

**PRESENTATION**

**ON**

**GOVERNMENT ACCOUNTING  
BUDGET**

**General Financial Rules**

**By**

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# Basic Principles of Govt Accounts

- No money can be spent from the Consolidated fund unless parliament has authorised it by passing the necessary Appropriation account
- Appropriation Account alongwith the demand for Grants indicates the purpose for and objects on which Parliament authorises the executive to spend money from CFI.
- For the drawal from Public Account, no authorisation by legislature is necessary.
- President may lay down the rules to regulate such withdrawals
- Parliament can not vote money for any purpose whatsoever except at the demand and responsibility of executives.

# Basic Principles of Govt Accounts

- Only Parliament & State legislature has authority to enact legislation for raising Govt revenues.
- Executive has no powers to impose taxes
- Revenue collected and loans raised are credited to the Consolidated fund
- Besides Consolidated Fund, there is Public Account where the Govt acts as banker or creditor.
- Under Article 284 of the Constitution, all moneys received by or deposited by any officer employed in connection with the affairs of the Union in his capacity other than public moneys raised or received by the Govt ,shall be paid into the PUBLIC ACCOUNT
- Third fund called Contingency fund from which money can be withdrawn on the orders of the President/Governor to meet emergent commitments or for meeting the expenditure for new services not provided in the budget pending authorisation by the Parliament of the state legislature

