

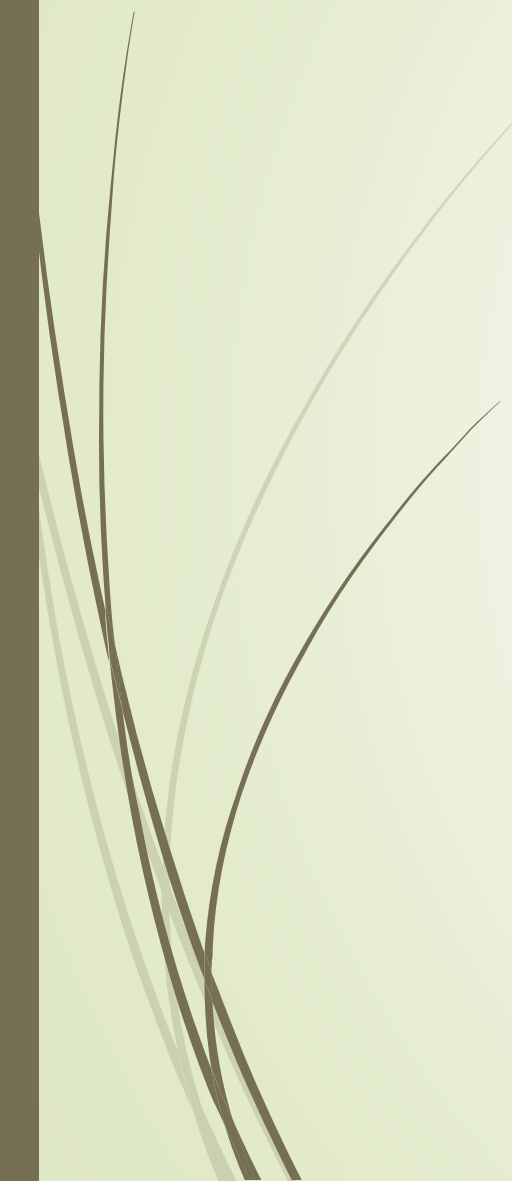


Delegation of Financial Power Rules 1978

~Rakesh C. Sajjan



Purpose of Financial Management

- *To prevent and detect errors and irregularities*
 - *To guard against loss and wastage of public money and stores*
 - *To apply prescribed systemic checks effectively*
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Introduction

- Financial control over public exchequer includes well defined and well laid down procedures regarding collection of revenue for public exchequer and incurring of expenditure from public funds.
- General Financial Rules, 2017 help in this matter
- 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.

Introduction

- 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, 2005 and 2017
- The General Financial Rules, 2017 are **supplemented** by the Delegation of Financial Powers Rules, 1978, **which lay down the financial powers of different functionaries** for incurring expenditure of public funds for better and effective control and monitoring of Government spending out of the allotted funds.

DFPR, 1978

- All powers to incur expenditure out of public funds (Consolidated Fund of India) vest with the Government in the Ministry of Finance.
- The structure of governance in India and the area of governance is so vast that it is not possible for the Ministry of Finance to authorize all the expenditure of government of India.
- The Delegation of Financial Powers Rules, 1978 is the compendium containing all the orders delegating powers to authorities other than the Ministry of Finance.
- These Rules came in to force with effect from the 1st August, 1978 repealing the Delegation of Financial Powers Rules, 1958. The Rules have been amended from time-to-time since their publication in the Gazette of India, dated the 22nd July, 1978.

DELEGATION OF FINANCIAL POWERS RULES, 1978

CONTENTS

- 1. Short title and commencement**
- 2. Power to relax**
- 3. Definitions**
- 4. General limitations on power to sanction expenditure**
- 5. Residuary Financial Powers**
- 6. Effect of sanction**
- 7. Provisions of funds by Parliament**
- 8. Primary units of Appropriation**
- 9. Allotment of Funds**
- 10. Appropriation and re-Appropriation -General Restrictions**
- 11. Creation of posts**
- 12. Abolition of posts**
- 13. Powers of subordinate authorities**
- 14. Head of Office**
- 15. Insurance of Government property**
- 16. Delegation of powers to incur expenditure**
- 17. Remission of disallowances by Audit and writing off of overpayments made to Government servants**
- 18. Expenditure on schemes or projects**
- 19. Power to release funds**
- 20. Grants and Loans**
- 21. Indents, contracts and purchases**
- 22. Trading operation**
- 23. Payment of Commutation money**
- 24. Sale etc. of public buildings**
- 25. Communication of sanctions to Audit**
- 26. Repeal and Savings**

SCHEDULE 1 :-LIST OF HEADS OF DEPARTMENTS, MINISTRY OF AGRICULTURE AND IRRIGATION

SCHEDULE 2 :- Powers to Create Permanent Posts

SCHEDULE 3 :- Powers to Create Temporary Posts

SCHEDULE 4 :- Powers of Appropriation and Re-Appropriation

SCHEDULE 5 :- Powers of Incurring Contingent Expenditure

SCHEDULE 6 :- Powers to incur miscellaneous expenditure

SCHEDULE 7 :- Powers to Write off Losses



DFPR, 1978

- ▶ President has the powers under **Rule 2** of these rules:
 - ▶ to relax all or any provisions of these rules in relation to any authority;
 - ▶ delegate to any authority powers in addition to the powers delegated under these rules;
 - ▶ reduce the powers delegated to any authority to the extent specified in the order;
 - ▶ impose conditions in addition to those specified by these rules ;and
 - ▶ for specified reasons withdraw from any authority all/any of the powers delegated under these rules.



