

## **CHAPTER II**

### **GENERAL SYSTEM OF FINANCIAL MANAGEMENT AND CONTROL**

#### **I. RECEIPT OF GOVERNMENT MONEY**

**4. General** - (I) All moneys received by or on behalf of Government shall be brought into Government account without delay.

(2) Under Article 284 of the Constitution, all moneys received by or deposited with any officer, employed in connection with the affairs of the State in his capacity as such, other than revenues or public moneys raised or received by the Government, shall be paid into Public Account of the State. All moneys received or deposited with any Court in the State shall also be paid into the Public Account.

**5.** The head of account to which such moneys shall be credited and the withdrawal of money therefrom shall be governed by the List of Major and Minor Heads of Account prescribed by the Government of India in consultation with the Comptroller and Audit General of India and in such orders of Government as may be issued from time to time.

**6. Assessment, collection and check of revenues :-** Subject to the provisions of rule 50 and such general and specific instructions as may be issued by Government, it is the duty of each department to ensure that the dues of Government are correctly and promptly assessed, collected and paid into the Bank.

#### **II EXPENDITURE AND PAYMENT OF MONEYS**

**7. Essential conditions governing expenditure from public funds:-** Subject to the provisions of Articles 266(3), 267(2) and 283(2) of the Constitution, no authority may incur any expenditure or enter into any liability involving expenditure or transfer of money for investment or deposit from Government account unless such expenditure or transfer, as the case may be, has been sanctioned by general or special orders of Government or by any authority to which power has been duly delegated in this behalf.

**8.** The mere inclusion of an item in the budget does not constitute an authority for incurring expenditure on the particular item. Prior specific sanction of the competent authority is necessary in each case before any expenditure is incurred or commitment of a liability is made.

**9.** The charge in respect of a single item of expenditure may not be split up so as to bring each part within the competence of an authority to whom powers of sanction have been delegated. Every part or installment of the scheme requires the approval of such authority who alone may be competent to sanction the scheme as a whole, unless such powers are specifically delegated in any case.

**10.** Even if a particular scheme may have been approved and funds provided in the sanctioned budget, expenditure on different items of any scheme, like appointment of staff, purchase of stores, contingencies etc., can be incurred only with the specific sanction of the authority competent to sanction such appointments, purchase, contingencies etc.

**11. Standards of financial propriety** - Every officer incurring or authorising expenditure from public moneys should be guided by high standard of financial propriety. Every officer should also enforce financial order and strict economy at every step and see that all relevant financial rules and regulations are observed by his own office and by subordinate disbursing officers. Among the principles on which emphasis is generally laid are the following :-

- (i) Every officer is expected to exercise the same vigilance in respect of expenditure incurred from public money as a person of ordinary prudence would exercise in respect of expenditure of his own money.
- (ii) The expenditure should not be prima facie more than the occasion demands.
- (iii) No authority should exercise its powers of sanctioning expenditure to pass an order which will be directly or indirectly to its own advantage.
- (iv) Expenditure from public money should not be incurred for the benefit of a particular person or a section of the people, unless
  - (1) a claim for the amount could be enforced in a court of law;  
or
  - (2) the expenditure is in pursuance of a recognised policy or custom.
- (v) The amount of allowances granted to meet expenditure of a particular type should be so regulated that the allowances are not on the whole a source of profit to the recipients.
- (vi) The responsibility and accountability of every authority delegated with financial powers to procure any items or service on Government account is total and indivisible. Government expects

that the authority concerned will have the public interest uppermost in its mind while making a procurement decision. This responsibility is not discharged merely by the selection of the cheapest offer but must conform to the following yardsticks of financial propriety :

- (1) Whether the offers have been invited in accordance with governing rules and after following a fair and reasonable procedure in the prevailing circumstances.
  - (2) Whether the authority is satisfied that the selected offer will adequately meet the requirement for which it is being procured.
  - (3) Whether the price on offer is reasonable and consistent with the quality required.
  - (4) Above all, whether the offer being accepted is the most appropriate one taking all relevant factors into account and in keeping with the standards of financial propriety.
- (vii) Wherever called for, the concerned authority must place on record in precise terms, the considerations which weighed with it while taking the procurement decision.

**12.** A controlling officer shall see not only that the total expenditure is kept within the limits of the authorised grant or appropriation but also that the funds allotted to spending units are expended in the public interest and upon objects for which the money was provided.

**13.** In order to maintain proper control, the controlling officer should arrange to be kept informed not only of what has actually been spent from the grant or appropriation but also what commitments and liabilities have been and will be incurred against them. He must be in a position to assume before Government and the Public Accounts Committee, if necessary, complete responsibility for departmental expenditure and to explain or to justify any instance of excess or financial irregularity that may be brought to notice as a result of audit scrutiny or otherwise.