# FINANCIAL STRUCTURE

EXECUTIVES



Ministry of Finance  
Administrative Machineries  
Other Agencies

PARLIAMENT



ESTIMATES COMMITTEE  
PUBLIC ACCOUNTS COMMITTEE  
COMMITTEE ON PUBLIC UNDERTAKINGS

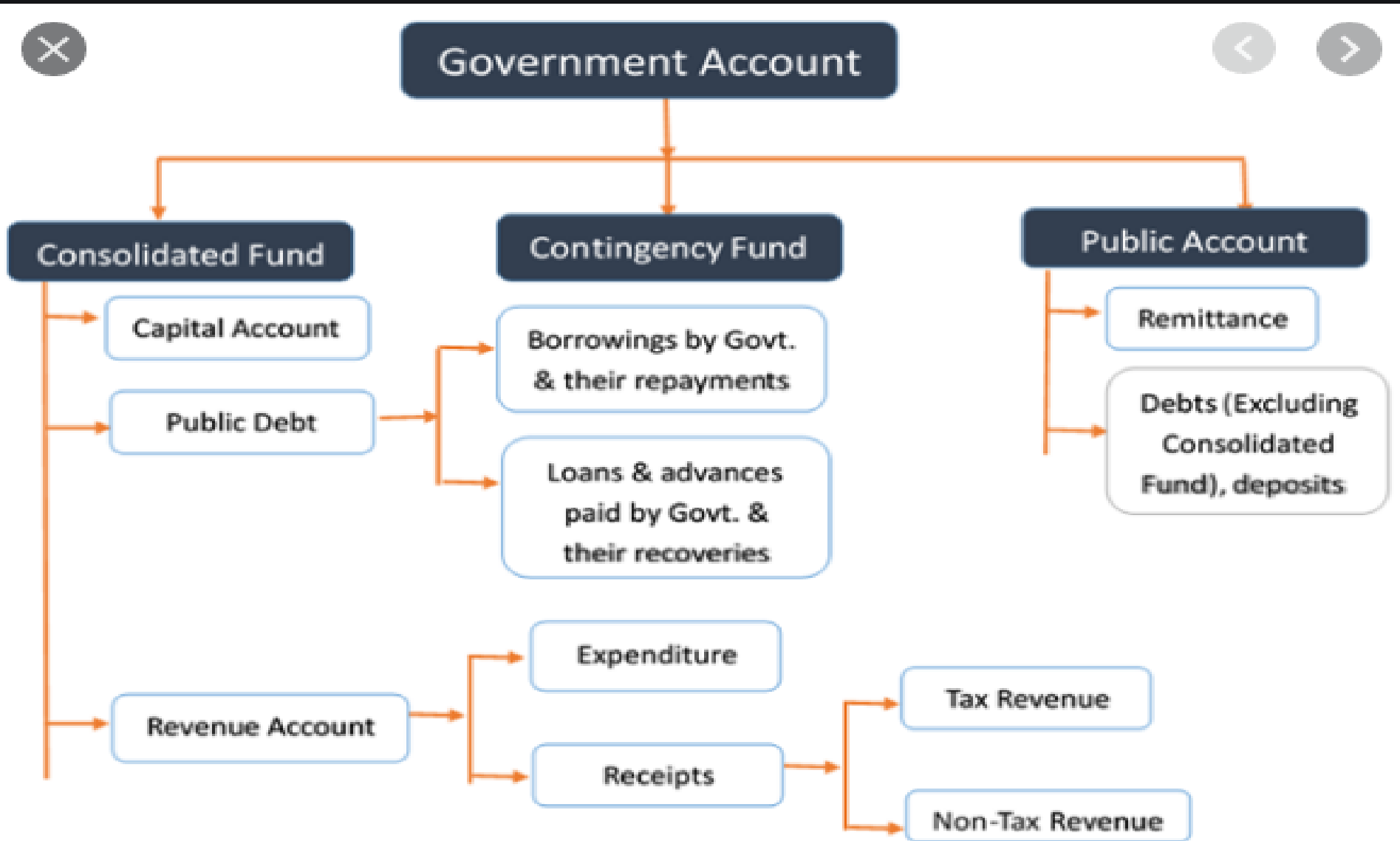


COMPTROLLER GENERAL OF INDIA

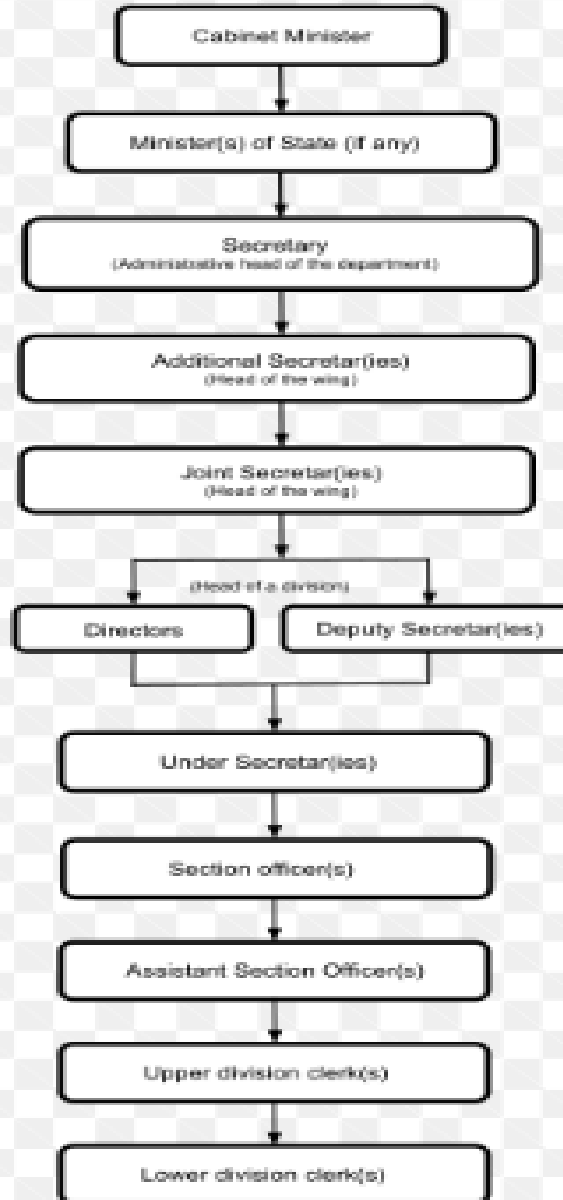
# Government Financial System

- Period : 1<sup>st</sup> of April to 31<sup>st</sup> of March (Rule 42,&75 GFR)
- Cash based accounting (Rule 74 GFR)
- Budget: Art.112(1) Constitution, Rule 43 GFR
- Form of Accounts : Consolidated Fund of India, Contingency Fund of India and Public Accounts of India (Rule 72 &77, GFR)
- Contingency Fund: Act & Rules: Rs.500 Cr., Secy.DEA-unforeseen expenditure including a new service not contemplated
- Voted expenditure, Charged Expenditure (Rule 83 GFR)
- Revenue and Capital Expenditure (Rule 84 GFR 2017,& MOD(F) U.O.No.256/Dir(Finance) 9.2.07-Rs.10 lakhs and 7 years)

# STRUCTURE OF GOVERNMENT ACCOUNTS



Organizational structure of a department in  
The Government of India



# BUDGET-OVERVIEW

- A budget is a financial plan used to estimate revenues and expenditures for a specific period of time.
- It is a management and planning tool, not just an accounting document. It assists in the allocation of resources.
- A budget allocation is the amount of funding designated to each expenditure line.
- It designates the maximum amount of funding an organization is willing to spend on a given item or program, and
- It is a limit that is not to be exceeded by the employee authorized to charge expenses to a particular budget line.



