bond shall be borne by the Government.

(x) Execution of bond will not apply to quasi-Government Institutions, Central Autonomous Organisations and Institutions whose budget is approved by Government.

(xi) The stipulation in regard to refund of the amount of grant-in-aid with interest thereon should be brought out clearly in the letter sanctioning the grant as well as in the bond so required to be executed.

(xii) (a) As a precondition to the sanction of grants-in-aid to the agencies where:-

(aa) the recipient body employs more than twenty persons on a regular basis and at least fifty per cent. of its recurring expenditure is met from grants-in-aid from Central Government; and

(ab) the body is a registered society or a co-operative institution and is in receipt of a general purpose annual grants-in-aid of Rupees twenty lakhs and above from the Consolidated Fund of India; the grant sanctioning authority should ensure that a suitable clause is invariably included in the terms and conditions under which the grants-in-aid are given, to provide for reservation for Scheduled Castes and Scheduled Tribes or OBC in posts and services under such organizations or agencies. The relative provision may be on the following lines :- "..... (Name of Institution or Organization etc.) agrees to make reservations for Scheduled Castes and Scheduled Tribes or OBC in the posts or

services under its control on the lines indicated by the Government of India".

(b) While sanctioning grants-in-aid to Institutions or Organisations referred to in (a) above, the grant sanctioning authority should keep in view the progress made by such Institutions or Organisations in employing Scheduled Castes and Scheduled Tribes or OBC candidates in their services.

(xiii) Central Autonomous Organisations which receive Plan grants as well as Non-Plan grants, should account for expenditure (Capital and Revenue) separately under Plan and Non-plan. The Government of India, Ministry of Finance has formulated standard formats for presentation of final accounts, for all Central Autonomous Organisations. All grant sanctioning authorities should enforce the condition of maintaining and presenting their annual accounts in the standard formats on all Central Autonomous Organisations.

(xiv) The grant sanctioning authorities should not only take into account the internally generated resources while regulating the award of grants but should consider laying down targets for internal resource generation by the grantee Institutions or Organisations every financial year, particularly where grants are given on a recurring basis year after year.

### **210. Accounts Of Grantee Institutions :-**

Institutions or Organisations receiving grants should, irrespective of the amount involved, be required to maintain subsidiary accounts of the Government grant and furnish to the Accounts Officer a set of audited statement of accounts. These audited statements of accounts should be required to be furnished after utilization of the grants-in-aid or whenever called for.

### **211. Audit Of Accounts Of Grants-In-Aid :-**

(1) The accounts of all grantee Institutions or Organisations shall be open to inspection by the sanctioning authority and audit, both by the Comptroller and Auditor General of India under the provision of CAG(DPC) Act 1971 and internal audit by the PrincipalAccounts Office of the Ministry or Department, whenever the Institution or Organisation is called upon to do so and a provision to this effect should invariably be incorporated in all orders sanctioning grants-in-aid.

(2) (a) The accounts of the grantee Institution or Organisation shall be audited by the Comptroller and Auditor General of India under

Section 14 of the Comptroller and Auditor General of India (Duties, Powers and Conditions of Service) Act, 1971, if the grants or loans to the institution in a financial year are not less than Rupees twenty-five lakhs and also not less than seventy-five percent. of the total expenditure of the Institution. The accounts may also be audited by the Comptroller and Auditor General of India if the grants or loans in a financial year are not less than Rupees one crore. Where the accounts are so audited by the Comptroller and Auditor General of India in a financial year, he shall continue to audit the accounts for a further period of two years notwithstanding that the conditions outlined above are not fulfilled.

(b) Where any grant and /or loan is given for any specific purpose to any Institution or Organisation or authority, not being a foreign State or international Body/Organization, the Comptroller and Auditor General is competent under Section 15 (1) of the CAGs (DPC) Act, 1971, to scrutinize the procedures by which the sanctioning authority satisfies itself as to the fulfillment of the conditions subject to which such grants and/or loans were given and shall, for this purpose, have right of access to the books and accounts of that Institute or Organisation or authority.

(3) In all other cases, the Institution or Organisation shall get its accounts audited from Chartered Accountants of its own choice.

(4) Where the Comptroller and Auditor General of India is the sole auditor for a local Body or Institution, auditing charges will be payable by the auditee Institution in full unless specifically waived by Government.

## **212. Utilization Certificates :-**

( 1 ) In respect of non-recurring grants to an Institution or Organisation, a certificate of actual utilization of the grants received for the purpose for which it was sanctioned in Form GFR 19-A, should be insisted upon in the order sanctioning the grants-in-aid. The Utilization Certificate in respect of grants referred to in Rule 209 (6) should also disclose whether the specified, quantified and qualitative targets that should have been reached against the amount utilised, were in fact reached, and if not, the reasons therefor. They should contain an output based performance assessment instead of input based performance assessment. The Utilization Certificate should be submitted within twelve months of the closure of the financial year by the Institution or Organisation concerned. Receipt of such certificate shall be scrutinised by the

Ministry or Department concerned. Where such certificate is not received from the grantee within the prescribed time, the Ministry or Department will be at liberty to blacklist such Institution or Organisation from any future grant, subsidy or other type of financial support from the Government. This fact should also be put on the website referred to in the Note under Rule 209 (1) above. In respect of recurring grants, Ministry or Department concerned should release any amount sanctioned for the subsequent financial year only after Utilization Certificate in respect of grants of preceding financial year is submitted. Release of grants-in-aid in excess of fifty per cent of the total amount sanctioned for the subsequent financial year shall be done only after the annual audited statement relating to grants-in-aid<sup>49</sup> released in the preceeding year are submitted to the satisfaction of the Ministry/Department concerned. Reports submitted by the Internal Audit parties of the Ministry or Department and inspection reports received from Indian Audit and Accounts Department and the performance reports if any received for the third and fourth quarter in the year should also be looked into while sanctioning further grants. NOTE. 1. Utilization certificates need not be furnished in cases where the grants-in-aid are being made as reimbursement of expenditure already incurred on the basis of duly audited accounts. In such cases the sanction letters should specify clearly that the utilization certificates will not be necessary. NOTE 2. In respect of Central Autonomous Organisations, the Utilization Certificate shall disclose separately the actual expenditure incurred and the Loans and Advances given to suppliers of stores and assets, to construction agencies, to staff (for house building and purchase of conveyance, etc.), which do not constitute expenditure at that stage. These shall be treated as unutilized grants but allowed to be carried forward. While regulating the grants for the subsequent year, the amounts carried forward shall be taken into account.

(2) (i) In the case of private and voluntary organizations receiving recurring grants-in-aid from Rupees ten lakhs to Rupees twenty-five lakhs, all the Ministries or Departments of Government of India should include in their annual report a statement showing the quantum of funds provided to each of those organizations and the purpose for which they were utilized, for the information of Parliament. The annual reports and accounts of private and voluntary organizations receiving recurring grants-in-aid to the tune of Rupees twenty-five lakhs and above should be laid on the Table of the House within nine months of the close of the

succeeding financial year of the grantee organisations.

(ii) In the case of organizations receiving one-time assistance or non recurring grants as grants-in-aid from Rupees ten lakhs to Rupees fifty lakhs, all Ministries or Departments of Government of India should include in their annual reports, statements showing the quantum of funds provided to each of these organizations and the purpose for which the funds were utilized, for the information of Parliament. The annual reports and audited accounts of private and voluntary organizations or societies registered under the Registration of Societies Act, 1860, receiving one-time assistance/non recurring grants of Rupees fifty lakhs and above should also be laid on the Table of the House, within nine months of the close of the succeeding financial year of the grantee Organisations.

(3) Submission of Achievement-cum-Performance Reports :

(i) The grantee Institutions or Organisations should be required to submit performance cum achievement reports soon after the end of the financial year. A time limit may in this regard be prescribed by the sanctioning authority concerned. This requirement should be included in the grants-in-aid sanction order.

(ii) In regard to non-recurring grants such as those meant for celebration of anniversaries, conduct of special tours and maintenance grants for education, performance-cum-achievement reports need not be obtained.

(iii) In the case of recurring grants, submission of achievement cum performance reports should usually be insisted upon in all cases. However, in the case of grants-in-aid not exceeding Rupees five lakhs, the sanctioning authority may dispense with the submission of performance cum achievement reports and should, in that event, refer to the utilization certificates and other information available with it with a view to deciding whether or not the grants-in-aid should continue to be given.

(iv) The annual reports and audited statements of accounts of Autonomous Organisations are required to be laid on the table of the Parliament. In such cases, the Ministries or Departments of Central Government need not incorporate performance-cum-achievement reports in the annual reports. In all other cases, if the grants-in-aid exceed Rupees twenty-five lakhs, the Ministry or Departments of the Central Government should include in their annual report a review of the utilization of the grants-in-aid individually, specifying in detail the achievements vis-à-vis the amount spent, the purpose and destination of the grants. In cases

where the grants-in-aid are for Rupees twenty-five lakh or less, the Ministry or Departments of the Central Government should include in their annual report their own assessment of the achievements or performance of the Institution or Organizations.

(v) Where the accounts of the grantee Institutions or organisations are audited by the Indian Audit and Accounts Department, copies of the performance-cum-achievement reports, furnished by the grantee institution to the Administrative Ministry or sanctioning authority should be made available to audit. In other cases copies of such reports, received by the Departments of the Central Government or the sanctioning authority should be made available to audit when local audit of such grants-in-aid in the Administrative Ministry or Department or sanctioning authority is conducted or when it is called for by the Accountant General.

(4) (a) Register of Grants : A Register of Grants shall be maintained by the sanctioning authority in the format given in Form GFR - 39.

(b) Columns (i) to (v) of the register in format at Form GFR - 39 should be filled in simultaneously with the issue of the order sanctioning each grant. These columns should be attested by any Gazetted Officer nominated for the purpose by the sanctioning authority. The serial number should be recorded on the body of the sanction at the time the item is entered in the Register as under : "Noted at serial No ..... in the Register of Grants".