**14.** In the discharge of his ultimate responsibility for the administration of a grant or appropriation, or a part thereof, placed at his disposal, every controlling officer must satisfy himself not only that adequate provisions exist within the departmental organisation for systematic internal checks calculated to prevent and detect errors and irregularities in the financial proceedings of his subordinate officers and to guard against waste and loss of public money and stores but also that the prescribed checks are effectively applied.

### **III. DUTIES AS REGARDS MAINTENANCE OF ACCOUNTS**

**15.** Every subordinate authority whose duty it is to prepare and render any accounts or returns in respect of public funds or stores shall be personally responsible for their completeness and strict accuracy and their despatch within the prescribed date.

**16.** A subordinate authority who signs or countersigns a certificate shall be personally responsible for the facts certified to so far as it is his duty to know or to the extent to which he may reasonably be expected to be aware of them.

**17.** The fact that a certificate is printed is no justification for an officer signing it unless it represents the facts of the case. If in its printed form it does not represent the facts, it his duty to make necessary amendments which will call attention to the deviation and so to give the authority concerned the opportunity of deciding whether the amendments cover requirements.

**18. Demand for information by Audit** - A subordinate authority shall afford all reasonable facilities to the Accountant General for the discharge of his functions and furnish fullest possible information required by him for the preparation of any official account or report.

**19.** A subordinate authority shall not withhold any information, books or other documents required by the Accountant General.

*Note:-* If the information, books or other documents, or a part thereof, are of a secret nature, they should be sent by name to the Accountant General and he will deal with them in accordance with standing instructions for handling and custody of such documents.

### **IV. DEFALCATIONS, LOSSES ETC.**

**20. Report of losses** - (1) With the exception noted below, any loss or shortage of public money, departmental revenue or receipts, stamps, stores or other property held by, or on behalf of Government, caused by defalcations or otherwise including losses and shortages noticed as a result of physical verification, which is discovered in an office or department shall be immediately reported by the subordinate authority concerned to next higher authority as well as to the Accountant General even when such loss has been made good by the party responsible for it. A copy of the report should be endorsed to the Finance Department.

(2) If the irregularity is detected by Audit in the first instance, the Accountant General will report it immediately to the administrative authority concerned and if he considers necessary, to Government in the Finance Department as well.

*Exception* - Petty cases, that is, cases involving losses not exceeding Rs.500 each, need not be reported to the Accountant General unless there are in any case, important features which merit detailed investigation and consideration.

**21.** The officer receiving a report submitted to him under rule 20 must forward it forthwith to Government through usual channel with such comments as may be considered necessary. He should also submit a detailed report, after completing such departmental investigations as may be necessary or expedient, on the causes or circumstances which led to the defalcation or loss, the step taken to prevent its recurrence and the disciplinary or any other action proposed as regards the person responsible. The mere fact that the loss has been made good by the party concerned is not enough to drop the matter or close the case.

**22. Accidents** - Any serious loss of immovable property, such as buildings, communications or other works, caused by fire, flood, cyclone, landslide, earthquake or any other natural cause, shall be reported at once by the departmental officer concerned to the head of the department and by the latter to the Government. When a full enquiry as to the cause and extent of the loss has been made, the detailed report should be sent by the departmental officer concerned to the head of the department, a copy of the report being simultaneously forwarded to the Accountant General.

*Note:-* All losses of immovable property such as buildings, communications etc, caused by fire, flood, landslide or any other natural cause, exceeding Rs.5,000 in value should be treated as “serious” for the purpose of rule 22. The term “value” for this purpose should be interpreted as meaning the “book value”. Losses not exceeding Rs.5000 in value should, however, be reported to the head of the department; they need not be reported to the Government or the Accountant General.

**23. Sabotage** - All cases of loss due to suspected sabotage or other criminal action endangering the security of the state shall be reported to the Police promptly irrespective of the value of the loss involved.

**24. Responsibility for losses etc.** - (1) Every Government servant should realise fully and clearly that he will be held personally responsible for any loss sustained by Government through negligence on his part in the discharge of his duties, direct or supervisory. Any fraud is also a criminal offence, liable to be dealt with accordingly. (2) If, in the course of investigation any defects or deficiencies in the rules or procedures come to light, it shall be the duty of the department concerned to initiate remedial measures.