# HISTORY OF BUDGET

- On April 7, 1860 the then Finance Minister of India, James Wilson under British rule presented the first budget of India.
- First budget of independent India was presented by Sir RK Shanmukham Chetty on 26<sup>th</sup> Nov.1947 for seven and half months interim budget.
- In 1949-50 and 1950-51 John Mathai presented the union budget of India who also announced the Planning commission.
- JL Nehru became the first PM to present the budget when he held the finance portfolio.
- Interim budget of 1992-93 was a historic budget when import duty was reduced from 300% to 50 % paving the way for liberalisation
- During the 2017-2018 , three important decisions were taken:-
  - By merging the railway budget with union budget
  - Advancing the budget presentation from last day of Feb to first Feb.
  - Scrapping Plan & Non-plan expenditure
- Budget presentation mandated under Article 112(1) of constitution of India

# BUDGETARY PROCESS

- General discussion on budget
- Discussion and voting on the demands for Grants
- Passing the Appropriation Bill
  - ❑ After demands for grants are approved bill introduced to provide for appropriation of money required to meet the grants
- Passing of the Finance bill
  - ❑ Parliament then sets to approve the Finance bill which contains the proposal of Govt for raising the required revenue and budget is said to be passed with the passing of Finance bill

# Budgeting System

- Union Budget-Annual Financial Statement presented in Parliament by Finance Minister
- Stages of Budgeting are:
  - Stage I : Preparation of Estimates
  - Stage II: Scrutiny & Consolidation of Estimates by Ministries & Departments
  - Stage III: Scrutiny & Settlement of disputes by Ministry of Finance
  - Stage IV: Consolidation of Estimates and Cabinet approval
- Concept of Demand for Grants

# Budget (Govt.) Receipts

## Revenue Receipts

## Capital Receipts (Components)

### Tax Revenue

### Non-tax Revenue (Components)

#### Direct Tax

*(Liability to pay and burden of tax falls on the same person)*  
(Components)

- (i) Income tax
- (ii) Corporate tax
- (iii) Wealth tax
- (iv) Gift tax
- (v) Estate duty
- (vi) Expenditure tax

#### Indirect Tax

*(Liability to pay and burden of tax falls on different persons)*  
(Components)

- (i) Sales tax
- (ii) Custom duty
- (iii) Excise duty
- (iv) Service tax
- (v) Entertainment tax

- (i) Interest receipts
- (ii) Profits and dividend
- (iii) Fees and fines
- (iv) External grants
- (v) Special assessment (or tax)

- (i) Recovery of loans
- (ii) Disinvestment
- (iii) Borrowings
- (iv) Provident funds

# BUDGET -DEVELOPING/PLANNING

- Budgets are usually developed for 12-month periods.
- When developing a budget, revenues are usually estimated first to determine the level of resources that will be available in the upcoming budget year.
- Based on the estimated resources, expenditure limits, also called budgetary allocations, are assigned to each budget category.
- When developing budgetary allocations, all needs of the organization are taken into account and decisions are made where best to allocate available money.

# BUDGET ALLOCATION

- When developing a **budget**, revenues are usually estimated first to determine the level of resources that will be available in the upcoming **budget** year. Based on the estimated resources, expenditure limits, also called budgetary **allocations**, are assigned to each **budget** category.

# Budget Category Allocations

- Budgets are usually divided into departments and program units.
- This allows for easier identification of the resources allocated to specific programs and functions.
- Each category can be made of several budget allocations, referred to as line items, for the specific needs necessary to support the program or overall department operation.

# Adjusting Budgetary Allocations & Re-appropriations

- Budgetary allocations might not always be sufficiently estimated.
- This can happen when adequate funding for predictable or re-occurring expenses are not included in the budget.
- This might require the budget to be modified after adoption to account for the shortfall.
- Typical corrections will include transferring funds ( RE-appropriations) from other allocation categories or from the organization's surplus, sometimes referred to as savings.
- Just as budgetary allocation estimates can be insufficient, revenues can be underestimated.
- This can happen if a downturn in the economy occurs after a budget is adopted, thus harming revenue streams.
- Insufficient revenues might require the need to reduce budgetary allocations in order for expenditures not to exceed revenues at the end of the budget year.



# BUDGET MONITORING

- Budgetary allocations should be routinely monitored to ensure the amounts budgeted are sufficient to meet expenditures.
- It is important to have a tracking system in place for all purchase orders and bills.
- The purchase orders and bills should be matched regularly against the budgetary allocation to ensure sufficient funds exist for the remainder of the budget year.