(c) Such a record will guard against the possibility of double payment. Columns (vi) and (vii) should be filled in and attested by the Gazetted Officer concerned as soon as the bill is ready. The bill should then be submitted to the Gazetted Officer nominated to act as Drawing and Disbursing Officer with the register for signing the bill and to the sanctioning authority for giving dated initials in column (viii) of Register. It should also be the duty of the sanctioning authority to verify that the conditions, if any, attached to the grant have been duly accepted by the grantee without any reservation and that no other bill for the same purpose has already been paid before. No bill should be signed unless it has been noted in the Register of Grants against the relevant sanction. This will also facilitate watching of payments in installments, if any, in the case of lump sum sanctions. Information at column (xiii) of the Form GFR-39 above should be used also for regulating the subsequent grants.

(5) State Government to submit utilization certificate when expenditure incurred through local bodies: When Central grants are

given to State Governments for expenditure to be incurred by them through local bodies or private institutions, the utilization certificates should be furnished by the State Government concerned.

**213. Discretionary Grants :-**

When an allotment for discretionary grants is placed at the disposal of a particular authority, the expenditure from such grants shall be regulated by general or special orders of the competent authority specifying the object for which the grants can be made and any other condition(s) that shall apply to them. Such discretionary grants must be non-recurring and not involve any future commitment.

**214. Other Grants :-**

Grants, subventions, etc., including grants to States other than those dealt with in the foregoing rules, shall be made under special orders of Government.

**215. Rule 215 :-**

(1) Regulation of recurring grants-in-aid for Government employees welfare :- 1. Grants-in-aid for provision of amenities or of recreational or welfare facilities to the staff of the offices of the Government are regulated under orders of the Ministry of Home Affairs issued from time to time. The admissibility of the grants-in-aid for the welfare of the employees of the Government should be regulated in the following manner :-

(i) The grant in aid will be admissible on the basis of the total strength borne on the regular strength of an organization, i.e., Ministry or Department, etc., and its Attached and Subordinate Offices and such statutory bodies whose budget forms part of Consolidated Fund of India, irrespective of the fact whether any individual is a member of the staff club, etc., or not. However, grant-in-aid in respect of Gazetted Officers will be admissible only to that Ministry or Department or Office where membership of recreation club is open to such officers. Staff paid from contingencies, work-charged staff etc., will not be taken into calculation for this purpose. Staff eligible for similar concession under some other rule or statutory provision, e.g., industrial workers will also not be covered by these orders.

(ii) Amounts of grants-in-aid. -(a) The rate of the grant-in-aid will be Rupees fifty per head per annum. In addition to this, an

additional grant-in-aid up to Rupees twenty-five per head per annum to match the subscriptions collected during the previous financial year by the existing staff clubs will be admissible. In the case of staff clubs which are started during the financial year in which grant-in-aid is to be given, an additional matching grants-in-aid up to Rupees twenty-five per head per annum, to match the subscription collected by such clubs up to the date on which the proposal for the grant is mooted, may be sanctioned. The total strength of the eligible staff will be that existing on the thirty-first March of the previous financial year or that on the date on which proposal for grant is mooted in the case of new staff clubs.

(iii) An illustrative list of items on which expenditure can be incurred out of grants-in-aid sanctioned by Government for provision of amenities is given below: -

(i) Articles of sports - Outdoor and indoor games equipment.51

(ii) Cost of uniforms, etc., supplied to teams of players.

(iii) Magazines and periodicals.

(iv) Entry fee for tournaments

(v) Hiring of playgrounds

(vi) Hiring and repair for furniture, etc.,

(vii) Purchase of furniture.

(viii) Conveyance expenses incurred locally.

(ix) Entertainments.

(x) Prizes.

(xi) Film shows.

(xii) Hiring of accommodation for Club/Association, etc.

(xiii) Cultural, Sports and Physical development programme(s).

(xiv) Inter-Ministry meets.

(xv) Inter-Departmental meets. 2. A maximum one time grant of Rupees fifty thousand may be sanctioned for setting up of a Recreation Club. 3. Grants-in-aid to the Ministry or Departments of the Central Government and their Attached and Subordinate Offices will be allocated by the concerned Ministry or Department on receipt of formal requests in the prescribed manner. For the purposes of these grants-in-aid, the Departments of the Central Government and their attached and Subordinate Offices will be treated as a single unit. It will be the responsibility of that Ministry or Department to distribute the amount further to its Attached and Subordinate Offices and to their different clubs. The accounts of these clubs for the preceding year duly audited by an Internal Auditor should be obtained immediately after the close of the financial year in any case by the thirtieth April by the Ministry or

Department before allocating funds for the next financial year. 4. Grants-in-aid for the provision of amenities or recreational or welfare facilities to the staff of the Indian Audit and Accounts Department are regulated by separate orders.

(2) General Principles for award of Grants-in-aid for Centrally Sponsored Schemes : The following principles should be kept in view by Ministries/Departments of the Central Government at the time of designing Centrally Sponsored Schemes for implementation in States Governments or Union Territories and approving and releasing assistance to State Governments or Union Territories for such schemes: -

(i) Every Centrally Sponsored Scheme should be treated as a Project with time bound targets for monitoring, midterm evaluation and detailed impact studies.

(ii) The scheme should be designed in consultation with individual States or Union Territories and the outlays should be demand driven. States should be delegated adequate powers to change the details of the schemes to suit local conditions, subject to reporting such changes to the concerned Ministry or Department.

(iii) Where plan schemes are in operation with similar objectives targeting the same population, the schemes should be converged and the schemes not yielding results should be weeded out.

(iv) To ensure monitoring and effective control over such schemes, the number of schemes should be restricted, so that the gain from the expenditure on such schemes is maximized. The role of the Central Ministries or Departments should be capacity building, inter-sectoral coordination and detailed monitoring.

(v) Apart from making provisions in the budget and releasing funds, the Ministries or Departments should establish a mechanism to ensure that the funds earlier released have been effectively utilised and that the data and facts reported by the State Governments or Union Territories relating to physical and financial performance are correct. Before releasing further funds, it should also be ensured that the State Governments or Union Territories have the capacity to actually spend the balance from the previous years and the releases during the current year.

(vi) The Ministries or Departments should focus attention on the attainment of the objectives and not on expenditure only. A mechanism for avoiding release of large part of funds towards the end of the year should be devised and incorporated in the Scheme design itself.

(vii) An evaluation mechanism should be built into the Project,

providing for concurrent reviews and applying, mid-course corrections where necessary.

(viii) A post-completion review of every Centrally Sponsored Scheme should be undertaken by the State Government(s) or Union Territories implementing the scheme, highlighting the time and cost overruns, if any, and suggestions for formulating and implementing future schemes. A copy of the review should be obtained by the Ministry concerned and kept in view while formulating new Centrally Sponsored Schemes.

(3) Funding of Sponsored Projects or Schemes :- 1) Ministries or Departments of Government sponsor projects or schemes to be undertaken by Universities, Indian Institutes of Technology and other similar autonomous organizations such as ICAR, CSIR, ICMR, etc., the results from which are expected to be in national interest. Normally the entire expenditure on such projects or schemes including capital expenditure, is funded by the Ministry or Department. The funds released for such projects or schemes in one or more installments are not treated as grants-in-aid in the books of the implementing agency. Apart from the requirement of submission of technical and financial reports on completion of the project or scheme, a stipulation should be made in such cases that the ownership in the physical and intellectual assets created or acquired out of such funds shall vest in the sponsor. While the Project or Scheme is ongoing, the recipients should not treat such assets as their own assets in their Books of Accounts but should disclose their holding and using such assets in the Notes to Accounts specifically. 2) On completion of the Projects or Schemes and the receipt of technical and financial reports, the Ministries or Departments should decide and communicate to the implementing agencies whether the assets should be returned, sold or retained by them. 3) If the assets are to be sold, the proceeds therefrom should be credited to account of the sponsor. If the assets are allowed to be retained by the Institution/Organisation, the implementing agency should include the assets at book value in their own accounts.

#### **216. Rule 216 :-**

The rules in this section shall be observed by all authorities competent to sanction loans of public moneys to State Governments, Local Administrations of Union Territories, local bodies, private individuals, institutions and others.

#### **217. Powers And Procedure For Sanction Of Loans :-**

The powers of Departments of the Central Government and Administrators as well as other subordinate authorities to sanction loans are contained in Rule 20 of the Delegation of Financial Powers Rules, 1978 and other general and special orders issued under that rule.

**218. Rule 218 :-**

All sanctions of loans issued by a Department of Central Government or an Administrator in exercise of their powers under Rule 20 of the Delegation of Financial Powers Rules, 1978, should include a suitable certificate to the effect that the same is in accordance with the rules or principles prescribed with the previous consent of the Ministry of Finance and that the rate of interest on the loan and the period of repayment thereof have been fixed with the approval of that Ministry.

**219. Rule 219 :-**

- (1) All sanctions to loans shall be subject to proviso
- (b) to Rule 20 of the Delegation of Financial Powers Rules, 1978, and shall specify the terms and conditions relating to them including the terms and conditions of their repayment and payment of interest.
- (2) Borrowers shall be required to adhere strictly to the terms settled for the loans made to them. Modifications of these terms in their favour can be made subsequently only for very special reasons.

**220. Rule 220 :-**

- (1) General conditions for regulating all loans : All loans, other than loans to cultivators, etc., which are governed by special rules, should be regulated by the following general conditions :-
  - (i) A specific term should be fixed which should be as short as possible, within which each loan should be fully repaid with interest due. The terms may, in very special cases, extend to thirty years.
  - (ii) The term is to be calculated from the date on which the loan is completely drawn or declared by competent authority to be closed.
  - (iii) The repayment of loans should be effected by installments, which should ordinarily be fixed on annual basis, due dates of payment being specially prescribed.
  - (iv) Any installment paid before its due date may be taken entirely towards the principal, provided it is accompanied by payment

toward interest due up-to-date of actual payment of installment; if not, the amount of the installment will first be adjusted towards the interest due for preceding and current periods and the balance, if any, will alone be applied towards the principal. If, however, the payment of the installment is in advance of the due date by fourteen days or less, interest for the full period (halfyear or full year, as the case may be) will be payable.

(v) When the due date of repayment of any installment of principal or interest falls on a Sunday or a public holiday, the payment made on the next working day following the Sunday or the public holiday, shall be regarded as payment on the due date and no interest shall be charged for the day or days by which the recovery is so postponed. Exception. -If an installment of principal or interest is payable on the thirty-first March of a year, and if that day happens to be a public holiday the recoveries should be made on the immediately preceding working day. In case, the due date for the repayment of a loan or payment of interest falls on a holiday observed by the Reserve Bank of India, at which the effective credit is to take place this should be shifted to the next working day, except when the due date is thirty-first March.

