

DELEGATION OF FINANCIAL POWER RULES, 1978



SCHEME OF PRESENTATION

- Purpose and need for Delegation
- Definition of various terms used in the Rules
- Powers delegated to subordinate authorities
- Dos and don'ts of re-appropriation
- Broad description of Schedules to the Rules
- Powers for Appraisal and Approval of Schemes/Projects
- Powers to write-off losses



DELEGATION OF FINANCIAL POWER RULES, 1978

- Tool of Public finance management in Government
- General Rule - all powers to incur expenditure vest with Ministry of Finance
- Structure and the of governance is vast – So delegation to subordinate authorities
- DFPRs provide well defined powers for different functionaries



ADVANTAGES OF DELEGATION

- **More convenient transaction of financial business**
- **Expeditious decision making**
- **Improved efficiency**



APPLICABILITY

To whom applicable

- **Ministries/Departments (subordinate authorities)**
- **Attached and subordinate offices**
- **Union Territories**

Not applicable to:

- **Ministry of Railways/ Defence and its subordinate offices**
- **GoI representatives abroad**
- **P&T Board, Indian P&T Department**



SOME DEFINITIONS

- **Subordinate Authority** – a Department of the central government or any authority subordinate to the President
- **Primary Unit of Appropriation** – as referred to in Rule 8
- **Appropriation** – assignment to meet specified expenditure of funds included in one primary unit of appropriation
- **Reappropriation** – transfer of funds from one primary unit of appropriation to another such unit



DEFINITIONS

CONTD....

- **Head of the Department** – in relation to an office means the authority specified in **Schedule 1**
- **Head of Office** – a Gazetted Officer declared as such under Rule 14
- **Recurring expenditure** – expenditure incurred at periodical intervals
- **Non-recurring expenditure** – expenditure other than recurring expenditure



DEFINITIONS

CONTD....

- **Public Works** – civil works and irrigation, navigation, embankment and drainage works
- **Contingent expenditure** – all incidental and other expenditure including that on stores - incurred for the management of an office- not includes those classified as “Works” , “Tools and Plant”
- **Miscellaneous expenditure** – all expenditure other than that falling under the category of pay and allowances, leave salary, pensions, contingencies, grants-in-aid, contributions, works, tools and plant



GENERAL LIMITATIONS ON POWERS TO SANCTION EXPENDITURE – RULE 4

- No expenditure shall be incurred from the public revenues except on **legitimate objects of public expenditure**
- A Subordinate Authority may sanction expenditure or advances of public money in those cases only in which it is authorized to do so by
 - the provision of any law for the time being in force
 - any general or special order of the President /competent authority



EFFECT OF SANCTION

- No expenditure against a sanction without funds by valid appropriation or re-appropriation



PRIMARY UNIT OF APPROPRIATION

Rule 8

- Sub-head or standard object against which the provision of expenditure is made
- Grant or Appropriation for charged expenditure is distributed by sub-heads or standard objects
- May include both voted and chargead expenditure – amount of each shown separately



6-TIER ACCOUNTING CLASSIFICATION

Tiers of classification (15 Digits)	What it denotes
Major Head (4)	Functions of the Government
Sub-Major Head (2)	Sub-function
Minor head (3)	Programmes
Sub-head (2)	Schemes & activities
Detailed head (2)	Sub-schemes
Object head (2)	Primary unit of appropriation

PRACTICAL SIX TIER ACCOUNTING CLASSIFICATION

- Ministry of Home Affairs: Demand No. 53

2070.00.103.03.00.01

2070	Other Administrative Services (Major Head)
00	Sub-major head
103	Zonal Councils (Minor head)
03	Inter State Council (Sub-head)
00	Detailed head
01	Salaries (Primary Unit of Appropriation)
13	Office Expenses (Primary Unit of Apprn.)

SOME PRIMARY UNITS OF APPROPRIATION

Salaries	Major Works
Wages	Minor Works
DA	Machinery and Equipment, Tools and Plant
OTA	Motor Vehicles
TA/Conveyance Allowance/Deputation and Travel abroad of Scientists	Maintenance
OE	Investment or Loans
Professional and special services	Materials and Supplies
Rents. Rates and Taxes or Royalty	Interest or Dividends
Publications	Pensions or Gratuities
Advertising, Sales and Publicity Expenses	Depreciations
Grants-in-aid /Contributions/Subsidies	Inter-Account Transfers
Scholarships and Stipends	Write-off of Losses
Hospitality Expenses or Sumptuary Allowances	Suspense
Secret Service Expenditure	Other Charges



REAPPROPRIATION

- **THREE SCHEMARIOS WHERE**

- (I) **RE-APPROPRIATION IS NOT PERMISSIBLE**

- (II) **RE-APPROPRIATION IS PERMISSIBLE WITH THE APPROVAL OF MINISTRY OF FINANCE**

- (III) **RE-APPROPRIATION CAN BE DONE BY THE ADMINISTRATIVE MINISTRY**



RE-APPROPRIATION OF FUNDS IS *NOT* PERMISSIBLE

- RE-APPROPRIATION FROM:
 - VOTABLE TO CHARGED
 - REVENUE SECTION TO CAPITAL SECTION
 - ONE GRANT/APPRN. FOR CHARGED TO ANOTHER GRANT/APPRN. FROM CHARGED EXP.