# Capital Budget

- Land acquisition
- Infrastructure
- Plant & Machinery
- Weapon systems
- Ships, submarines, aircrafts

# Control of Expenditure

- Every spending authority must ensure that:
  - expenditure is incurred for the approved purpose,
  - it is within the sums allotted,
  - it has been incurred under the authority competent to sanction it, and
  - Due prudence has been shown in its incurrence
- Sanction
- Delegation
- Budget
- Audit and accountability

# Re-appropriation and Vote on Account

- Re appropriation: transfer of funds from one primary unit to another
- No re appropriation between Capital and Revenue Heads is permitted
- No re appropriation after expiry of Financial Year
- Permissible out of savings arising out of allotments at disposal
- Re appropriation between Minor Heads by Govt. of India
- Re appropriation between sub heads of Minor Heads by Ministry
- Re appropriation permissible between Expenditure Heads only

# Re-appropriation and Vote on Account

- Powers of re appropriation vested in :
  - Govt. of India
  - Central Controlling Authorities
- Vote on Accounts: To cover the expenses done during the period of budget discussion in parliament

# Revenue Budget

- Pay & Allowances
- Stores and Consumables
- TA/DA
- Conservancy/Outsourcing
- Annual Repair and Maintenance.
- Statutory and obligatory Charges.



# WELCOME

## General Financial Rules 2017

By

**Surendra Koolwal, Sr. AO**

# What is GFR :-

- A compilation of general provisions to be followed by all offices of Govt. of India in dealing with Financial matters.



# GFR 2017

- First issued in 1947 in the Form of Executive Instructions.
- Modified subsequently as GFR 1963.
- Several amendments and modifications issued thereafter.

# Content of GFR 2017:-

- There are twelve (12) chapters.
- There are twelve (12) Appendix.
- Different types of Forms.
- Total numbers of Rules in GFR 2017 is 324.

# Topics Covered in GFR

1. Introduction.  
(Rule 1-6)
2. General System of Financial Management.  
(Rule 7- 39)
3. Budget Formulation and Implementation.  
(Rule 42 – 70)
4. Government Accounts.  
(Rule 71- 129)
5. Works.  
(Rule 130 - 141)
6. Procurement of Goods and Services.  
(Rule 142 - 206)

# Topics Covered in GFR.....

7. Inventory Management.  
(Rule 207 - 223)
8. Contract Management.  
(Rule 224-227)
9. Grants-in-Aid and Loans.  
(Rule 228 - 263)
10. Budgeting and Accounting of Externally Aided Projects.  
(Rule 264 - 274)
11. Government Guarantees.  
(Rule 275 - 283)
12. Misc Subjects viz Establishment, Limitation of Claims, Security Deposits, Endowment Funds, Maintenance of Records, Contingent Expenditure etc.  
(Rule 284 - 324)

# Chapters 1: Introduction

- Rules 1 to 6
- CAPEX Model: in the CAPEX model, capital expenditures is used by the buyer to straightway purchase goods followed by procurement of consumables, arranging AMC after warranty period and disposing the product after useful life.

- OPEX Model: in the OPEX Model, the seller provides the goods, maintains it and also provides the consumables as required and finally takes back the goods after useful / contracted life. The expenditure is made by the buyer in a staggered manner as per the terms and conditions of the contract.

# Chapter -2: General system of Financial Management.

- Rules 7 to 41
- Rule 8(2) : the head of account to which money shall be credited and withdrawal of money shall be governed by Government Accounting Rules 1990 and the Central Government Account (Receipts and Payments ) Rules, 1983.

- Rule 26: Responsibility of Controlling Officer in r/o Budget allocation:
- The expenditure does not exceed the budget allocation.
- Expenditure is incurred for the purpose for which funds have been provided.
- Expenditure incurred in public interest.
- Adequate control mechanism is functioning in the department.



- Rule 27(1): 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.
- Rule 30: lapse of sanction: After a time lapse of 12 months except store purchase if tenders have been accepted/Indents have been issued.

# Defalcation and Losses

- Rule 33 – Report of Losses
- Cases of serious Irregularities should be brought to the notice of Financial Advisor/Chief Accounting Authority of Ministry and CGA, Min of Finance.
- Report of Losses at two stages
- (i) Initial Report- as soon as it takes place/noticed
- (ii) Final Report- After due Investigation indicating the nature of loss and causes and prospects of recovery

# Defalcation and Losses

- Rule 34: loss of government property due to fire, theft, fraud: all losses above the value of rupees fifty thousand due to suspected fire, theft, fraud, etc., shall be invariably reported to the police for investigation as early as possible.

# Chapter 3: budget formulation and implementation.

- Rule 42 to 70
- Rule 43(1) presentation of budget to parliament.: 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.

# Budget Formulation

- Rule 43(3): the provisions for preparation , formulation and submission of budget to the parliament are contained in article 112 to 116 of the constitution.

- Rule 55: vote on account: to cover expenditure for a brief period in accordance with the provisions of article 116 of the constitution.
- Rule 58: maintenance of liability register for effecting proper control over expenditure in form GFR 3.

- RULE 65(1) : re-appropriation of funds: subject to provisions of rule 10 of the delegation of financial powers rules, , re-appropriation of funds from one primary unit of appropriation to another such unit within a grant .