(vi) The payment of interest and the repayment of principal of a loan are always to be made with reference to the calendar date on which the loan in question is paid. However, where payment of installment is in advance of the due date by fourteen days or less, interest for the full year or half year (depending on the prescribed mode of recovery) will be charged thereon. In the case of a loan sanctioned by the Central Government to a State Government on or before thirty-first March of a year, which is adjusted in the books of the Reserve Bank of India in the month of April but in the accounts of the previous year the installment of principal and/or interest will fall due for payment on the thirty-first March of the succeeding year and not on the anniversaries of the calendar date in April on which the interGovernmental adjustment was carried out.

(vii) The date of drawal of a loan by a State Government will be determined as indicated below -

(a) When monetary settlement is involved -Normally the calendar date on which amount of a loan is actually credited to the account of the State Government by the Reserve Bank is to be treated as the date of its drawal. This position will also hold in cases where adjustment in accounts is made in one month but date of adjustment in the books of the Reserve Bank of India falls in the following calendar month. The calendar date on which the credit is

actually afforded to the State Government in the books of the Reserve Bank of India in such cases will be treated as the date of its drawal. Exception. -An exception to this arrangement is in the case of loans for which credit is afforded to the recipient State Government in the month of April by the Reserve Bank of India but in the accounts of previous year. In such cases, a loan should be deemed to have been paid on the thirty-first March of the financial year in the accounts of which the payment is adjusted. Consequently, payment of annual interest as also repayment of installment of principal in respect of such loans will fall due on the thirty-first March of the succeeding years and not on the anniversaries of the calendar date in April on which inter-Governmental adjustment on account of such loans was carried out in the books of the Reserve Bank of India.

(b) Where no monetary settlement is involved. -In regard to cases where adjustment in the books of the Accounts Offices are only involved and actual credit through the Reserve Bank of India is not necessary, the last date on the month of account in which the adjustment is effected should be taken as the date of drawal of loan for purposes of repayment and charging interest.

(viii) In order to avoid any default in the payment of loan, the Principal Accounts Officers or Pay and Accounts Officers who maintain the detailed accounts of loans, should issue notices in Form GFR-36 to the loanees (other than State and Union Territory Governments) i.e. Public Sector Undertakings, statutory bodies and institutions etc., say, a month in advance of the due date for the repayment of any installment of the principal and/ or interest thereon. However, omission to give notice does not give the loanees any claim to exemption from the consequences of default in the repayment of the principal and/or interest thereon.

(2) Before sanctioning a loan to private Institutions the lending Ministry or Department should ensure that such private institution has the necessary adequate managerial ability and experience.

(3) (i) Before considering a loan application from parties other than State Governments and Local Administrations of Union Territories, the following requirements should be fulfilled:-

(a) it should be seen that there is adequate budget provision;

(b) it should be seen whether the grant of the loan would be in accordance with approved Government policy and accepted patterns of assistance.

(ii) Before approving the loan, the applicant should be asked to furnish the following materials and information:-

- (a) copies of profit and loss (or income and expenditure) accounts and balance sheets for the last 3 years;
  - (b) the main sources of income and how the loan is proposed to be repaid within the stipulated period;
  - (c) the security proposed to be offered for the loan together with a valuation of the security offered by an independent authority and a certificate to the effect that the asset offered as security is not already encumbered.
  - (d) Details of loan or loans taken from the Central Government or a State Government in the past, indicating amount, purpose, rate of interest, stipulated period of repayment, date of original loan and amount outstanding against the loan(s) on the date of the application and the assets, if any, given as security;
  - (e) a complete list of all other loans, outstanding on the date of application and the assets given as security against them;
  - (f) the purpose for which the loan is proposed to be utilized and the economics of the scheme. NOTE. - Where the loan is to be given to an institution on the strength of a guarantee given by the trust managing it, similar information should be called for in respect of the trust also.
- (iii) On receipt of the information called for as mentioned in (ii) above, confidential enquiries should be made from the other Departments of the Central Government or State Governments from which the party has taken loans, to judge the performance in regard to the previous loans. If the replies indicate that the performance was not satisfactory, the loan should be refused. It must be analysed that the financial position of the party is sound. It should also be ensured that the security offered is adequate and its value is at least thirty-three and one-third per cent. above the amount of the loan. If possible, an independent valuation of the security offered should be obtained. The applicant for the loan must satisfy both the criteria for financial soundness and adequacy of security before a loan is sanctioned.
- (iv) In the case of institutions which receive grants-in-aid from Government to meet a part of their deficits and the balance is met by the State Government and the Trustees of Management, it should be ensured-
- (a) that in computing the deficit for purpose of the grant-in-aid, the income from the scheme, if any, earmarked for servicing the loan and the installment of repayment of the loan and interest (if any) is not included;
  - (b) that as far as possible the scheme for which the loan is given is

self-financing and does not throw an additional burden on the general income of the institutions, e.g., in the case of hostels for colleges that the rents proposed are adequate;

(c) the institution produces an undertaking from the State Government or the Management that any shortfall towards repayment of the loan and interest will be made good by them. In the latter case the financial position of the Management (Trust) should be investigated after calling for information on the lines of Rule 220.

(3) (i) above.

(v) Ministries or Departments of the Central Government should lay down a procedure for periodical review of the old loans so that prompt action can be taken, if necessary, for enforcing regular payments.

(4) The detailed procedure to be followed in connection with the grant of loans to local bodies will be regulated by the provisions of the Local Authorities Loans Act and other special Acts and by rules made thereunder.

### **221. Interest On Loans :-**

(1) Interest shall be charged at the rate prescribed by the Government for any particular loan or for the class of loans concerned.

(2) A loan shall bear interest for the day of payment but not for the day of repayment. Interest for any shorter period than a complete year shall be calculated as - Number of days X Yearly rate of interest 365 (366 in case of Leap Year) unless any other method of calculation is prescribed in any particular case or class of cases.

### **222. Rule 222 :-**

(1) Procedure to be followed for recovery of loans and interest thereon and grant of moratorium:

(i) The instructions issued by the Ministry of Finance from time to time prescribing the interest rates and other terms and conditions of loans to State and Union Territory Governments, Local Bodies, Statutory Corporations, financial, industrial and commercial undertakings in the Public Sector, Private institutions or parties and individuals, should be strictly followed.

(2) The recovery of loans should ordinarily be effected in annual equal instalments of principal together with interest due on the outstanding amount of principal from time to time. The repayment

and interest instalments may be rounded off to the nearest rupee subject to final adjustment at the time of payment of last instalment of principal and/or interest.

(3) A suitable period of moratorium towards repayment might be agreed to in individual cases having regard to the projects for which the loans are to be utilized. However, no moratorium should ordinarily be allowed in respect of interest payable on loans.

**223. Loans To State And Union Territory Governments, Local Bodies, Statutory Corporations, Public Sector Undertakings, Private Institutions Or Parties And Individuals, Etc :-**

(1) - Loans should ordinarily be sanctioned at the normal rates of interest prescribed by Government for the particular category of the loanee. In cases where the normal rate is considered too high and a concession is justified, it should take the form of direct subsidy debitable to the grants of the sanctioning authority. In such cases interest should, however, be paid by the borrower in the first instance at the normal rates and subsidy should be claimed separately: Provided that the provisions of this decision should not apply where the number of borrowers is very large and amount of individual loans is comparatively small (as in the case of loans to displaced persons, taccavi loans, loans for land improvement, etc.) and where the accepted policy is to lend money at rates of interest below the normal rates, or to waive the recovery of interest in whole or in part. In such cases, a token provision should be made in the budget of the Department or Office concerned for obtaining the specific approval of Parliament for the grant of the concession. No actual adjustment of accounts will, however, be necessary in such cases.

(2) Agreements and other documentation :

(i) In the case of loans to parties other than State Governments and wholly owned Government Companies, a loan agreement specifying all the terms and conditions shall be executed. A clause shall invariably be inserted in all such agreements enabling Government at any time to call for accounts of the applicant relating to any accounting year with power to depute an officer specially authorized for this purpose to inspect the applicants books, if necessary.

(ii) A written undertaking in Form GFR 32 should be obtained from a wholly Government-owned company at the time of sanctioning

the loan. The sanction should specifically state that such an undertaking would be obtained from the loanee before the drawal of the amount of loan and a certificate that the undertaking has been obtained should be recorded by the Drawing Officer of the office of the sanctioning authority in the bill for drawal of the amount of loan. The sanction in respect of loans to other organizations, where a formal agreement is required to be executed, will also be issued in the same manner.

(iii) In the case of loans sanctioned to the Departmental or Cooperative canteens or tiffins rooms in Central Government Offices, no formal agreement need be executed, but a written undertaking in Form GFR 32 suitably modified should be obtained from the loanee.

#### **224. Undertaking To Be Obtained From Wholly-Owned Government Companies :-**

In the case of loans to wholly-owned Government Companies, a written undertaking to the effect that the fixed assets of the company shall not be hypothecated without prior approval of the Government should be obtained in Form GFR 32. No stamp duty need be paid on these written undertakings.

#### **225. Rule 225 :-**

Loans to parties other than State Governments, wholly owned Government Companies and Local Administration of Union Territories shall be sanctioned only against adequate security. The security to be taken shall ordinarily be at least thirty-three and one-third per cent. more than the amount of the loan. However, a competent authority may accept security of less value for adequate reasons to be recorded.

#### **226. Submission Of Utilization Certificate, Reports, Statements, Etc :-**

(1) In cases in which conditions are attached to the utilization of loan, either in the shape of the specification of the particular objects on or the time within which the money must be spent or otherwise, the authority competent to sanction the loan shall be primarily responsible for certifying to the Accounts Officer where necessary, the fulfillment of the conditions attaching to the loan, unless there is any special rule or order to the contrary. The loans sanctioned to the State Governments and the Local Administration of Union Territories shall not, however, come within the purview of

this rule.