RE-APPROPRIATION OF FUNDS IS *NOT* PERMISSIBLE

- **NEW SERVICE/ NEW INSTRUMENT OF SERVICE NOT APPROVED BY PARLIAMENT**
- **EXP. ON WORKS WHICH HAS NOT RECEIVED THE ADMINISTRATIVE / TECHNICAL APPROVAL**
- **FROM AND TO THE PROVISIONS FOR DEPUTATION OF SCIENTISTS ABROAD**
- **EXPENDITURE ON NEW PUBLIC WORKS NOT PROVIDED IN BUDGET WHICH MAY COST RS. 50 LAKHS AND MORE**
- **FROM SALARY HEAD TO ANY OTHER HEAD**



RE-APPROPRIATION PERMISSIBLE WITH THE APPROVAL OF MINISTRY OF FINANCE

- FROM PLAN FUNDS TO NON-PLAN FUNDS
- FROM THE UNIT “MAJOR WORKS” TO OTHER UNITS.
- EXP. ON WORKS IN EXCESS OF 15% OF AUTHORISED LIMIT.
- TO MEET EXP. ON A NEW PUBLIC WORKS COSTING RS.10 LAKHS OR MORE BUT LESS THAN 50 LAKHS.
- FROM AND TO THE PROVISIONS FOR THE ‘SECRET SERVICE EXP. (RESTRICTIONS FOR MORE THAN 25% OF BE)
- TO AUGMENT PROVISION UNDER, SALARIES, WAGES, OE, AND OTHER CHARGES TOGETHER FOR ENTIRE GRANT.



RE-APPROPRIATION PERMISSIBLE WITH THE APPROVAL OF MINISTRY OF FINANCE

- **TO AUGMENT THE SECRETARIAT EXP.**
- **FROM DIRECT EXP. TO G.I.A. TO STATES AND UTs AND VICE VERSA IN THE CAPITAL SECTION.**
- **TO AUGMENT TRAVEL EXP. EXCEEDING 10% OF THE EXISTING PROVISIONS.**



CONTD.

- REAPPROPRIATION INCREASING PROVISIONS UNDER A SUB HEAD **BY MORE THAN 25% OF B. E. OR Rs. 5 CRORE , WHICH EVER IS MORE**, SHALL BE **REPORTED TO PARLIAMENT** THROUGH LAST BATCH OF SUPPLEMENTARY DEMANDS FOR GRANTS.
- ALL REAPPROPRIATION LEADING TO INCREASING THE BUDGET PROVISIONS **BY RS.5 CRORE OR MORE** UNDER A SUB HEAD SHALL BE MADE ONLY WITH THE **PRIOR APPROVAL OF SECRETARY(E)**.



CONTD.

- **MINISTRY HAVE FULL POWERS FOR AUGMENTING THE PROVISIONS OF THE SALARIES, WAGES, PENSIONARY CHARGES, MEDICAL EXP. THROUGH RE-APPROPRIATION OF FUND ACROSS THE SCHEMES PROVIDED THE APPROVED CEILING OF THE GRANT IS NOT EXCEEDED.**



POWERS OF SUBORDINATE AUTHORITIES

Rule 13 (1): powers of Ministry/Department extend to –

- **Creation of permanent posts** – **Schedule II**
- **Creation of Temporary posts** – **Schedule III**
- **Appropriation and Reappropriation** – **Schedule IV**
- **Incur Contingent Expenditure** – **Schedule V**
- **Incur Miscellaneous Expenditure** – **Schedule VI**
- **Write Off Losses** – **Schedule VII**



FURTHER DELEGATION

Rule 13(2): Powers can be delegated to an Administrator or Head of Department or any other subordinate authority except the following.....

- Creation of posts
- Write-off of losses
- Reappropriation of funds exceeding 10% of original budget provision for either of the primary unit of appropriation or sub-head



HEAD OF OFFICE

Rule 14

- Departments/Administrators/Heads of Department shall have power to declare any Gazetted Officer subordinate to them as HOO
- Not more than one Gazetted Officer shall be declared as HOO
- Under Secretary in – charge of Administration may be declared as HOO



CREATION OF POSTS (RULE 11)

- New Organization is set up
- Expansion of existing Organization
- Restructuring of an Organization after detailed study
- To fulfill certain statutory functions
- Upgradation of posts
- **BOTH JUSTIFICATION AND MATCHING SAVINGS ARE SOUGHT**



CREATION OF POSTS

CONTD....