# Chapter -4: Government accounts

- Rule 71 to 129
- Rule 74: cash based accounting: government accounts shall be prepared on cash basis.
- Rule 75: period of accounts: annual accounts of the central government shall record transactions which take place during a financial year from 1<sup>st</sup> April to 31<sup>st</sup> March thereof.



- Rule 76: currency in which accounts are kept: the accounts of government shall be maintained in Indian Rupees. All foreign currency transactions shall be brought into account after conversion into Indian Rupees.

- Rule 83: 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.

- Rule 84: capital or revenue expenditure.
- Rule 85: banking arrangement: the RBI shall be the banker to the government.

# Chapter -6: Procurement of goods and services.

- Rule 142 to 206
- Rule 143: definition of goods: goods includes all articles, materials, intangible products like software, technology transfer, licences , patents or other intellectual properties but excludes books , publications, periodicals , etc for a library.

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# RULE 142

- ▶ Rules applicable to all Ministries or Departments
- ▶ Regarding procurement of goods
- ▶ Detailed instructions may be issued by the procuring departments



# Definition of Goods, Rule 143

- ▶ Includes all material, commodities, livestock, furniture, fixtures, raw material, spares, instruments, machinery, equipment, industrial plant
- ▶ Purchased or otherwise acquired
- ▶ For the use of Government
- ▶ Excludes books, publications, periodicals, etc for a library.
- ▶ The term 'goods' also includes works and services which are incidental or consequential to the supply of such goods, such as, transportation, insurance, installation, commissioning, training and maintenance.

# Fundamental Principle of Public buying Rule 144

(A) Procurement of goods in Public

Interest –

i. Efficiency,

ii. Economy,

iii. Transparency

(B) Fair & Equitable treatment of suppliers

(C) Promotion of Competition

## PUBLIC PROCUREMENT : yardsticks

### Rule 144

- ▶ Specifications in terms of quality. Avoid superfluous and non essential features.
- ▶ Need based procurement (avoid excess)
- ▶ Fair, Reasonable & Transparent procedure
- ▶ Procurement Vs Requirement
- ▶ Reasonableness of Rate and consistent with quality.
- ▶ Each stage of procurement should be recorded



# GFR 144


- ▶ Bid Invitation Process – Fair and transparent
- ▶ Mandatory-----Selected offer adequately meets the requirement in all respect
- ▶ Mandatory-----Price of the selected offer is reasonable and consistent with quality required

# Standards of Financial Propriety, Rule 21

1. Every officer is expected to exercise the same vigilance in respect of expenditure incurred from public money as a man of ordinary prudence would exercise of his own money.
2. No authority should exercise its powers of sanctioning expenditure to pass an order which will be directly or indirectly to its own advantage.
3. Expenditure from public money should not be incurred for the benefit of a particular person or a section of the people unless a claim for the amount could be enforced in a Court of Law or the expenditure is in pursuance of a recognized policy or custom.

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# Rule 145, Competent authority

- ▶ Accord sanction for purchase of goods
  - ▶ Competent Authority as per DFPR
  - ▶ Follow the rules of GFR
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# Rule 146


- ▶ It relates to procurement of goods
- ▶ Required on mobilization and /or during the Military operations
- ▶ Regulated by special rules and orders

# Powers Rule 147

- ▶ The Ministries and Department have been delegated full powers to make their own arrangement for procurement
- ▶ If department does not have expertise, project indent to DGS&D with the approval of Competent Authority.



# RULE 149

- ▶ Creation of one stop Government e-Marketplace(GeM) for common use of Goods And Services.
  - ▶ GeM to be utilized by Govt buyers for direct on-line purchases
  - ▶ The Procurement of Goods and Services by Ministries or Departments will be mandatory for Goods or Services available on GeM
  - ▶ Procuring authorities to satisfy that the price of selected offer is reasonable.
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## Contd Rule 149

- ▶ Upto Rs 50,000 through any of available suppliers on GeM, meeting the requisite quality, specification and delivery period;
- ▶ Above Rs 50,000 and upto Rs 30,00,000 through the supplier having lowest price of at least three different manufacturers, on GeM having the requisite quality, specification and delivery period;
- ▶ GeM will provide tools for online bidding and online reverse auction.

\*Amended for Rs. 50,000/- to Rs. 10,00,000/- vide order Dated 10.07.2024 by DoE, MOF, GOI

# Rule 149 GeM

- ▶ Above Rs.30,00,000/- through the supplier having lowest price meeting the requisite quality, specification and delivery period after mandatorily obtaining bids, using online bidding or reverse auction tool provided on GeM.
- ▶ online ebidding/ reverse auction will be available to all the existing Sellers or other Sellers registered on the portal and who have offered their goods/services under the particular product/service category,



# NO Splitting

- ▶ demand for goods shall not be divided into small quantities to make piecemeal purchases
- ▶ to avoid procurement through L-1 Buying /bidding / reverse auction on GeM
- ▶ Or the necessity of obtaining the sanction of higher authorities required with reference to the estimated value of the total demand.