(2) (i) The certificate referred to in Rule 226 (1) above should be furnished as in Form GFR 19-B and at such intervals as may be agreed to between the Audit Officer and/or the Accounts Officer, as the case may be, and the Ministry or Department concerned. Before recording the certificate, the certifying officer should take steps to satisfy himself that the conditions, on which the loan was sanctioned, have been or are being fulfilled. For this purpose, he may require the submission to him at suitable intervals of such reports, statements, etc., which will establish the utilization of loan for the purpose for which it was sanctioned. The loanee institution may also be required to furnish a certificate from its Auditors that the conditions attaching to the loan have been or are being fulfilled. The certificate should give details of the breaches, if any, of those conditions.

(ii) A certificate of utilization of the loan should be furnished to the Accounts Officer in every case of loan made for specific purposes, even if any conditions are not specifically attached to the grant. Such certificates are not, however, necessary in cases where loans are sanctioned not for any specific purpose or object but take the shape of a temporary financial aid or where the plan loans have been sanctioned to the Public Sector Undertakings intended for financing of their approved capital outlays. The repayment of loan, however, has to be watched in the usual manner.

(iii) In respect of loans the detailed accounts of which are maintained in the Audit Offices, the authorities sanctioning the loan should furnish the utilization certificate in respect of each individual case.

(iv) Where the detailed accounts of the loans are maintained by the departmental authorities, a consolidated utilization certificate should be furnished to Audit by the Ministries/Departments sanctioning the loans to Institutions/Organisations for the total amount of the loans disbursed during each year for different purposes including the loans sanctioned by their subordinate officers. This certificate will not cover the loans to individuals for which utilization certificates need not be furnished to the Accounts Officer. The certificate should indicate the year-wise and object wise break-up of loans disbursed and the loans for which utilizations certificates are furnished. The utilization certificate should also show the loans disbursed separately for each sub-head of account to facilitate verification by the Accounts Officer.

(v) The utilization certificates should be furnished within a

reasonable time after the loan is paid to the institutions. The Department of Central Government should prescribe, in consultation with the Finance Ministry, target dates for the submission of the utilization certificates by the Department concerned to the Accounts Officer. The target date should, as far as possible, be not later than eighteen months from the date of sanction of the loan.

(vi) In respect of loans, the detailed accounts of which are maintained by Departmental Officers and where consolidated utilization certificates are to be furnished to Accounts Officer, the period of 18 months should be reckoned from the expiry of the financial year in which the loans are disbursed. The consolidated utilization certificates in respect of such loans paid each year should, therefore, be furnished not later than September of the second succeeding financial year.

(vii) The due dates for submission of the Utilization Certificates should be specified in the letter of sanction for loan. The target date as specified should be rigidly enforced and extension should only be allowed in very exceptional circumstances in consultation with the Ministry of Finance under intimation to the Audit Officer and/or the Accounts Officer, as the case may be. No further loans should be sanctioned unless the sanctioning authorities are satisfied about the proper utilization of the earlier loan sanctioned to an Institution, etc.

(viii) In respect of loans sanctioned to departmental co-operative canteens in Government Offices the Heads of Departments should furnish the utilization certificate.

### **227. Installments Of Loans :-**

When a loan of public money is taken out in installments, each installment of the loan so drawn shall be treated as a separate loan for purposes of repayment of principal and payment of interest thereon except where the various installments drawn during a financial year are, for this purpose, allowed to be consolidated into a single loan as at the end of that particular financial year. In the latter event, simple interest at the prescribed rate on the various loan installments from the date of drawal of each installment to the date of their consolidation shall be separately payable by the borrower. Repayment of each loan or the consolidated loan, as the case may be, and the payment of interest thereon shall be arranged by the borrower annually on or before the anniversary date of drawal or consolidation of the loan in such number of

installments as the sanctioning authority may prescribe. The sanctioning authority may allow, in deserving cases a moratorium towards repayment of principal but not for the payment of interest. Should it appear that there is an undue delay on the part of the debtor in taking out the last installment of a loan the authority sanctioning the loan may at any time declare that loan closed, and order repayment of capital to begin. The Accounts Officer shall bring to notice any delay that appears to him to require this remedy and he shall take this step whether or not there are any dates fixed for taking of installments. NOTE 1. These instructions are applicable mutatis mutandis to loans, the repayments of which are made by other than annual installments. NOTE 2. - It must be remembered that the calculation fixing the amount of equal periodical installments, by which a loan is repaid with interest, presupposes punctual payment of the installment and that, if any installment is not punctually repaid, the interest amount will need to be recalculated.

### **228. Defaults In Payment :-**

(1) The loan sanctions in favour of State or Union Territory Governments and the loan sanctions or undertakings or agreements in case of wholly Government owned companies or Public Sector Undertakings should invariably include provision for the levy of penal interest on overdue installments of interest or principal and interest. The loan sanctions and agreements in all other cases should invariably stipulate a higher rate of interest and provide for lower rate of interest in the case of punctual payments. The penal or the higher rate of interest, as the case may be, shall not, except under special orders of Government, be less than two and 57 half per cent. per annum above the normal rate of interest prescribed by Government from time to time for the loans advanced.

(2) Any default in the payment of interest upon a loan or in the repayment of principal, shall be promptly reported by the Accounts Officer, to the authority which sanctioned the loan. The responsibility of the Accounts Officer, under this rule refers only to the loans, the detailed accounts for which are kept by him.

(3) Procedure to be followed in case of defaults in repayment of interest free loans or loans sanctioned at concessional rates of interest :

(i) In the case of grant of interest free loans e.g., loans to technical educational institutions for construction of hostels, prompt

repayment should be made a condition for the grant of interest free loans. The sanction letter in such cases should provide that in the event of any default in repayment, interest at rates prescribed by Government from time to time will be chargeable on the loans.

(ii) In the case of loans sanctioned at concessional rates of interest e.g., loans under the State Aid to Industries Act and Rules, the payment of subsidy

(to cover the concession, viz., difference between the normal rate and concessional rate), should be made conditional upon prompt repayments of principal and payment of interest thereon by the party concerned.

(iii) In the cases where in addition to interest free loans, subsidy is also provided to meet running expenses e.g., loans to departmental canteens, the sanction letter should provide that in the event of any default in repayment, the defaulted dues would be recovered out of the subsidy payable.

(4) On receipt of a report of default referred to in sub-rule (2) above, the authority concerned shall immediately take steps to get the default remedied and also consider enforcement of penal or higher rate of interest on the overdue amounts. Where the sanctioning authority is satisfied, having regard to the circumstances of the case, that penal or higher interest need not be recovered, the borrower should ordinarily be asked to pay interest, at the normal rate prescribed in the loan sanction, on the overdue amount (of principal and/or interest) from the due date of payment up to the date of settlement of the default. The recovery of additional interest should not be waived except in special circumstances or where the period of defaults is very short, e.g., a few days.

### **229. Irrecoverable Loans :-**

A competent authority may remit or write off any loans owing to their irrecoverability or otherwise.

### **230. Accounts And Control :-**

(1) Subject to such general or specific directions as may be given by the Comptroller and Auditor-General in this behalf, detailed accounts of loans to Institutions and Organizations, etc., shall be maintained by the Accounts Officer who shall watch their recovery and see that the conditions attached to each loan are fulfilled.

(2) In the case of loans to private individuals the detailed accounts of such loans shall be maintained by the departmental authorities

concerned who shall also watch their recovery and see that the conditions attached to each loan are fulfilled. The detailed procedure to be followed for the various categories of loans to private individuals should be laid down in consultation with Finance Ministry and the Comptroller and Auditor General of India.

**231. Rule 231 :-**

The instructions contained in this Chapter relating to cost of audit of grants-in-aid are applicable mutatis mutandis in the case of loans as well.

**232. Annual Returns :-**

Each Principal Accounts Officer shall submit to the concerned Ministry or Department of Government a statement in Form GFR 20 showing the details of outstanding Central Loans borne on his books as on thirty-first March each year. This statement should be submitted not later than the following thirtieth September and should indicate the aggregate of outstanding balance of loans, details of defaults, if any, in repayment of principal and/ or interest and the earliest period to which the default pertains, against each State or Union Territory Government, foreign Government, Railway or Department of Posts funds, public sector and private sector enterprises, Co-operative and other institutions etc. Where, however, detailed accounts are not required to be maintained by the Accounts Office, the statement should contain departmental authority-wise aggregate balances of outstanding loans.

**233. Review Of Annual Statements With A View To Enforce Repayments Of The Principal And Interest Due :-**

The Administrative Ministries should keep watch over the receipt of the annual statements in Form GFR 20 regularly from the Accounts Officer and conduct a close review of the cases of defaults in repayment of the instalments of principal and/or interest due, as revealed from these annual statements and take suitable measures for enforcing repayments of the principal and interest due. If these statements are not received in time, the Accounts Officer should be reminded promptly. To facilitate a proper review of the position of outstanding loans, the Ministries may also arrange to maintain centrally a list of all sanctions issued relating to loans advanced to State Governments and other parties.

CHAPTER 10

BUDGETING AND ACCOUNTING OF EXTERNALLY AIDED PROJECTS

**234. Implementation Of Projects Or Schemes Through**

## **External Aid Receipt :-**

(1) The projects or schemes of the Government of India to be implemented through external aid receipt from multilateral or bilateral funding agencies shall be shown in the budget proposals approved annually by the Parliament.

(2) The external aid comes from bilateral and multilateral sources as follows :

(i) Bilateral funding to finance specific project(s) by the funding agency(ies) under Government to Government agreement(s); and,  
(ii) Multi-lateral funding by Multi-Lateral Funding Agencies, like the World Bank under agreement(s) between the borrower (Government of India) and the Multilateral Funding Agency(ies).

(3) The Department of Economic Affairs, Ministry of Finance as the nodal agency shall execute the legal agreement for loans or grants from external funding Agency(ies). However, grant agreements for Technical Assistance can also be executed by the beneficiary Ministries or Departments with the approval of Ministry of Finance, Department of Economic Affairs.

(4) The Office of the Controller, Aid Accounts and Audit (CAAA) in the Department of Economic Affairs, Ministry of Finance shall be responsible for implementing the financial covenants laid down in the agreement(s) executed by Department(s) of Government of India and the External Funding Agency(ies). A copy of all such agreements shall be sent to the Office of Controller, Aid Accounts and Audit, Department of Economic Affairs for this purpose.

### **235. Currency Of External Aid :-**

The external aid shall flow from the Funding Agency in foreign currency or Indian Rupees and shall be received by the Reserve Bank of India, Mumbai who shall remit the rupee equivalent to the account of Controller, Aid Accounts and Audit, Department of Economic Affairs at Reserve Bank of India, New Delhi. The remittances shall be accounted as external loan/Grant receipts in the Consolidated Fund of India.