Definitions

- **Head of Dept** - means an authority/person specified in Schedule I and includes any such authority or person as the concerned department in the Central Government may, by order, specify, as a Head of the Department. He/she should not be lower than that of a Deputy Secretary to Government of India.
- **Head of Office** - means a Gazetted Officer declared as such under Rule 14 of these rules (Rule 14 specifies that Department of the Central Government, Administrators and Heads of Departments shall have power to declare any Gazetted Officer subordinate to them as Head of an Office for the purpose of these rules, and no more than one Gazetted Officer shall be declared as Head of Office in respect of the same office/establishment)

Definitions

- ▶ **'Recurring expenditure'** means the expenditure which is incurred at periodical intervals.
- ▶ **Contingent expenditure** means all **incidental** and other expenditure including expenditure on stores, which is **incurred for the management of an office**, for the working of technical establishment such as a laboratory, workshop, industrial installation, store-depot, office expenses and the like but does not include any expenditure which has been specifically classified as falling under some other head of expenditure, such as "Works", "Tools and Plan";
- ▶ **General limitations on power to sanction expenditure** No expenditure shall be incurred from the public revenue except on legitimate objects of public expenditure, and that a Subordinate Authority may exercise the power to sanction expenditure subject to any general/special order, direction/stipulation which the authority delegating or re- delegating such power may issue/prescribe from time to time.



Definitions

- **"miscellaneous expenditure"** means all expenditure other than expenditure falling under the category of pay and allowances of Government servants, leave salary pensions, Contingencies, grants-in-aid, contributions, works, tools and plant and the like.
- **Primary Unit of Appropriation:** A grant or Appropriation for expenditure is distributed by sub-heads or standard objects. Primary unit of appropriation can be Salary, Wages, Office Expense, Travel Expense, Dearness Allowance etc (**Rule 8**)
- **Reappropriation:** Means transfer of funds from one primary unit of appropriation to another.

DFPR, 1978

- ▶ The financial powers not specifically delegated to any authority (known as Residuary Financial Powers) vest in the Finance Ministry. (**Vide Rules 4 and 5**).
- ▶ Expenditure against a sanction shall be incurred only when funds to meet the expenditure/liability are made available by valid Appropriation/Re-appropriation.
- ▶ Demand for Grants or Appropriation for charged Expenditure are presented to Parliament on behalf of appropriate Ministry. Only once the demands have been voted and the Appropriation Act passed, the amounts so authorised become available to ministry. (**Rule 7**)
- ▶ **Allotment of Funds(Rule 9):** Ministry on whose behalf a grant or appropriation for charged expenditure is authorised by parliament shall distribute the sanctioned funds, where necessary, among the controlling and disbursing officers subordinate to it.

Appropriation and Re-appropriation (Rule 10)

- No funds will be appropriated/ re- appropriated to meet expenditure which has not been sanctioned by an authority competent to sanction it.
- Funds provided for charged expenditure shall not be appropriated/re-appropriated to meet votable expenditure and vice versa.
- Prior approval of the Parliament for expenditure from the Consolidated Fund is required, for setting up a new undertaking/taking up a new activity by an existing departmental undertaking and involving Capital Expenditure
- Funds shall not be appropriated /re-appropriated to meet expenditure on a new service/new instrument of service not contemplated in the budget as approved by Parliament.

DFPR, 1978


- ▶ In the case of Grant-in aid to statutory and other public/private institutions under Revenue Expenditure, the prior approval of the Parliament for meeting the expenditure out of the Consolidated Fund of India is required
- ▶ **Rule 11 to 13** deals with powers of subordinate authorities relating to creation of posts and abolition of posts.
- ▶ Rule 11 provides that no post shall be created in the Secretariat office/department of the Central Government unless the scale/rate of pay on which the post is created has been approved by the President.
- ▶ Abolition of posts is covered under Rule 12, which states that a subordinate authority may sanction the abolition of post which it is competent to create.

Powers of subordinate authorities

- ▶ The powers vested in the departments of the Central Government/Administrators and Heads of Departments in relation to *creation of permanent posts, temporary posts, Appropriation and re-appropriation, incurring of contingent or miscellaneous expenditure, write off of losses* are specified in **Schedules II to VII** of these Rules
- ▶ However, no powers can be delegated to any subordinate authority in respect of:
 - ▶ (a) Creation of posts;
 - ▶ (b) Write off of losses; and
 - ▶ (c) Re-appropriation of funds exceeding 10 percent of the original budget provision for either of the primary units of appropriation/sub head.