# Registration of Suppliers

## Rule 150

- ▶ DGS&D maintain item wise lists of eligible and capable suppliers.(Registered Suppliers)
- ▶ Ministries and Departments may use these lists for limited tender purpose.
- ▶ Department may also register suppliers required by that department.

# Criteria for registration Rule 150

- ▶ Credentials, capability, QC systems, past performance, after sale service, financial background,
- ▶ Reg for period 1-3 years depending upon nature of goods.
- ▶ At the End of period all including new have to apply for registration afresh.
- ▶ Performance to be watched by the department
- ▶ Remove from the list, defaulters in terms of bad quality, delays ,falsification of records/declaration

# Rule 153 Reserved Items

- ▶ KVIC-handspun and hand-woven(khadi)
- ▶ KVIC/notified handloom units of ACASH-handloom textiles
- ▶ Registered Small scale Industries. Items reserved by the central Govt.

# GFR: Rule 154

- Purchase of goods without quotation
  - Value upto 25000/-
  - Each occasion
  - Certificate to be recorded by the competent Authority –  
“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.”

\*Amended for Rs. 50,000/- vide MoF, GOI OM no F.1/3/2024-PPD Dated 10.07.2024.

# GFR: Rule 155

## Purchase of goods by

## Purchase Committee

- >15000/- and upto 2.5 Lacs on each occasion
- Three members Committee as decided by the HoD
- Committee's responsibilities
  - a) Market Survey
  - b) Reasonableness of Rates
  - c) Quality & Specifications
  - d) Identify appropriate supplier

\*Amended for Rs. 50,000/- to 5,00,000/- vide MoF, GOI OM no F.1/3/2024-PPD Dated 10.07.2024.

# Purchase of goods by obtaining bids(Tendering),Rule 158

- ▶ Ministry / Departments of Govt. of India have been delegated full powers to make their own arrangements for procurement of goods
- ▶ Rule 148 of GFR says about Central Purchase Organisation (e.g. DGS&D) RATE CONTRACT

# Types of Tender

In broader terms there are five types of tender

- ▶ (i) Advertised Tender Enquiry
- ▶ (ii) Limited Tender Enquiry
- ▶ (iii) Two-Stage Bidding
- ▶ (iv) Single Tender Enquiry
- ▶ (v) Electronic Reverse Auctions





# E-Publishing, Rule 159

- ▶ It is mandatory for all Ministries/ Departments of the Central Government, their attached and Subordinate Offices and Autonomous /Statutory Bodies to publish their tender enquiries, corrigenda thereon and details of bid awards on the Central Public Procurement Portal

# E- Procurement , Rule 160

- ▶ It is mandatory to receive all bids through e-procurement portals in respect of all procurements.
- ▶ Departments which do not have a large volume of procurement may use e-procurement solution developed by NIC.
- ▶ Other Departments may either use e-procurement solution developed by NIC or engage any other service provider following due process.

## Method of obtaining bid : (Rule 161) Advertised Tender Enquiry (open )

- Estimated value  $\geq$  25 Lac
- ▶ Publish notice at own website , NIC website [www.eprocure.gov.in](http://www.eprocure.gov.in) and on GeM. Give web address for downloading tender documents in ad.
- Post complete bidding document on website. No tender fee for downloading.
- NIT to Indian Embassies abroad as well as foreign embassies in India
- Three/four Weeks time from date of publication of bid

\*Amended for more than Rs. 50,00,000/- vide MoF, GOI OM no F.1/3/2024-PPD Dated 10.07.2024.

# GFR : 162 – LIMITED TENDER

- ▶ Value up to 25 Lac/Specialised items
- ▶ Bid document should be sent to Regd. Suppliers by Speed Post/Regd Post/Courier/ e-mail
- ▶ No. of supplier firms in Ltd. Tender should be more than three
- ▶ Web based publicity also through CPPP and Department's website, Efforts to be made to identify a higher number of suppliers for responsive and competitive bidding
- ▶ N.B. – Sufficient time should be given in Ltd. Tender

\*Amended for Up to Rs. 50,00,000/- vide MoF, GOI OM no F.1/3/2024-PPD Dated 10.07.2024.

# Rule 162 continued

## Limited tender for above Rs 25 lacs

- ▶ Certificate that demand is urgent. Add expenditure justified in view of urgency.
- ▶ Put on record the nature of urgency and reasons why procurement could not be anticipated.
- ▶ sufficient reasons to be recorded that Open tendering not in public interest.
- ▶ Sources of supply are definitely known and possibility of fresh sources is remote.