### **236. Accounting Of Cash Grants :-**

Cash grants, as distinct from commodity grant or other assistance in kind received from external sources shall be accounted for only by the office of Controller of Aid Accounts and Audit, Department of Economic Affairs.

### **237. Procedure For Withdrawal :-**

The concerned administrative Ministries or Departments shall be required to make provision of funds under the relevant head of account as External Aided Component in their Detailed Demands for Grants for release of external aid amounts during the year to the respective Project Implementing Agencies. There are mainly two procedures laid down for withdrawal of funds from the loan or grant account: -

(i) Reimbursement procedure : Under the reimbursement procedure the Project Implementing Agency shall initially spend or incur expenditure and subsequently claim the amount from the Funding Agency through the office of the Controller, Aid Accounts. The remittances shall be accounted as External Loan or Grant receipt in the Consolidated Fund of India. There are two ways of dealing with the reimbursement claims as given below:

(a) Reimbursement through Special Account (Revolving Fund Scheme) : Under the Revolving Fund Scheme, the Funding Agency disburses the estimated expenditure of four months for the projects as initial advance to Government of India under the respective loan or credit or grant agreement. Office of Controller of Aid Accounts & Audit withdraws the amount specified in the agreement as initial deposit from the Funding Agency, by sending a simple withdrawal application in the prescribed format after the loan is declared effective. Such initial deposit designated in US Dollars is received by Reserve Bank of India, Mumbai and Rupee equivalent shall be passed on to Controller of Aid Accounts & Audit through Government Foreign Transaction (GFT) advice. However, Reserve Bank of India, Mumbai shall maintain a loan wise proforma account for liquidation of advance received from Funding Agency. Office of Controller, Aid Accounts and Audit, on receipt of reimbursement claims from Project Implementing Agency, shall send an advice to Reserve Bank of India, Mumbai advising them to debit the Special Account with the US Dollars equivalent of the amount of the eligible claim. Office of Controller, Aid Accounts and Audit shall consolidate all such claims and submit to Funding Agency for replenishment 5960 of Special Account. This will be accompanied by a statement of debits and credits made during the period by Reserve Bank of India, Mumbai and supporting documents received from the Project Implementing Agency.

(b) Reimbursement outside Special Account : Under the reimbursement procedure (where there is no provision in the loan or credit agreement for the Special Account or the balance in the Special Account is Nil) office of Controller of Aid Accounts and Audit

shall send the reimbursement claims received from the Project Implementing Agency direct to the Funding Agency after checking the eligibility aspect. The Funding Agency shall disburse the eligible expenditure to the borrowers account with Reserve Bank of India, Mumbai, who shall pass on the Rupee equivalent to the account of the Controller of Aid Accounts and Audit at Reserve Bank of India, New Delhi by issue of Government Foreign Transaction (GFT) advice.

(ii) Direct Payment Procedure : Under this procedure adopted in some cases the Funding Agency, on the request of the Project Implementing Agency (received through Controller of Aid Accounts and Audit), duly supported by relevant documents, shall directly pay to the contractor or supplier or consultant from the loan or credit or grant account. The Funding Agency, after satisfying itself as to the eligibility of the expenditure etc. remits the amount directly to the account of the payees as per the payment instructions. The Funding Agency apprises the office of Controller of Aid Accounts and Audit and the Project Implementing Agency of the particulars of the payment made. Office of Controller of Aid Accounts and Audit shall work out the rupee equivalent of the foreign currency payment. This rupee equivalent shall be recovered by office of Controller of Aid Accounts and Audit from the Project Implementing Agencies or State Governments which have availed of the Direct Payment Procedure. Note : In the case of Central Projects, Centrally Sponsored Projects and Public Sector or Financial Institutions, the concerned administrative Ministry or Department shall release the fund to the Project Implementing Agency with the instruction to deposit rupee equivalent of the foreign currency that have been availed of under Direct Payment Procedure by them to the account of Controller of Aid Accounts and Audit at Reserve Bank of India, New Delhi or State Bank of India, Tis Hazari, Delhi through a challan.

### **238. Rule 238 :-**

(1) Fund Flow for State Projects financed from external aid source: The respective Departments of the State Government shall provide in the Budget such expenditure proposed to be incurred under Plan Schemes during the financial year by the Project Implementing Agencies. These shall be in respect of State projects to be financed from external aid sources both under loan or credit and grants and eligible for disbursement from Funding Agency under

Reimbursement or Direct Payment Procedure.

(2) Fund flow for State Projects under Reimbursement Procedure: The disbursements under the "Reimbursement through Special Account" and "Reimbursement out side Special Account", referred to in Rule 237 (i), shall be consolidated at periodical intervals under each loan or credit State-wise by the office of the Controller of Aid Accounts and Audit. The details of the same shall be sent to Plan Finance Division of the Department of Expenditure in the Ministry of Finance for release of funds to the respective State Governments. The Plan Finance division of Department of Expenditure in the Ministry of Finance shall issue sanctions for actual release of the disbursement for each State. A copy of such sanction shall be endorsed to the Finance Department of the concerned State Government for information. The office of the Chief Controller of Accounts, Ministry of Finance shall issue the Inter-Government (IG) Advice to Reserve Bank of India, Central Accounts Section, Nagpur, for effecting the release to the concerned State Governments. The account of the State Government maintained at Reserve Bank of India, Central Accounts Section, Nagpur, shall be credited with the amount so released, thus, completing the cycle of funds from the expenditure incurred from the Budget of the State till receipt of funds of such expenditure from Government of India to the State.

(3) Fund flow for State Projects under Direct Payment Procedure: Under Direct Payment Procedure the claims shall be processed as mentioned in Rule 237 (ii). Office of Controller of Aid Accounts and Audit shall work out the Rupee equivalent of such Direct Payment based on Reserve Bank of India buying rate applicable for the value date on which the Direct Payment was made. Office of Controller of Aid Accounts and Audit shall consolidate such disbursement in Rupees, and send a list of such disbursement State-wise to Plan Finance Division of Department of Expenditure at periodical intervals requesting them to release the amount to the State concerned notionally and recover the same for credit to Controller of Aid Accounts and Audits account. The Plan Finance Division shall issue a separate sanction for the amount to be released to the State concerned and for simultaneous recovery and credit back to the account of the Controller of Aid Accounts and Audit. A copy of such sanction shall also be endorsed to the Finance Department of the State Government concerned. The office of the Chief Controller of Accounts, Ministry of Finance shall advise<sup>61</sup> Reserve Bank of India, Central Accounts Section, Nagpur, for making necessary

adjustment entries in the accounts of the State concerned under intimation to the Finance Department of the State and Controller of Aid Accounts and Audit. This completes the cycle of funds flow in the case of direct payment claims.

**239. Fund Flow For Central Or Central Sponsored Projects :-**

Under the Central or Central sponsored project financed from external aid, whether loan or grant, the process of disbursement of such claims by the Funding Agency shall be the same as explained in Rule 237. The respective Ministry or Department get funds when Demands for Grants are passed in the Parliament and advised by the Budget Division of the Ministry of Finance. The funds shall be released to Project Implementing Agency by the administrative Ministry or Department with reference to expenditure incurred by the Project Implementing Agency.

**240. Fund Flow For Public Sector Or Financial Institutions :-**

When the Project Implementing Agency under Loan or Credit Agreement is a Public Sector or Financial Institution or Autonomous Body and Government of India is the Borrower, the Administrative Ministry concerned shall provide in its budget funds required to be passed on to the Project Implementing Agency for the expenditure incurred by the latter under the externally aided project. The Project Implementing Agency shall submit claims under reimbursement or direct payment procedures to the office of the Controller of Aid Accounts and Audit, Department of Economic Affairs. The disbursement of the claims by the Funding Agency shall be similar as explained in Rule 237. The concerned administrative Ministry or Department releases the amount to Project Implementing Agency based on the certification of disbursement received from the Funding Agency as certified by the office of the Controller of Aid Accounts and Audit. However, where the loan is negotiated directly by a particular Public Sector Undertaking or Financial Institution, the funds from the Funding Agency will flow direct to the borrowing entity.

**241. Repayment Of Loans :-**

Office of Controller of Aid Accounts and Audit shall be responsible for prompt repayment of principal on the due date as per the agreements. The remittance of foreign currency is arranged through designated Public Sector Commercial Banks and Reserve Bank of India. The Rupee equivalent and the amount of foreign currency remitted shall be intimated by the Banks to Controller of

Aid Accounts and Audit. The Rupee equivalent of the foreign currency remitted is credited to the respective Banks account maintained at Reserve Bank of India, New Delhi, by debit to Controller of Aid Accounts and Audits account as per standing arrangement. On the receipt of the advice from Reserve Bank of India, New Delhi, Controller of Aid Accounts and Audit shall debit the concerned loan account in the Consolidated Fund of India. The repayment of loans shall be classified as charged expenditure.

**242. Interest Payments :-**

Interest on external loans shall be paid on the due date as stipulated in the loan or credit agreements against the budget provision made for this purpose. Interest payments shall be accounted for as debit under the Major Head 2049-Interest Payments for external loans in the Consolidated Fund of India. The procedure for transfer of amount shall be the same as followed in the case of repayment of loans, referred to in Rule 241 above. The interest payment shall be classified as charged expenditure.

**243. Accounting Of Exchange Variation :-**

The exchange variation in respect of foreign loans that have been fully repaid shall be written off to "8680-Miscellaneous Government Accounts - Write off from Heads of Accounts closing to balance" per contra credit to relevant Minor Head, Sub Head under "6002-External Debt" to which the expenditure or repayment stands debited.

**244. Aid In Form Of Materials And Equipments :-**

In cases where materials, equipments and other commodities, without involving any cash inflow, are received as aid from foreign countries, the Funding Agency issues an advice to the concerned Ministry or Department giving details of materials supplied along with the value thereof. The Ministry or Department concerned in turn shall intimate the details to the office of the Controller of Aid Accounts and Audit, Department of Economic Affairs for making the budget provision in regard to aid material or equipment. Note : Refer to Para 4.8.1 of Civil Accounts Manual and Note (1) below Major Head 3606-Aid Materials and Equipments of List of Major and Minor Heads of Account of Union and States for detail procedure of adjustment of value of the materials etc. received.