Powers of subordinate authorities

- *Rule 16 provides that a Head of Office may have power to authorize a Gazetted Officers serving under him to incur contingent/miscellaneous expenditure on his behalf subject to restrictions as may be laid down by him.*
- *The Administrator/Head of the Department shall, however, continue to be responsible for the correctness, regularity and propriety of the decisions taken by the Gazetted Officer to whom powers have been delegated.*
- *The rules provide that the powers cannot be delegated to a Non-Gazetted Officer.(Rule-13)*



➤ **Government property both movable and immovable is not to be insured** and no expenditure has to be incurred/liability undertaken in connection with the insurance of such property without the previous consent of the Finance Ministry. Motor vehicles owned by the Central Government used for purposes not connected with any commercial enterprise, are exempt from compulsory insurance against third party risk by virtue of sub-section (2) of Section 94 of the Motor Vehicle Act, 1939. Such vehicles shall not therefore be insured. **(Vide Rule 15).**

➤ Exception, however, are:

- Insurance of materials and equipments received on loan/as aid from Foreign Governments/ International/Other Organizations; if terms of contract /agreements entered into with them demand so.
- Where for booking of goods by rail/road, an enhanced risk rate is provided, additional charges above

DFPR, 1978

- ▶ A Department of the Central Government/an Administrator/or any other subordinate authority, to whom powers may be delegated by or under special order of the President, *may waive the recovery of an amount disallowed by an Audit Officer/ Accounts Officer, or otherwise found to have been overpaid to a Government servant subject to specified conditions.* **Rule 17** specifies the principles for remission of disallowances by audit and writing off of overpayments made to government servants.
- ▶ A Department of the Central Government may sanction expenditure on any scheme/ project, the total outlay on which does not exceed ` *one crore fifty lakhs*, (the limit includes the entire cost of the scheme upto the date of completion, both recurring/ non-recurring), cost of the works, even where the provision for such work is made in a demand under the control of another Department, *if the scheme has been approved by the Finance Ministry*
- ▶ Further approval of the Finance Ministry shall not be required to sanction excess expenditure over the *original estimates of a sanctioned scheme up to ten per cent or ` five crores whichever is less* (in the case of plan scheme), and ten percent or ` three crores whichever is less (in the case of non-plan scheme).

DFPR, 1978

- ▶ The enhanced powers are, however, to be exercised subject to the approval of the schemes of specified costs by the prescribed authorities. **(Rule 18)**
- ▶ Government of India's decision 4(A)3 below Rule 18 specifies that the increase in the cost will be approved by the Administrative Ministry/Department in consultation with the Budget Division of Ministry of Finance(Planning Commission dissolved w.e.f 01.01.2015)
- ▶ A Department with Integrated Finance Scheme can sanction Non-plan expenditure on schemes costing less than Rs.300 crores, with specified financial limit by the prescribed authority but no Non-plan post would be created under this power.(GID 4(B) below Rule 18)
- ▶ Ministries/Departments of the Central Government may issue expenditure sanction in respect of Major Works costing up to `5 lakhs without consulting the Ministry of Finance.

DFPR, 1978

- **Power to Release Funds** The Departments of the Central Government have powers to release funds for investment as equity capital of statutory corporations/ companies wholly owned by the Central Government, within the allotment in the Budget/Appropriation/Re-appropriation of funds or advance sanctioned for the purpose from the Contingency Fund. **(Rule 19)**
- **Grants and Loans Rule 20** prescribes the principles as regards powers to sanction grants-in-aid including scholarships and loans
- **Indents, Contracts and Purchases** A department of the Central Government shall have full powers to sanction expenditure for purchase and execution of contracts including agreements or contracts for technical collaboration or consultancy services subject to the: (i) Power of GFR-2017 (ii) Delegation of financial powers in the DFP Rules, 1978; (iii) Purchasing powers delegated from time-to-time to the indenting departments for making purchases.

DFPR, 1978

- ▶ Delegation to Secretary of Department concerned is as under vide GIMOF Notification no. 1(11)/E.II (A)/03 dated 16.09.2003-(Rule-21 (b))
 - ▶ a. open / Limited tender contracts upto rupees twenty crores.
 - ▶ b. Negotiated /Single Tender or Proprietary contracts upto rupees five crores.
 - ▶ c. Agreements or contracts for technical collaboration and consultancy services upto rupees two crores.
- ▶ Contracts or purchases exceeding these values in categories above require approval of the Minister in charge of the Department.



DFPR, Delegation of Financial Powers in IA&AD

- Under Article 148(5) of the Constitution of India, the conditions of service of persons serving in the Indian Audit and Accounts Department and the administrative powers of the Comptroller and Auditor General shall be such as may be prescribed by rules made by the President after consultation with the Comptroller and Auditor General.
- MSO (Admin) Vol II contain information w.r.t delegated powers within the IA&AD



THANK YOU