\*Amended for Rs. 50,00,000/- vide MoF, GOI OM no F.1/3/2024-PPD Dated 10.07.2024.

# Two-Stage Bidding, Rule 164

- ▶ Obtain bids in two stages with receipt of financial bids after receipt and evaluation of technical bids
- ▶ it is not feasible to formulate detailed specifications or identify specific characteristics
- ▶ Rapid technological advances or market fluctuations or both
- ▶ all first stage bids, which are otherwise eligible, shall be evaluated, may hold discussions with the bidders, and consider revising the relevant terms and conditions of the procurement
- ▶ invite bids from all those bidders whose bids at the first stage were not rejected, to present final bid with bid prices in response to a revised set of terms and conditions of the procurement

# Single Tender, Rule 166

- If only a particular firm is the manufacturer
- Emergent need to procure from a particular source
- Technical reason to be recorded (standardization of machinery – HP, SONY etc. )


N.B. - Single response to an open bid can't be termed as Single Tender

# Electronic Reverse Auction, Rule 167

- ▶ An online real-time purchasing technique utilised by the procuring entity to select the successful bid,
- ▶ The invitation of bids similar to e-procurement,
- ▶ include details relating to access to and registration for the auction, opening and closing of the auction
- ▶ Norms for conduct of the auction.



# Performance Security, Rule 170

- ▶ From the successful bidders
  - ▶ Amount – 5% to 10%
  - ▶ DD/FDR/BG
  - ▶ Should be valid for 60 days beyond the date of completion of all the contractual obligations of the supplier including warranty
  - ▶ Bid Security should be refunded on receipt of Performance Security
- 

# Advance Payment , rule171


- ▶ Ordinarily, payments for services rendered or supplies made should be released only after the services have been rendered
- ▶ Advance payment may be necessary by firms holding maintenance contracts for servicing air conditioners, computers or other costly equipment etc
- ▶ Advance payment demanded by firms against fabrication contracts, turn-key contracts etc



# Advance Payment continued, Rule 172

- ▶ Limits
- ▶ 30% of the contract value to private firms
- ▶ 40% of the contract value to a State or Central Government Agency or a PSU
- ▶ In case of maintenance contract, the amount payable for 6 months under the contract
- ▶ Ministries/Departments may relax the ceilings in consultation with the FA
- ▶ Adequate safeguard in the form of BG should be obtained from the firm

# Rule 173 Process at a glance

- ❑ Procurement process to be
  - ❑ Transparent
  - ❑ Competitive
  - ❑ Fair
  - ❑ Impartial/not arbitrary
- 


# RULE 173 contd

- ▶ 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

# Rule 173contd

- ▶ 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.
- ▶ The bidders should be given reasonable time to send their bids.
- ▶ 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 specifications should be broad based to the extent feasible.
- ▶ Efforts should also be made to use standard specifications which are widely known to the industry. .

# Rule 173

- ▶ 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.
  - ▶ 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 bid's responsiveness should be based on the contents of the bid itself without recourse to extrinsic evidence.
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# Rule 174, Efficiency, Economy, Accountability


- ▶ Public Procurement procedure to ensure efficiency, economy and accountability in the system. To achieve the same, the following key areas should be addressed:
  - ▶ 1. 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.
  - ▶ 2. To minimize the time needed for decision making and placement of contract, every Ministry/Department with the approval of the competent authority, may delegate, where necessary, appropriate purchasing powers to the lower functionaries.
  - ▶ 3. The Ministries or Departments should ensure placement of contract within the original validity of the bids. Extension of bid validity should be resorted to only in exceptional circumstances.



# Rule 175 Code of Integrity

- Promise by the Principal not to seek any illegal benefit.
- Promise by the bidders not to offer any benefit to the employees of the principal.
- Bidders not to enter into any understanding with other bidders regarding prices etc.
- Bidders not to pass any information.
- Foreign bidders to disclose the details of its agent in India. Indian bidders to disclose their foreign associates.
- Bidders to disclose payments to be made to

# Rule 176 Buy Back Offer

- ▶ If it is decided to replace an existing old item with a new and better version – the department may trade the existing old item while purchasing the new one
  - ▶ A suitable clause is to be incorporated in the bidding document so that the prospective and interested bidders can formulate their bids accordingly
  - ▶ The time as well as the mode of handing over the old item to the successful bidder to be suitably incorporated in the bidding document
  - ▶ Provision should also be kept in the bidding document to enable the purchaser either to trade or not to trade the old item, while purchasing the new one
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# Rule- 177-196 Consulting Services

- Primarily Non-Physical, Project Specific, Intellectual and Procedural processes where deliverables/outcome varies from one consultant to another.