CHAPTER 11

GOVERNMENT GUARANTEES

**245. Rule 245 :-**

The power of the Union Government to give guarantees emanates from and is subject to such limits as may be fixed in terms of Article 292 of the Constitution of India, the Fiscal Responsibility and Budget Management Act, 2003 and Rules framed there under.

**246. Rule 246 :-**

(1) Guidelines for grant of Government of India Guarantee :Powers to grant Government of India Guarantee vest with the Ministry of Finance, Budget Division. The following guidelines should be followed by the Ministries or Departments of the Government of India for recommending guarantee or counter guarantee:-

(i) A proposal for guarantee by Government must be justified by public interest such as in the case of borrowings by public sector institutions for approved development purposes or borrowings by public sector undertakings from Banks for working capital and other purposes.

(ii) The concerned Ministry or Department shall examine the proposal in consultation with the Financial Adviser in the same manner as a proposal for loan. While examining the proposal the following considerations shall be kept in view :-

(a) Public interest which the guarantee is expected to serve.

(b) Credit worthiness of the borrower to ensure that no undue risk is involved.

(c) Terms of the borrowing take into account the yields as applicable on Government paper of similar maturity.

(d) The conditions prescribed in the guarantees in order to ensure continued credit worthiness of the borrower.

(iii) After examination in the concerned Ministry or Department, all proposals for extending guarantees shall be referred to Ministry of Finance (Budget Division) for approval. No guarantees shall be given without the approval of the Ministry of Finance (Budget Division).

(iv) Government guarantees shall not be provided to the private sector.

(v) Government guarantees should normally not be extended for external commercial borrowings.

(vi) Government guarantees may be given on all soft loan components of the bilateral aid. However guarantee should not be given for the commercial loan components of such aid. In case of power sector, extension of Government guarantee even in respect of commercial components may be considered on a case to case

basis.

(vii) Government of India guarantee will not be given in cases of grants. However, if the donor insists on ensuring performance, the same may be listed as a negotiating condition for getting the grant.

(viii) The conditions, if any which should be made by Government while giving the guarantee e.g. period of guarantee, levy of fee to cover risk representation for Government on the Board of Management, Mortgage or lien on the assets, submission to Government of periodical reports and accounts, right to get the accounts audited on behalf of Government etc. Even if fee, representation and mortgage are not considered necessary, the right to verify the continued credit-worthiness of the borrower should be ensured.

(2) The Department of Economic Affairs (DEA) shall act as the nodal agency for external borrowings. The credit divisions of DEA shall prescribe limits for external borrowings, sector wise or lender wise and play a role in negotiating external assistance and evolving monitoring systems. In the case of external borrowings where guarantees, are sought to be provided, credit divisions of Department of Economic Affairs should obtain prior approval of Budget Division.

#### **247. Borrowings From Multilateral Agencies By Central Public Sector Undertakings :-**

(a) All borrowings from the multilateral agencies by Central Public Sector Undertakings would be direct (without Government of India's intermediation) on the terms as agreed mutually between the borrower and the lender and approved by the Government of India. However, where such terms involve grant of Government of India Guarantee, prior approval of the Budget Division of the Ministry of Finance may be obtained.

(b) The borrowing should relate to approved Projects.

(c) Wherever guarantee is to be given by Government of India, the borrower shall enter into an agreement with the Government of India for the payment of guarantee fee on the principal amount of the loan drawn and loan outstanding from time to time.

(d) The borrower shall bear the exchange risk and get the funds directly on terms and conditions prescribed by the lending agency.

#### **248. Levy Of Guarantee Fees :-**

(1) The rates of fee on guarantees are laid down by the Budget Division in the Ministry of Finance, Department of Economic Affairs, from time to time. The rates of guarantee fee prevalent in July, 2004 are given in Appendix - 16. Ministries or Departments should levy the prescribed fee in respect of all cases. The fees are also to be levied in respect of non-fund based borrowings or credits (viz. letters of credit, Bank guarantees etc.). In case of any doubt with regard to the categorisation of any particular undertaking or organization or the nature of borrowing for the purpose of levy of fee, the matter may be referred to the Budget Division for clarification. The Ministries or Departments should also take adequate steps to ensure prompt recovery of the prescribed fees.

(2) The guarantee fee should be levied before the guarantee is given and thereafter on first April every year. The rate of guarantee fee is to be applied on the amount outstanding at the beginning of the guarantee year. Where the guarantee fee is not paid on the due date, fee should be charged at double the normal rates for the period of default.

#### **249. Review Of Guarantees :-**

(1) All Ministries or Departments shall ensure that all guarantees are reviewed every quarter. The monitoring or review undertaken should examine whether the borrower is discharging repayment obligations or interest obligations as per terms of the loan agreement. The Financial Advisers of the Ministries or Departments should undertake these reviews.

(2) The Financial Adviser of the Ministries or Departments would be responsible for ensuring that the periodical reviews are carried out by the Ministries or Departments concerned. They shall also ensure that a register of guarantees in Form GFR 43 is maintained :-

(i) to keep a record of guarantees;

(ii) to retain information required from time to time in respect of guarantees;

(iii) to keep record of the periodical reviews to see that these are carried out regularly;

(iv) to keep record of levy and recovery of guarantee fee;

(v) to send data as contained in Form GFR 43, duly updated every quarter to the Budget Division in the Ministry of Finance, Department of Economic Affairs by tenth of the month following the quarter.

(3) In respect of guarantees issued by the Ministry of Finance for

external loans, the respective credit divisions shall conduct a quarterly review. For this purpose the Financial Adviser (Finance) shall ensure the maintenance of the required registers, as well as ensure that the periodical reviews are carried out by the concerned credit divisions, and report forwarded to the Budget Division in the Form GFR 43. In cases, where the guarantees on external loans are issued by the concerned administrative Ministry, that Ministry would be responsible for conducting the review.

(4) Classification of guarantees : For the purpose of record keeping, guarantees shall be classified as under:-

(i) guarantees given to the RBI, other banks and industrial and financial institutions for repayment of principal and payment of interest, cash credit facility, financing seasonal agricultural operations and/or providing working capital to companies, corporations and cooperative societies and banks;

(ii) guarantees given for repayment of share capital, payment of minimum annual dividend and repayment of bonds or loans, debentures issued or raised by the statutory corporations and financial institutions;

(iii) guarantees given in pursuance of agreements entered into by the Government of India with international financial institutions, foreign lending agencies, foreign governments, contractors, suppliers, consultants etc., towards repayment of principal, of interest or commitment charges on loans etc., and /or for payment against supplies of material and equipment;

(iv) counter guarantees to banks in consideration of the banks having issued letters of credit or authority to foreign suppliers for supplies made or services rendered;

(v) guarantees given to Railways or State Electricity Boards and other entities for due and punctual Payment of dues by companies or Corporation;

(vi) performance guarantees given for fulfillment of contracts or projects awarded to Indian companies in foreign countries;

(vii) performance guarantees given for fulfillment of contracts or projects awarded to foreign companies in foreign countries.

(viii) Others.

### **250. Accounting For Guarantees :-**

A statement showing the guarantees given by the Central Government is required to be annexed to the Detailed Demands for grants prepared by the Ministries or Departments. The statements should show the position upto thirty-first March of the second

preceding year, to the year to which the Budget documents relate. For example, the Budget documents for 2004-05 will show the position of guarantees outstanding as at thirtyfirst March 2003. The form in which the statement of guarantees is to be shown would be as prescribed in the Budget circulars. Where interest payments are also guaranteed, the outstanding shown under the columns for sums guaranteed and outstanding should disclose the interest element outstanding, if any, separately. While furnishing the summary statement of guarantees to the Finance Ministry, the Ministries or Departments should ensure and certify that the amounts shown tally with the total figures in the statement to be included in the Detailed Demands for grants. While furnishing the summary statements, the Ministries or Departments should also certify that the information tallies with the material furnished to the Controller General of Accounts for the purpose of inclusion in the Finance Accounts of the relevant year.

**251. Invocation Of Guarantee :-**

In the event of invocation of a guarantee, the obligation may be discharged by sanctioning loan equal to the amount of guarantee outstanding with the approval of Budget Division, Ministry of Finance. However, any payment on this account will finally be charged to the Guarantee Redemption Fund maintained in the Public Account.

**252. Furnishing Of Data Regarding Guarantees :-**

With a view to enable the Ministry of Finance to examine cases of Government of India guarantees and extension thereto, all Ministries or Departments should furnish to that Ministry, data of certain operational parameters of the Public Sector Undertaking or Entity. In case the accounts of the Public Sector Undertaking have been audited by the Comptroller & Auditor General of India under Section 619 (4) of the Companies Act, the effect of the comments of the Comptroller & Auditor General of India on the Public Sector Undertakings profitability should be brought out. Further, where BIFR targets have been assigned to the Company, the actuals vis-à-vis targets for the preceding three years should be indicated. The data should be furnished in the Form GFR 44 along with the proposal.

CHAPTER 12

MISCELLANEOUS SUBJECTS

**253. Proposal For Additions To Establishment :-**

(1) All proposals for additions to establishment shall be submitted to sanctioning authority in accordance with the instructions contained in Rule 11 of the Delegation of Financial Powers Rules and other such instructions which may be prescribed in this regard.

(2) All proposals for creation of a new establishment or a revision in an existing establishment, whether temporary or permanent in excess of delegated powers should contain, inter alia:-

(a) the present cost of the establishment in existence;

(b) cost implications of the change proposed giving details of pay and allowances of post(s) proposed;

(c) expenditure in respect of claim to pension or gratuity or other retirement benefits that may arise in consequence of the proposals;

(d) details on how the expenditure is proposed to be met including proposed re-appropriations.

(3) A full review of the justification for continuation or conversion of temporary posts in consultation with Integrated Finance or Ministry of Finance where necessary, should precede any order for continuation of temporary posts or conversion into permanent posts.

(4) All proposals for increase in emoluments for an existing post(s) shall be referred to the Ministry of Finance for approval.

#### **254. Adjustment In Appointments :-**

A Ministry or Department competent to make appointment to posts in any cadre may make appointments in a lower post in the cadre to the extent of vacancies left unfilled in the higher posts.