- Workload and functional justification
- Creation only in the approved scale of pay
- Creation of temporary posts by appropriation/ Re-appropriation
- Retrospective creation of posts with approval of Ministry of Finance
- Creation of Joint Secretary or above level post with Cabinet's approval



POWERS FOR INCURRING CONTINGENT EXP. (SCHEDULE V)

AUTHORITY	EXTENT OF POWER RECURRING	EXTENT OF POWER NON-REC.
DEPTT. OF CENTRAL GOVT.	FULL POWER	FULL POWER
V.P.SETT.	FULL POWERS	FULL POWERS
OTHER DEPTT.	FULL POWERS	FULL POWERS
ADMINISTRATOR	FULL POWER	FULL POWER



POWERS FOR INCURRING CONTINGENT EXP.

HEAD OF OFFICE OTHER THAN UNDER SECRETARY IN CENTRAL GOVT	RS. 1000 PER MONTH IN EACH CASE	RS. 5000 IN EACH CASE
UNDER SECRETARY AS H O O IN DEPTT. OF CENTRAL GOVT.	RS. 2000 PER MONTH IN EACH CASE	RS. 5000 IN EACH CASE



POWER TO INCUR MISC. EXP. (SCH. VI)

- DEPARTMENT OF THE CENTRAL GOVT. HAVE FULL POWERS FOR INCURRING ON LIGHT REFRESHMENT DURING CONFERENCES , MEETINGS, FOUNDATION STONE LAYING AND OTHER HOSPITALITY ETC. SUBJECT TO INSTRUCTIONS ISSUED BY MINISTRY OF FINANCE.



POWER TO INCUR MISC. EXP. (SCH. VI)

- **DEPARTMENT OF CENTRAL GOVT. IN CONSULTATION WITH THE F.A. HAVE FULL POWERS FOR DECIDING THE FINANCIAL LIMIT UPTO WHICH THEY CAN DELEGATE TO H.O.D.**



POWER TO INCUR MISC. EXP. (SCH. VI)

AUTHORITY	MAX. LIMIT FOR SANCTION RECURRING INDIVIDUAL ITEM	MAX. LIMIT FOR SANCTION NON-REC INDIVIDUAL ITEM
DEPTT. OF CENT. GOVT. MOP, PRESIDENT /VICE PRESIDENT SECTT. OTHER DEPTT.	FULL POWERS FULL POWERS	FULL POWERS FULL POWERS
ADMINISTRATOR OF UTs OTHER LAKHSADWEEP	FULL POWERS	FULL POWERS
ADMINISTRATOR OF LAKSHADWEEP	RS. 10000 A YEAR	Rs. 40000 A YEAR



APPROVAL OF PUBLIC FUNDED PROJECTS

- Different dispensation for approval of projects
- Appraisal necessary for seeking approvals for implementation of schemes/projects where there is outflow of funds -
 - Expenditure Finance Committee (EFC)
 - Public Investment Board (PIB)
 - Standing Finance Committee (SFC)
 - Empowered Committee for PPP projects

APPRAISAL AND APPROVAL OF PUBLIC FUNDED PROJECTS

(29.08.2014)

Scheme/Project Appraisal		Scheme/Project Approval	
Cost (Rs. Cr.)	Appraisal by	Cost (Rs. Cr.)	Approval by
Up to 100	The Admn. Dept. in the normal course	Up to 100	Secretary of the Admn. Dept. in consultation with Financial Adviser
> 100 & up to 500	SFC Chaired by Secretary of the Admn. Dept.	>100 & up to 500	Minister-in-charge of the Administrative Department
> 500	EFC/PIB Chaired by Secretary (Expenditure), except departments/ projects/ schemes for which special dispensation has been notified by the Competent Authority	> 500 & up to 1000	Minister-in-charge of the Admn. Dept. and Finance Minister, except where special powers have been delegated by Ministry of Finance
		> 1000	Cabinet/ Cabinet Committee concerned with the subject, except where special thresholds have been laid down by the Cabinet/ Committee of the Cabinet