# Rule 207 -223 Inventory Management

- Rule 208 – Inspection note and Stock Register
- Rule 209 – Internal Transfer of Stock/Inventories
- Rule 210 – Custody of Goods and Materials
- Rule 211 – Accounting of Stock/Fixed Assets/Library Books/Assets of Historic/artistic value
- Rule 212 – Hiring of Fixed Assets to Local bodies/ Contractors etc.

# Rule 207 -223 Inventory Management

- Rule 213 – Annual Physical Stock Verification
- Rule 214 – Buffer Stock of Consumables
- Rule 215 – Physical Verification of Library Books
- Rule 216 – Handing-Taking over of Stock/Assets
- Rule 217 – Disposal of Surplus/Obsolete/BER Goods
- Rule 218 – 222 - Modes of Disposal
- Rule 223 – Powers to Write-off the losses

# Rule 224-227 Contract Management

- Rule-224 All Contracts shall be made by an Authority empowered to do so by or under the orders of President of India in terms of Article 299(i) of Constitution of India.
- Rule -225 General Principles of Contract
- Rule -226 Management of Contracts.
- Rule-227 Legal Advice to be sought whenever a dispute arises and Arbitration.

# Rule 228 –263 Grants-in-Aid and Loans

- Rule 228 GIA can be given to: -
- Autonomous Org.
- Voluntary Org.
- Educational & Other Institutes.
- Urban and Rural Local Self Gov Institutes.
- Cooperative Societies.
- Societies or Clubs setup by Govt. Servants to promote Social, Cultural and Sports Activities.

# Grants-in-Aid and Loans

- Rule 229 General Principles for setting up of AB- No new autonomous institution should be created by an AB itself. However, Regional centres/Offices/Substations can be created with prior approval of Administrative Ministry in consultation with Min of Fin.



# Grants-in-Aid and Loans

- Rule 230 – Rules for accounting in AB receiving GIA including the Standard Format of Their Annual Accounts.

# What are important GFR for a head of department/institution

- GFR is the mother book governing all Financial/quasi Financial matters related to Govt. Business & Accounts.
- Relevant Rules are to be complied with by all authorities involved
- Rule-21 to 32 and 142 to 227 are Important for Public Procurement.

# What is Financial fraud and how we can avoid this situation?

- Rule 33 of GFR deals with Defalcation & losses. Any loss caused to Govt. by someone with and intent to benefit someone is called fraud or intentional deception to secure unfair & unlawful Gains or to deprive/ misleading a victim of legal right.
- 'This happens due to many reasons including lack of transparency.
- The following are the ways to effectively prevent the frauds.
- Create a culture of accountability through Code of Conduct.
- Implementing Internal Controls

# What is Financial fraud and how we can avoid this situation? ....

- Segregation of duties: separate persons should be assigned for record keeping, Accounting Payment, Storing of Assets etc.
- Keeping a log of employee's activities.
- Management Review through stock verification, vigilance checks, Internal Audits etc.
- Using Analytics to detect frauds/ potential frauds.
- Using insights for Actionable Intelligence
- Hire, Train & Promote Ethical Employees.

# How to handle objections in Audit,

## **Handling objections in Audit**

- Respond directly to the findings & its recommendations
- Provide specific actions that management Committee to take to correct the findings.
- Responses should be clear & concise.
- Exclude the information not pertaining to the findings/ observations or Action taken
- Identify specific positions responsible for implementation
- Provide a specific & realistic time table for implementation.

# **What is the responsibility of Head of the Department/ institution/ can he be held responsible for financial irregularities done by others.**

- Rule 2(A) of GFR defines the Competent Authority who exercise the powers under rules.
- Rule 21 stipulates about Canons of Financial Proprietary.
- Rule 144 provides/stipulates the responsibility of officials in Public Procurement

# How to utilize the unspent budget released at the end of financial years?

- Generally all funds allocated to a respective expenditure head gets lapsed at the end of the FY unless otherwise specified for.
- After Implementation of PFMS in Autonomous bodies, balances in certain Grants-in-Aid are allowed to carry forward to next FY with a limitation of period to utilize them.
- Any Interest earned on such balances transferred out of PFMS to Banking system needs to be deposited back to funding agency.

Usually the financial reports & documents are jointly signed by Head of Institution, what precautions can be taken?

- Compliances are to be ensured.
- Test checks/ due diligence are to be made.



A common item which is proprietary is available in GeM, but the L2 and L3 vendors are not available for the item's specifications. We cannot do LPC as already available in GeM and LPC is usually for emergency purchase. We cannot do web challenge as items are common and non proprietary. Question is:- How can the item be purchased locally.

- Go for bidding & Reverse auction process on GeM. Bids can be done even if cost of procurement is less than 10.00 Lakhs through PAC procurement Local purchase of items when they are available on GeM has been provisioned for in rule 149 amendment.

Thank You