

General Financial Rules, 2017

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Objectives

At the end of the 2 sessions, you will be able to:

1. Describe standards of financial propriety (वित्तीय स्वामित्व के मानकों)
2. Describe the standards of financial propriety
3. Explain the points to be kept in mind before issue of financial sanction
4. Link the General Financial Rules (GFRs) with other related financial Rules
5. Explain some of the terms used in GFRs
6. Describe the responsibilities of Controlling Officer
7. Distinguish between grant-in-aid and loan

Regulating public money: Stakeholders

- Parliament
- Parliamentary Committees
 - Departmentally related Standing Committees
 - Public Accounts Committee
 - Committee on Public Undertakings, etc
- Council of Ministers & its Committees (CCEA, etc.)

Regulating public money: Stakeholders

- C & A G
- Ministry of Finance
- NITI Aayog
- Secretary in Administrative Ministry & the Financial Adviser
- Each of the Officers in every Government organisation

Sources

- General Financial Rules, 2017
- Financial guidelines issued from time to time including economy measures issued by Ministry of Finance
- Nodal Ministry for GFRs & DFPRs: Ministry of Finance (Department of Expenditure)
- www.finmin.nic.in

Public finance

- Study of how government gets its resources and how it spends
- Indian context: Union, State and local self-government, namely, urban legislative body / panchayati raj institution
- Scope:
 - Taxation principles
 - Allocation function [among different sectors]
 - (Income) Distribution function

Public finance..

- Key difference between Public and private finance:
 - Private finance:
 - Maximisation of profit
 - Public finance:
 - Maximisation of social welfare

GFR

- General Financial Rules, 2017
- Contains procedure to be followed before incurring expenditure from public finances

Linkage between GFR and other Rules

DFPRs

- Delegation of Financial Powers Rules
- Contains delegation of financial powers
 - Head of Department
 - Head of Office

Linkage between GFR and other Rules

R & P Rules

- Receipt and Payment Rules, 1983
- Contains provisions as to how to draw and disburse public money
- Drawing & Disbursing Officer

Linkage between GFR and other Rules

GAR etc.

- Government Accounting Rules, 1990
- Civil Accounts Manual
- List of Major and Minor Heads

Linkage between GFR and other Rules

Why financial procedure?

- For uniformity
- Different authorities:
 - Approving authority
 - Authority issuing sanction letter
 - Procurement authority
 - Paying authority
 - Accounting authority
 - Auditing authority

Brief History of GFRs

- First issued in 1947 by bringing together all existing instructions on financial matters
- Modified in:
 - 1963
 - 2005
 - March, 2017

Reasons for the modification of GFRs 2005

- Recent innovative changes:
 - Removal of distinction between Plan & Non-Plan
 - Merger of Railway budget with General budget
 - Focusing on outcomes through an improved Outcome Budget document
 - Increased focus on Public Finance Management Sytem
 - Reliance on Direct Benefit Transfer Scheme

What does GFR contain?

- General system of financial management
- Cannons of financial propriety
- Budget formulation & implementation
- Maintenance of accounts
- Contract management
- Procurement of goods / services
- Inventory management
- Works
- Grants-in-aid/Loans
- Records retention schedule (App-9)
- Miscellaneous

Receipts

- All moneys received by or on behalf of the organisation, bring into organisation's account without delay
- Issue receipt in form GAR 6
- Duty of the Department concerned to ensure that all dues are collected & promptly assessed, collected & duly credited to the Consolidated Fund / Public Account / Fund of the organisation

Controlling Officer's responsibilities: [R-26]

1. Expenditure does not exceed the budget allocation
2. Incurred for the purpose for which funds have been provided
3. Incurred in public interest

Controlling Officer's responsibilities.. [R-26]

4. Adequate control mechanism 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
5. Mechanism or checks contemplated are effectively applied

Canons (Standards) of financial propriety (R-21)

- **Every officer** incurring or authorising expenditure from public moneys should be guided by *high standards of financial propriety*
- Should also enforce financial order and strict economy & see that *all relevant financial rules & regulations are observed by his own office and by subordinate disbursing authority*

Vigilance

1. Exercise the same vigilance for expenditure from public money or organisation's money as a person of ordinary prudence would normally exercise

Economy

2. *Prima-facie*, expenditure should not be more than the occasion demands

Morality

3. Financial powers not to be used to sanction expenditure which will directly or indirectly be for one's own benefit

Equality

4. Public money not to be spent for the benefit of particular person or section of people

unless:

(a) the claim could legally be enforced;

or

(b) expenditure is in pursuance with a recognised policy or custom

Reasonability & Accountability [R-144]

- Every authority procuring any item / service in public interest shall have the responsibility & accountability to bring in matters relating to **public procurement**
 - Efficiency,
 - Economy
 - Transparency
 - For fair & equitable treatment of suppliers
 - Promotion of competition in public procurement

Transparency

- Place on record in precise terms, the consideration(s) which weighed with the purchase officer while taking procurement decision

Transparency

- ✓ A subordinate authority shall afford all reasonable facilities to the Audit Officer/Account Officer for discharge of his functions, and furnish fullest possible information required by him for the preparation of any official account or report. A subordinate officer shall not withhold any information, books or other documents required by the Audit Officer or Accounts Officer.
- ✓ Any applicant may ask for information under RTI Act

Essential conditions before incurring expenditure from public money

1. Sanction of the “competent authority”
2. Expenditure within limits of “authorised budget”
3. Expenditure in “public interest”
4. “Controlling Officer” to keep himself informed of expenditure & liabilities

Financial sanction

[R – 27 to 32 plus R – 6 of DFPRs, 1978]

- Authorisation by a competent authority to incur a specified amount of expenditure on a specific item
- Payment made by the Accounts Officer
- May be in the form of ‘Letter’ or ‘Order’ [R-29]
 - If relates to matters concerning the Department proper > letter (addressed to Accounts Officer)
 - All other expenditure > Order (not addressed to any but copy endorsed to Account Officer concerned)
 - Refer to ‘forms of communication’ [Manual of Office Procedure for difference between Letter & Order]

Financial sanction

[R – 27 to 32 plus R – 6 of DFPRs, 1978]

- Issued with the concurrence of **Integrated Finance Wing** of a Department or Ministry of Finance
- Must indicate a specific amount or up to a specific limit
- Must express the amount in figures and in words
- Must be conveyed in the name of competent authority [if Cabinet is competent authority state ‘...approval of the Government’]
- Signed by an authorised gazetted officer

Financial sanction [R – 27 to 32 plus R – of DFPRs, 1978

- Must be endorsed to Audit officers [except those listed in R – 29 (xi)
 - Grant of advance to Government servants
 - Creation, continuation or abolition of posts
 - Contingent expenditure incurred by the Head of Office

Date of effect of sanction [R – 27]

- From the date of issue of sanction
- Unless any other date is specified in the sanction
- Normally prospective effect

Lapse of sanction [R – 30]

- If no payment is made within a period of 12 months **provided:**
 - Validity period prescribed otherwise by Departmental instructions
 - If a specific provision is made in the sanction that expenditure would be met out of the budget of a specific year [most sanctions specify this]
 - Sample sanction order/ letter

Competent authority

- President of India; or
- Such other authority to which the power is delegated by or under DFPRs 1978 or by any other general or special orders issued by Government of India

Head of Department

- An authority specified in **Schedule I of DFPRs, 1978**
- Any other authority declared as such under any general or special orders of a Department
- Not below the pay scale of Deputy Secretary to the Government of India

Head of Office

- A gazetted officer
- Declared as such under DFPRs, 1978
 - By a Department or
 - Head of Department
- Financial powers cannot be delegated to non-gazetted officers

Inter-departmental consultations (R-3)

- Subject is of concern of more than one Department, i.e. likely to affect Transaction of Business Rules allotted to another department
- All departments concerned to concur
- Failing such concurrence, decision of the Cabinet to be taken

Records retention Schedule (Appendix – 9 read with R - 320)

- Records connected with expenditure which is within the period of limitation fixed by law **not** to be destroyed
- Records connected with expenditure on projects, schemes or works not completed, although beyond the period of limitation – **not** be destroyed

Records retention Schedule (Appendix – 9 read with R - 320)

- Records in respect of which audit objections are outstanding – **not** to be destroyed
- Orders / sanctions of permanent nature – **not** to be destroyed

Records retention Schedule (Appendix – 9 read with R - 320)

- Cash Book maintained under R&P Rules : 10 years
- Pay Bill Register: 35 years
- Acquaintance Rolls: 3 years or 1 year after completion of audit, whichever is later

Records retention Schedule (Appendix – 9 read with R - 320)

- GPF nomination: 1 year after final settlement
- Budget Estimates: 3 years
- Service Book (entitled for retirement benefits): 3 years after issue of PPO
- Service Book (not entitled for retirement benefits): 3 years after they cease to be in service)
- Surety bonds: 3 years after Bonds cease to be enforceable

Thank you!