## **V. PROCEDURE FOR PAYING MONEY INTO THE GOVERNMENT ACCOUNT**

**25.** Any person paying money into the Bank shall present with it a chalan in the prescribed form showing distinctly the nature of the payment, the person or Government officer on whose account the payment is made, and all the information necessary for the proper account Classification of the credit. Separate chalans shall be used for moneys creditable to different heads of accounts. The chalans shall be presented in quadruplicate. ( See Office Memorandum No.53/Fin/Accts, Dt.28/04/97 for Procedure of filling up of the Chalan )

**26.** When money is paid by a private person into a Bank located in the same place as the departmental officer concerned in the payment, the chalan will, before presentation to the Bank, be signed by the departmental officer to whose account the money is to be credited. ( See Office Memorandum No.53/Fin/Accts,Dt.28/04/97 for Procedure of filling up of the Chalan )

## **VI. CONTRACTS**

**27. General principles-** (1) No contract shall be entered into by any authority which has not been empowered to do so by the Government. The Governor should be made a party to every contract of the Government and the words “for and on behalf of the Governor of Sikkim” should follow the designation appended below the signature of the officer authorised in this behalf under Article 299 of the Constitution and executing the contract.

(2) The terms of contract must be precise and definite, and there must be no room for ambiguity or misconstruction therein.

(3) Standard forms of contract should be adopted wherever possible, the terms to be subject to adequate prior scrutiny.

(4) In cases where standard forms of contract are not used, legal and financial advice should be taken in the drafting of contracts and before they are finally entered into.

(5) The terms of a contract once entered into should not be materially varied without the previous consent of the authority who had approved the contract who may take prior legal and financial advice.

(6) No contract involving an uncertain or indefinite liability or any condition of an unusual character should be entered into without previous approval of the Government.

(7) Whenever practicable and advantageous, contracts should be placed only after tenders have been openly invited. Wherever a tender other than the lowest is to be accepted, the reasons therefor should be recorded and decisions taken only after such reasons have been accepted by the authority competent to approve the contract.

(8) In selecting the tender to be accepted the financial status of the individuals and firms tendering as also their performance in similar contracts must be taken into consideration in addition to all other relevant factors.

(9) Save in exceptional circumstances, no work of any kind should be commenced without prior execution of contract documents. Even in cases where a formal written contract is not made, no order for supplies etc., should be placed without at least a written agreement as to the price.

(10) Every contract should contain suitable penal provisions against any breach or non-fulfillment of the contract or any of its terms by the contractor. Any waiver of the prescribed penal consequences should be fully justified in writing and should have the prior approval of the authority competent to execute the contract.

(11) The question whether any sales tax, purchase tax, octroi and terminal taxes and other local taxes and duties are to be paid and if so, by which party, should be settled and cleared before entering into any contract involving transfer of movable property whatever its nature.

(12) Where any material is to be supplied by Government for use in the contract work, the contract should contain a schedule specifying the quantities of such materials along with issue rates thereof and providing for payment, by the party concerned, of any sales or other taxes or duties that may be applicable to such supplies.

(13) Security should normally be taken for the due fulfillment of a contract exceeding certain monetary limit as may be prescribed by Government.

(14) No payments to contractors by way of compensation or otherwise outside the strict terms of the contract should be authorised without consultation with the Law Department and the prior approval of Government in the Finance Department.

(15) Provision must be made in contracts for safeguarding Government property entrusted to a contractor.

(16) No relaxation of specifications agreed upon in a contract or relaxation of the terms of an agreement entered into by Government should be made without

proper examination of the financial effect involved in such relaxation. The interest of the public exchequer should be taken due care of before agreeing to any relaxation of agreement or contract.

(17) When a contract is likely to endure for a period of more than five years, it should wherever feasible, include a provision for unconditional power of revocation or cancellation at the discretion of the Government at any time after the expiry of reasonable notice to that effect. The period of notice should not normally be longer than six months.

(18) Copies of all contracts and agreement of value of rupees one lakh and above should be sent to the Accountant General.

**27(A). Maintenance Contract:** Depending on the cost and nature of the goods purchased, Maintenance Contract for a period of not less than one year has to be signed between the Department and the Supplier/Manufacturer or any other competent and reliable Firm. The Maintenance Contract should be comprehensive so that the Maintenance Contract also covers the cost of spares replaced. It is to be ensured that the equipment or the machinery is to be maintained free of cost by the Manufacturer/Supplier till expiry of its Warranty Period.

**27(B). Buy Back Offer:** The Competent Authority may accord approval to replace an existing old item(s) with a new and better version of equipment(s) in terms of Buy Back Offer received from a reputed Manufacturer of the equipment; the Department may trade the existing old item while purchasing the new one.

**27(C). Procurement of Services:** Government Departments may hire external professionals, consultancy firms or consultants for a specific job which is well defined in terms of content and time frame for completion of a project or out source certain services. The hiring of a consultant may be resorted to in situations requiring high quality services for which the requisite expertise is presently not available. Approval of the Competent Authority shall be obtained before engaging Consultants. The eligibility and prequalification criteria to be met by the Consultant shall be notified through advertisement published in local and national papers. On the basis of the responses received from the interested parties, name shall be short listed for consideration of the Competent Authority. Number of short listed consultants should not be less than 3(three) and the best shall be selected.