Institutional Arrangement for Appraisal of Schemes and Projects

Expenditure Finance Committee (EFC)	
Expenditure Secretary	Chairperson
Secretary of the Administrative Ministry/Department	Member
Financial Advisor of the Administrative Ministry/Department	Member
Adviser, PAMD, NITI Aayog	Member
Representative of Budget Division	Member
Representatives of concerned Ministries/Agencies	Member
Joint Secretary, Department of Expenditure	Member-Secretary
<i>For appraisal of schemes of scientific nature, Scientific Adviser may be invited as Member.</i>	
Standing Finance Committee (SFC)	
Secretary of the Administrative Ministry/Department	Chairperson
Joint Secretary in Charge of the Subject Division	Member
Representative of NITI Aayog	Member
Financial Advisor of the Administrative Ministry/Department	Member-Secretary
<i>Representative of Department of Expenditure and any other Ministry/Department that the Secretary/Financial Advisor may suggest may be invited as per requirement.</i>	

Public Investment Board (PIB)	
Expenditure Secretary	Chairperson
Secretary of the Administrative Ministry/Department	Member
Financial Advisor of the Administrative Ministry/Department	Member
Adviser, PAMD, NITI Aayog	Member
Representative of Budget Division	Member
Representatives of concerned Ministries/Agencies	Member
Joint Secretary, Department of Expenditure	Member-Secretary
<i>For appraisal of scientific projects, Scientific Adviser may be invited as Member.</i>	
Delegated Investment Board (DIB)	
Secretary of the Administrative Ministry/Department	Chairperson
Joint Secretary in Charge of the Subject Division	Member
Representative of NITI Aayog	Member
Financial Advisor of the Administrative Ministry/Department	Member-Secretary
<i>Representative of Department of Expenditure and any other Ministry/Department that the Secretary/Financial Advisor may suggest may be invited as per requirement.</i>	

REMISSION OF DISALLOWANCE BY AUDIT AND POWER TO WRITE OFF LOSSES

(SCH. VII) RULE-17

SUBORDINATE AUTHORITY MAY EXERCISE THE POWERS TO WRITE OFF THE LOSSES SUBJECT TO:-

- THERE IS NO DEFECT IN RULES OR PROCEDURE, THE AMENDMENT OF WHICH REQUIRES THE AUTHORITY OF HIGHER AUTHORITY OR M.O.F.**
- THERE HAS NOT BEEN SERIOUS NEGLIGENCE ON THE PART OF ANY G.S. WHICH MAY CALL FOR DISCIPLINARY ACTION BY HIGHER AUTHORITY.**



POWER TO WRITE OFF LOSSES (SCH. VII)

: CONDITIONS

- **BEFORE DECISION IS TAKEN TO WRITE OFF LOSS THE DEPTT. SHOULD MAKE A THOROUGH AND SEARCHING INVESTIGATION OF THE CASES**
- **THE LESSONS LEARNT SHOULD BE APPLIED TO PREVENT THE RECURRENCE OF SUCH LOSSES IN FUTURE.**
- **QUARTERLY STATEMENT OF LOSSES SHOULD BE SUBMITTED TO F.A. INDICATING REASONS FOR LOSS, REMEDIAL MEASURES TAKEN TO PREVENT THE LOSS IN FUTURE.**



POWER OF SUBORDINATE AUTHORITY TO RELEASE FUNDS

Have powers to release funds

- for investment as equity capital of statutory corporations or companies fully owned by Central Government
- Towards grants in aid, scholarships and loans in accordance with rules or principles prescribed with previous consent of MOF
- For purchase and execution of contracts, including agreements for technical collaboration



IFA SCHEME

- Instituted by Ministry of Finance in 1975
- FA is responsible to Administrative Ministry **and** Ministry of Finance
- Selected jointly by both Ministries
- FA to be consulted in exercise of delegated powers
- Secretary – Chief Accounting Authority – can overrule advice – to indicate on the body of the sanction
- FA enjoys powers of Ministry of Finance



COMMUNICATION OF SANCTION TO AUDIT/PAY & ACCOUNTS OFFICER

- When concurrence of Finance Ministry is obtained....
- “This order/Memorandum issues with the concurrence of Finance Branch vide their U.O.No. _____ dtd._____
- When sanction is issued in consultation with IFA....
- “ This sanction issues in exercise of powers conferred onthis Department in consultation with Internal Finance Branch vide their U.O. No._____ dtd. _____
- When secretary overrules advise of Financial Adviser....
- “this sanction issues with the approval of Chief Accounting Authority. The advice of IFA was conveyed vide Dy. No. _____ dtd._____



SUMMING UP!

- Why delegation of financial power rules?
- What do you mean by appropriation, re-appropriation, Chief Accounting Authority, HOD, HOO, Contingent expenditure, and Miscellaneous expenditure?
- What are the dos and don'ts of reappropriation?
- What are schedules to DFPRs, 1978?
- Who has the powers to create posts, write off losses?
- Who has the powers to approve funds for schemes/projects?



**THANKS FOR YOUR
ATTENTION**