#### **255. Transfer Of Charge :-**

(1) A report of transfer of a Gazetted Government servant duly made in Form GFR 33 and signed both by the relieved and relieving Government servants, shall be sent on the same day to the Head of the Department or other Controlling Officers concerned except in the following types of cases in respect of which report of transfer of charge need not be signed both by the relieving and relieved Government servants simultaneously and may be sent independently:-

(i) Where a Gazetted Government servant assumes charge of a newly created or vacant post or relinquishes charge of a post which has been abolished.

(ii) Where a Gazetted government servant vacates a post for a short period and no formal appointment or officiating arrangement

is made in his place.

(iii) Where due to administrative exigencies a government servant is required to move to another post relinquishing his post against local arrangement.

(2) In cases in which the transfer of charge involves assumption of responsibility for cash, stores, etc., the following instructions should be observed :-

(i) The Cash Book or imprest account should be closed on the date of transfer and a note recorded in it over the signatures of both the relieved and the relieving Government servants, showing the cash and imprest balances and the number of unused cheques/receipt books, if any, made over and received by them respectively.

(ii) The relieving Government servant should bring to notice anything irregular or objectionable in the conduct of business that may have come officially to his notice. He should examine the accounts, count, weight and measure certain selected articles, as applicable, in order to test the accuracy of the returns.

(iii) In the case of any sudden casualty occurring or any emergent necessity arising for a Government servant to relinquish his charge, the next senior officer of the department present shall take charge. When the person who takes charge is not a Gazetted Government servant, he must at once report the circumstances to his nearest departmental superior and obtain orders as to the cash in hand, if any.

(3) The additional procedure to be followed by an Audit Officer or Accounts Officer, etc., in making over charge of his functions in connection with the Charitable Endowments and other Trust Accounts is laid down in Appendix -12.

### **256. Date Of Birth :-**

Every person newly appointed to a service or a post under Government shall, at the time of the appointment, declare the date of birth by the Christian era with confirmatory documentary evidence such as a Matriculation Certificate, where prescribed qualification for appointment is Matriculation or above. In other cases Municipal Birth Certificate or Certificate from the recognised school last attended shall be treated as a valid document.

### **257. Rule 257 :-**

(1) Service Book : Detailed Rules for maintenance of Service Books are contained in SR 196 to 203. Service Books maintained in the establishment should be verified every year by the Head of Office

who, after satisfying himself that the services of Government servants concerned are correctly recorded in each Service Book shall record the following certificate "Service verified from .....(the date record from which the verification is made)..... upto .....(date)....." .

(2) The service book of a government servant shall be maintained in duplicate. First copy shall be retained and maintained by the Head of the Office and the second copy should be given to the government servant for safe custody as indicated below :-

(a) To the existing employees - within six months of the date on which these rules become effective.

(b) To new appointees - within one month of the date of appointment.

(3) In January each year the Government servant shall handover his copy of the Service Book to his office for updation. The office shall update and return it to the Government Servant within thirty days of its receipt.

(4) In case the Government servants copy is lost by the government servant, it shall be replaced on payment of a sum of Rs. 500/-.

### **258. Retrospective Claim Due From Date Of Sanction :-**

In the case of sanction accorded with retrospective effect the charge does not become due before it is sanctioned. In such cases the time-limit specified in Rule 264 (1) should be reckoned from the date of sanction and not from the date on which the sanction takes effect.

### **259. Due Date Of T.A. Claim :-**

Travelling allowance claim of a government servant shall fall due for payment on the date succeeding the date of completion of the journey. He shall submit the travelling allowance claim within one year of its becoming due failing which it shall stand forfeited.

### **260. Reckoning The Date In Case Of T.A. Claims By Retired Government Servants Appearing In A Court Of Law For Defending Himself :-**

Retired Government servants become eligible for reimbursement of Travelling expenses in respect of travel(s) for appearing in court of law for defending himself only when the judgement relating to his honorable acquittal is pronounced by the court. In such cases the date of pronouncements of the judgement shall be the reference point for submission and forfeiture of his T.A claim.

**261. Due Date Of Leave Travel Concession Claim :-**

Leave Travel Concession claim of a government servant shall fall due for payment on the date succeeding the date of completion of return journey. The time limit for submission of the claims shall be as under :-

(i) In case advance drawn : Within one month of the due date.

(ii) In case advance not drawn : Within three month of the due date. In case of

(i) above if the claim is not submitted within one month of the due date, the amount of advance shall be recovered but the Government employee shall be allowed to submit the claim as under (ii) above. In case of failure to submit the claim in both the cases within three months of the due date, the claim shall stand forfeited.

**262. Due Date Of Over Time Allowance Claims :-**

A claim for overtime allowance shall fall due for payment on first day of the month following the month to which the overtime allowance relates. The claim shall stand forfeited if not submitted within one year of the due date.

**263. Due Date Of A Withheld Increment :-**

In the absence of any specific order withholding an ordinary increment under FR 24 before the date on which it falls due for payment, the period of one year should be counted from the date on which it falls due and not with reference to the date on which the Increment Certificate is signed by the competent authority. Even where an increment is withheld, the time-limit should be reckoned from the date on which it falls due after taking into account the period for which it is withheld.

**264. Arrear Claims :-**

(1) Any arrear claim of a Government servant which is preferred within two years of its becoming due shall be settled by the Drawing and Disbursing Officer or Accounts Officer, as the case may be, after usual checks.

(2) For the purpose of the above provisions the date on which the claim is presented at the office of disbursement should be considered to be the date on which it is preferred.

(3) (i) A claim of a government servant which has been allowed to remain in abeyance for a period exceeding two years, should be investigated by the Head of the Department concerned. If the Head

of Department is satisfied about the genuineness of the claim on the basis of the supporting documents and there are valid reasons for the delay in preferring the claims, the claims should be paid by the Drawing and Disbursing Officer or Accounts Officer, as the case may be, after usual checks.

(ii) A Head of Department may delegate the powers, conferred on him by sub rule (i) above to the subordinate authority competent to appoint the Government servant by whom the claim is made.

### **265. Procedure For Dealing With Time-Barred Claims :-**

(1) Even a time barred claim of a Government servant, shall be entertained by the concerned authority provided that the concerned authority is satisfied that the claimant was prevented from submitting his claim within the prescribed time limit on account of causes and circumstance beyond his control.

(2) A time barred claim referred to in Rule 265 (1) shall be paid with the express sanction of the Government issued with the previous consent of the Internal Finance Wing of the Ministry or Department concerned.

### **266. Time Barred Claims Of Persons Not In Government Service :-**

The provisions of Rule 258 to Rule 265 shall apply mutatis mutandis to arrear claims preferred against Government by persons not in Government service.

### **267. Retrospective Sanctions :-**

Retrospective effect shall not be given by competent authorities to sanctions relating to revision of pay or grant of concessions to Government servants, except in very special circumstances with the previous consent of the Finance Ministry.

### **268. Currency Of Sanction Of Provident Fund Advance/Withdrawal :-**

A sanction to an advance or a nonrefundable part withdrawal from Provident Fund shall, unless it is specifically renewed, lapse on the expiry of a period of three months. This will, however, not apply to withdrawals effected in instalments. In such cases the sanction accorded for non-refundable withdrawals from Provident Fund will remain valid up to a particular date to be specified by the sanctioning authority in the sanction order itself.

### **269. Sanctions Of Refunds Of Revenue :-**

All sanctions to refunds of revenue, shall be regulated by the orders of an Administrator or of the departmental authority, as the case may be, according to the provisions of the rules and orders contained in the departmental manuals etc.

**270. Rule 270 :-**

(1) Communication of refund sanctions to audit : The sanction to a refund of revenue may either be given on the bill itself or quoted therein and a certified copy of the same attached to the bill in the latter case.

(2) Suitable note of refund to be made in original Cash Book entry and other documents : Before a refund of revenue is made, the original demand or realization, as the case may be, must be linked and a reference to the refund should be recorded against the original entry in the Cash Book or other documents so as to make the entertainment of a double or erroneous claim impossible.

(3) Remission of revenue before collection is not refund : Remissions of revenue allowed before collection are to be treated as reduction of demands and not as refunds.

(4) Refunds not regarded as expenditure for allotment : Refunds of revenues are not regarded as expenditure for purposes of grants or appropriation.

(5) Competent authority in case of credits wrongly classified : In cases where revenue is credited to a wrong head of account or credited wrongly under some misapprehension, the authority competent to order refund of revenue shall, in such cases, be the authority to whom the original receipts correctly pertain.

**271. Compensation For Accidental Loss Of Property :-**

No compensation for accidental loss of property shall be paid to an officer except with the approval of the Finance Ministry. Compensation will not ordinarily be granted to an officer for any loss to his property which is caused by floods, cyclone, earthquake or any other natural calamity or which is due to an ordinary accident, which may occur to any citizen, for example, loss by theft or as the result of a railway accident or fire etc. The mere fact that at the time of the accident, the Government servant is technically on duty or is living in Government quarters in which he is forced to reside for the performance of his duties will not be considered as a sufficient ground for the grant of compensation.

III. DEBT AND MISCELLANEOUS OBLIGATIONS OF GOVERNMENT.

### **272. Public Debt :-**

The public debt raised by Government by issue of securities shall be managed by the Reserve Bank. The Reserve Bank shall also manage securities created and issued under any other law or rule having the force of law, provided such law or rule provides specifically for their management by the Reserve Bank.

### **273. Provident Funds :-**

The procedure relating to the recovery of, subscriptions to and withdrawals from, the Provident Funds established under the provisions of Provident Funds Act, 1925 shall be regulated strictly, in accordance<sup>70</sup> with the provisions of the respective Provident Fund Rules. Following instructions should be carefully observed by the Head of the Offices for correct preparation of the Provident Fund schedules:-

- (i) A complete list of subscribers to each fund should be maintained in each disbursing office in the form of the schedule.
- (ii) Each new subscriber should be brought on this list and any subsequent changes resulting from his transfer or in the rate of subscription etc. clearly indicated in the schedule.
- (iii) When a subscriber dies, quits service or is transferred to another office, full particulars should be duly recorded in the list.
- (iv) In the case of transfer of a subscriber to another office, the necessary note of transfer should be made in the list of both the offices.
- (v) From this list the monthly schedule to be appended to the pay bill should be prepared and tallied with recoveries made before the submission of the bill for payment.

