

Assistant Section Officers' FTP 2020

Public Finance Module

General Financial Rules, 2017

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Sources

- General Financial Rules, 2017
- Financial guidelines issued from time to time including economy measures issued by Ministry of Finance
- www.finmin.nic.in

GFR

- General Financial Rules, 2017
- Contains procedure to be followed before incurring expenditure from public finances
- Applicable to autonomous bodies (R-1)

Brief History of GFRs

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

Reasons for the modification of GFRs 2005 in 2017

- The then recent innovative changes:
 1. Removal of distinction between Plan & Non-Plan
 2. Merger of Railway budget with General budget
 3. Focusing on outcomes through an improved Outcome Budget document
 4. Increased focus on Public Finance Management System (PFMS)
 5. Reliance on Direct Benefit Transfer (DBT) Scheme

What does GFR contain?

- General system of financial management
- Cannons of financial propriety
- Budget formulation & implementation
- Maintenance of accounts
- Contract management
- Procurement of works, goods & services
- Inventory management
- Works
- Grants-in-aid
- Loans
- Records retention schedule (App-13)
- 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

Receipts

- Credit / withdrawal of such moneys shall be governed by Government Accounting Rules, 1990 & Central Government Account (Receipts & Payments) Rules, 1983
- Progress of collection and all important variations in collections compared to Budget Estimates shall be brought to the notice of MoF

Competent authority

1. Original powers with: The President of India
2. Cabinet & Committees of the Cabinet
3. Delegated powers with the subordinate authorities:
 1. **Secretary** of a Department [Chief Accounting Authority]
 2. **Head of the Department**: Example: DG, LBSNAA; Director, ISTM; Chairperson, CEA
 1. Specified in Schedule I of Delegation of Financial Powers Rules, 1978
 2. Must be the head of the organisation (Better nomenclature > Head of the Organisation)
 3. Must be of the rank NOT below that of Deputy Secretary to Government of India (Matrix 12)
 3. **Head of Office**: Any Gazetted officer declared as Head of Office

Controlling Officer's responsibilities:

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

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

- **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*

Financial propriety or Standards of financial propriety

1. **Vigilance:** Exercise the same vigilance for expenditure from public money or organisation's money as a person of ordinary prudence would normally exercise
2. **Economy:** *Prima-facie*, expenditure should not be more than the occasion demands
3. **Morality:** Financial powers not to be used to sanction expenditure which will directly or indirectly be for one's own benefit
4. **Equality:** Public money not to be spent for the benefit of particular person or section of people unless:
 1. the claim could legally be enforced;
or
 1. expenditure is in pursuance with a recognised policy or custom

Financial propriety or Standards of financial propriety [R-144]

5. **Reasonability & Accountability:** Every authority procuring any item / service in public interest shall have the responsibility & accountability to bring in matters relating to public procurement
 - Efficiency & Economy
 - For fair & equitable treatment of suppliers
 - Promotion of competition in public procurement
6. **Transparency:** Place on record in precise terms, the consideration(s) which weighed with the purchase officer while taking procurement decision

Incurring expenditure from public finance: Essential conditions

- In 'public interest'
- Approval of the 'competent authority'
- Within limits of 'approved budget'
- Conforms to relevant provisions of the Constitution of India, the laws and rules
- Money spent for the purpose for which the Parliament wanted them to be used
- Properly classified and recorded as 'revenue' or 'capital'
- 'Controlling Officer' to keep himself informed of expenditure & liabilities

Capital and Revenue expenditure

1. Capital expenditure

- Significant expenditure

1. To acquire tangible assets of permanent nature for use in the organisation; or
2. Enhance the utility of an existing asset

2. Revenue expenditure

- Expenditure on maintenance, repairs, upkeep and other expenditure required to maintain the assets; and
- Expenses incurred for the day to day running of the organisation

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

Financial sanctions (approval)

S No	Details	
1	Sanction must contain the amount	In figures and in words
2	Sanction issued with the approval of HoD and signed by an authorized officer	Must indicate that it is issued with the approval of HoD
3	Financial communications are to be communicated,	inter alia, to the Accounts Officer and to the Audit Officer
4	Sanction issued by a Department relating matters concerning within Department	Address sanction to Accounts Officer (Pay & Accounts Officer)

Financial sanctions (approval)

S No	Details	
4	Sanction issued with the concurrence of Integrated Finance Division of the Department	Must have a para that it is being issued with the concurrence of IFD with Diary number and date of concurrence
5	Sanction issued in consultation with DoPT, MoF, etc.	Must have a para that it is being issued with the consultation of DoPT etc. with Diary number and date of consultation

Lapse of a sanction

1. Sanction must indicate details of head of accounts to which expenditure is to be debited along with the financial year
2. Such a sanction lapses on the closing day of that financial year
3. If the currency of a sanction is specified in a departmental instruction, it lapses on the expiry of that period
4. In case of long gestation scheme, sanction will not lapse till completion of the scheme

Records retention Schedule (Appendix – 9)

- 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)

- 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

Government e-Market place (GeM) (R-149)

- Online common use goods and service
- **Mandatory** to procure from GeM
- Credential of suppliers certified by DGS&D [now GeM SPV]
- Procuring authority to certify reasonability of rates

GeM Rs 25000 [R-149 (i)] (Direct purchase)

- Up to Rs.25,000 through any of the available suppliers on the GeM
- Meeting the requisite quality, specification and delivery period

GeM 5 lakh [R-149 (ii)] (L1 purchase)

- Seller having lowest price amongst the available sellers, of at least three different manufacturers, on GeM
- Meeting the requisite quality, specification and delivery period
- The tools for online bidding and online reverse auction available on GeM can be used by the Buyer if decided by the competent authority

GeM 5 lakh plus [R-149(iii)] (Bid/RA purchase)

- using online bidding or reverse auction tool provided on GeM
- through the supplier having lowest price
- Meeting the requisite quality, specification and delivery period
- After mandatorily obtaining bids
- Annual procurement plan
- Business Analytic tool

Electronic Reverse Auction [R-167]

- On-line real time procurement technique to select successful bid
- Involves presentation by bidders of successively more favourable bids during a scheduled period of time; and
- automatic evaluation of bids

GeM advantages: for Buyers

1. Rich listing of products for individual categories of Goods/Services
2. Search, Compare, Select and Buy facility
3. Buying Goods and Services online, as and when required.
4. Transparent and ease of buying
5. Continuous vendor rating system
6. User-friendly dash board for Buying and monitoring supplies and payments
7. Easy Return policy

GeM advantages: for Sellers

1. Direct access to all Government departments.
2. One stop shop for marketing with minimal efforts.
3. One stop shop for bids / reverse auction on products / services
4. New Product Suggestion facility available to Sellers
5. Dynamic pricing: Price can be changed based on market conditions
6. Seller friendly dashboard for selling and monitoring of supplies and payments
7. Consistent and uniform purchase procedures

Buyer registration

- Requirements to register on GeM portal:
 - Aadhaar, official mail id (gov.in/nic.in), official landline number and bank account details
- If name of a Department not on 'Department' list?
 - For addition of department send a mail to GeM with the following details-
 - Organization type
 - State (in case it is not under Central Government)
 - Ministry Name
 - Department Name

User, Post & Role

- GeM factors all scenarios in government organizations, such as multiple roles, additional charges, roles across different organizations
- **'User'** uniquely identifies a person in GeM platform e.g. individual named Ram Sarin
- **Post** identifies a designation within an organization e.g. Assistant Engineer
- **Role** identifies different functions that users can do in GeM system e.g. Buyer, Consignee, Approver etc.

Roles played by secondary users

- 1. Buyer:** Buyer will select the item for purchase and will place the order on behalf of his organization
- 2. Consignee:** Consignee will receive the item and will generate the PRC and CRAC certificate
- 3. DDO (only for PFMS payment mode users):** DDO will forward the bill to PAO of PFMS
- 4. Paying Authority/PAO (for other than PFMS payment mode users):** Paying Authority/PAO will make the payment to supplier/vendor

NOTE:

In case of PFMS payment method, there is no role of Paying Authority/PAO in GeM PAO from PFMS just needs to login to PFMS portal to make the payment after the bill has been forwarded by DDO to PFMS portal. PAO from PFMS can see and verify on-line the various documents related to the procurement before making payment).

Direct purchase (Up to Rs.25,000)

- **Last purchase price**: After the Buyer adds his/her product to cart, he/she will require to 'Proceed to Checkout'. Before check out, his/her last purchase price will be available.
- A Buyer can select **multiple delivery locations** for purchasing goods on GeM. He/She can upload address details of consignee, quantity of goods and location in an excel format to the portal.
- Possible to edit **delivery days** before placing contract.
- Comparison is not required for direct purchase

Bunching / Bundling

- Bunching
- Bundling
- Multi-carting

Thank you

Public Finance Management System (PFMS)

1. An integrated Financial Management System of Controller
2. General of Accounts (CGA), Government of India
3. Used for:
 1. Sanction of expenditure
 2. Preparation bill
 3. Processing of bill
 4. Payment
 5. Receipt management
 6. Direct Benefit Transfer
 7. Fund flow management and
 8. Financial reporting

Public Finance Management System (PFMS)

1. Ministries sanctioning grant-in-aid shall register all implementing agencies
2. Till the last level of implementation on PFMS to track fund flow and **unspent balances**
3. All the payment, to the extent possible, shall be released '**just-in-time**' by the Ministries through PFMS
4. Detailed Demand for Grants (DDG), as approved, must be uploaded on PFMS at the start of each financial year
5. All the re-appropriation orders, surrender order shall be generated through PFMS system
6. All grantee institutions shall submit Utilisation Certificates on PFMS