### **274. Rule 274 :-**

(1) Crediting of Interest : The deposit accounts of these funds on the Government book will be credited with interest at such rates and at such intervals as may be prescribed by Finance Ministry in each case.

(2) Maintenance of a register for recovery of Postal Life Insurance Premia : All drawing officers should maintain in Form (GFR 38) record of Postal Life Insurance policy (PLI) holders. The register should be kept up to date, the names of the policy holders should be noted in alphabetical order according to surnames, leaving sufficient space between two entries to enable newcomers names being inserted in the right place. A separate entry should be made in the register for each policy in the case of a policy holder having

more than one policy. On receipt of an intimation from the Director, Postal Life Insurance, Kolkata, about the issue of a policy in favour of a subscriber authorizing the Drawing Officer to commence recovery from pay, or on receipt of a Last Pay Certificate in respect of the subscriber transferred from another office, the Drawing Officer should make a note of the particulars of the policy in the register. The name of the office from which the subscriber has been transferred should be invariably be noted in the remarks column. Wherever a subscriber is transferred to another office or his policy is discharged, his name should be scored out from the register giving necessary remarks regarding discharge of policy or indicating the office to which the insurant has been transferred as the case may be. After the preparation of the monthly pay bill, the amount of recovery on account of PLI premium shown in the bill should be posted in the monthly column in the register with proper reference to the bills or the vouchers. The fact of excess or non-recovery should be briefly noted in the remarks column. Extracts should be attached to the relevant bills in support of the recoveries. While taking extracts it should be seen that the names of those insurants from whom recoveries were made in previous months but no recoveries have been made during the current month either on account of transfer or discharge of that policy or on account of leave salary being not drawn or the official being on leave without pay, should be included in the current months schedule and necessary remarks noted against their names. Similarly, the remarks New Policy or Transferred from..... Office, should be given in the schedule against the names of insurants entered for the first time in current month. Reasons for short or excess recovery should be noted briefly in the remarks column. In short, schedule of Postal Life Insurance recoveries to be attached to the bills, would be a record not only of those from whom the recovery has actually been effected but also of those from whom recovery was being effected previously but has not been effected.

#### IV. SECURITY DEPOSITS

### **275. Furnishing Of Security By Government Servants Handling Cash :-**

(1) Subject to any general or special instructions prescribed by Government in this behalf, every Government servant, who actually handles cash or stores shall be required to furnish security, for such amount and in such form as Central Government or an

Administrator may prescribe according to circumstances and local conditions in each case, and to execute a security bond setting forth the conditions under which Government will hold the security and may ultimately refund or appropriate it.

(2) The amount of security to be obtained from a Government servant shall be determined on the basis of actual cash handled which shall not include account payee cheques and drafts.

(3) In cases, where the security is furnished in the form of cash, the security bond should be executed in Form GFR 30 and, in cases where security is furnished in the form of a Fidelity Bond in GFR 34, the security bond should be executed in Form GFR 31. In cases where security is furnished by way of Fidelity Bond (in Form GFR 34), the Administration shall see that the government servant pays the premia necessary to keep the Bond alive, for which the government servant shall submit premium receipt in time. If the government servant fails to submit the premium receipt he shall not be allowed to perform the duties of his post and he shall be dealt with in accordance with the terms of his appointment.

(4) A Government servant who is officiating against the post of another cash or store handling Government servant shall be required to furnish the full amount of the security prescribed for the post.<sup>71</sup> The Ministry or Department of Central Government, Administrators and the Comptroller and Auditor-General in respect of persons serving in Indian Audit and Accounts Department may, however, exempt a Government servant officiating in such a short-term vacancy from furnishing security if the circumstances warrant such exemption provided that -

(i) they are satisfied that there is no risk involved;

(ii) such exemption is granted only in the case of a permanent Government servant; and

(iii) the period of officiating arrangement does not exceed four months.

**276. Rule 276 :-**

Notwithstanding anything contained in Rule 275, security need not be furnished in cases of -

(a) Government servants who are entrusted with the custody of stores, which in the opinion of the competent authority are not considerable.

(b) Government servants, who are entrusted with the custody of office furniture, stationery and other articles required for office management, if the Head of Office is satisfied about the safeguards

against loss through pilferage.

(c) Librarian and Library Staff.

(d) Drivers of Government vehicles.

**277. Retention Of Security :-**

A security deposit taken from Government servant shall be retained for at least six months from the date he vacates his post, but a security bond shall be retained permanently or until it is certain there is no further necessity for keeping it. V. TRANSFER OF LAND AND BUILDINGS

**278. Rule 278 :-**

Save as otherwise provided in any law, rule or order relating to the transfer of Government land, no land belonging to the Government shall be sold to a local authority, body or any person or institution without previous sanction of the Government.

**279. Transfer Of Land :-**

(1) Transfer of land from a Union Territory to a Central Government Department (i.e. Ministry or Department of the Union Government including Defence, Railways, and Posts and Telegraphs) or vice versa shall be on no profit no loss basis.

(2) Transfer of land from one Department of the Government (as defined in Rule 278) to another shall be on no profit no loss basis.

(3) Transfer of buildings and superstructures on land vide above shall be at the present day cost minus depreciation of these structure(s) standing on the land. Valuation for this purpose shall be obtained from the Central Public Works Department at the time of transfer.

(4) The allotment of land to, and recovery of cost of buildings from the Public Sector Undertakings shall be at market value as defined in paragraph - 2 of Appendix - 11.

(5) The transfer of land and building between the Union and State Governments shall be regulated by the provisions of Articles 294, 295, 298 and 299 of the Constitution and subsidiary instructions issued by the Union Government which are reproduced as Appendix - 11. VI. CHARITABLE ENDOWMENTS AND OTHER TRUSTS

**280. Rule 280 :-**

Detailed instructions relating to Charitable Endowments and other Trusts are embodied in Appendix -12. VII. LOCAL BODIES

**281. Financial Arrangements Between Central Government**

## **And Local Bodies :-**

(1) Unless any one of the following arrangements is authorized by specific orders of Government, a local body will be required to pay, in advance, the estimated amount of charges to be incurred or cost of services to be rendered, by Government on account of the fund :-

- (i) payments made by Government are debited to the balances of the deposits of the local fund with Government; or
- (ii) payments are made as advances from public funds in the first instance pending recovery from the local funds.

(2) Notwithstanding the provision contained in Rule 281

(1) in case of emergency such as epidemics prepayment will not be insisted upon from local bodies for supply of medicines from Medical Stores Depots of the Ministry of Health.

### **282. Rule 282 :-**

Any amount or loan not paid on due date to Government by a local body, may be adjusted from any nonstatutory grant sanctioned for payment to it.

### **283. Taxes Etc. Collected By Government On Behalf Of Local Bodies :-**

Proceeds of taxes, fines or other revenues levied or collected by Government for or on behalf of local bodies shall not be appropriated direct to a local fund without passing them through the Consolidated Fund unless expressly authorised by law.

### **284. Payments To Local Bodies :-**

Subject to provision of relevant act and rules, payments to local bodies in respect of revenue and other moneys raised or received by Government on their behalf will be made in such manner and on such date, as may be authorized by general or special orders of Government.

### **285. Audit Of Account Of Local Bodies :-**

Subject to the provisions of any law made under Article 149 of the Constitution, the accounts of local bodies, other non-Government bodies, or institutions will be audited by the Indian Audit and Accounts Department under such terms and conditions as may be agreed upon between the Government and the Comptroller and Auditor-General of India.

### **286. Audit Fees :-**

Audit fees on the basis of daily rates prescribed by Government from time to time shall be charged by the Indian Audit and Accounts Department for the audit of local and other non-Government funds, excluding funds for the audit of which the rates of fees recoverable are prescribed by law or by rules having the force of law: Provided that nothing contained in this rule shall be held to override any special instructions of Government exempting any particular local body or institution wholly or partially from the payment of audit fees.

**287. Rule 287 :-**

In the case of Government Companies, the recovery of the cost of Supplementary audit conducted under Section 619(3)

(b) of Companies Act, 1956 as amended from time to time, should be waived in those cases where the audit is done by the Comptroller and Auditor-General through his own departmental staff but should be enforced in cases where the Comptroller and Auditor-General employs professional auditors for the Supplementary audit.

**288. Rule 288 :-**

Financial transactions between Government and local bodies shall be rounded off to the nearest Rupee. VIII. DESTRUCTION OF RECORDS CONNECTED WITH ACCOUNTS

**289. Rule 289 :-**

Subject to any general or special rules or orders applicable to particular departments as prescribed in their departmental manuals, no Government record connected with accounts shall be destroyed except in accordance with the provisions of Appendix - 13. IX. CONTINGENT & MISCELLANEOUS EXPENDITURE

**290. Rule 290 :-**

Rules relating to contingent expenditure are available at Rule 13 of the Delegation of the Financial Powers Rules, 1978 and Rules 96 to 98 of the Government of India (Receipts and Payments) Rules, 1983.

**291. Permanent Advance Or Imprest :-**

Permanent advance or Imprest for meeting day to day contingent and emergent expenditure may be granted to a government servant by the Head of the Department in consultation with Internal Finance Wing, keeping the amount of advance to the minimum required for smooth functioning. Procedures for

maintenance of permanent advance or imprest are available in para 10.12 of the Civil Accounts Manual, Volume.I.

**292. Advances For Contingent And Miscellaneous Purpose :-**

(1) The Head of the Office may sanction advances to a Government Servant for purchase of goods or services or any other special purpose needed for the management of the office, subject to the following conditions:-

(i) The amount of expenditure being higher than the Permanent Advance available, cannot be met out of it.

(ii) The purchase or other purpose can not be managed under the normal procedures, envisaging postprocurement payment system.

(iii) The amount of advance should not be more than the power delegated to the Head of the Office for the purpose.

(iv) The Head of the Office shall be responsible for timely recovery or adjustment of the advance.

(2) The adjustment bill, along with balance if any, shall be submitted by the government servant within fifteen days of the drawal of advance, failing which the advance or balance shall be recovered from his next salary(ies).

**293. Rule 293 :-**

The Ministry or Department may sanction the grant of an advance to a Government Pleader in connection with law suits, to which Government is a party, up to the maximum limit of Rupees five thousand at a time. The amount so advanced should be adjusted at the time of settlement of Counsels fee bills.