No.Fin(LA)-H(2)-PFMA(8)-21/2008  
Government of Himachal Pradesh  
Local Audit Department.

From

Pr. Secretary (Finance)
to the Government of H.P.

To

1. All Administrative Secretaries to the Government of H.P.
4. Director, Industries, Engineer-in-Chief, PWD/IPH, Pr. Chief Conservator of Forest, Director, Treasuries & Accounts, Special Secretary (Budget) to the Government of H.P/Director, Information Technology.
5. Divisional Commissioners, Shimla/Kangra/Mandi, H.P.

Dated Shimla-9 the December, 2008


Sir/Madam,

I have been directed to enclose herewith the hard copy of the Draft of H.P. Financial Rules, 2009, presently under consideration for approval at the State Government level. A soft copy of this document may also be accessed on the Finance Department website: www.himachal.gov.in/finance/

2. This is to inform you that the State Government, in the Finance Department in June 2008, had constituted a Committee to frame a revised Draft of Himachal Pradesh Financial Rules. This Committee primarily consisted of the officers of the Finance Department. The committee, after several meetings and discussions, has prepared an initial draft of the HP Financial Rules, 2009 taking
into account, the contemporary needs of the State as well as Government of India practices.

3. The Himachal Pradesh Financial Rules of 1971, presently in force, were notified in 1971 i.e. 37 years ago, under Article 283 of the Constitution. These Rules determine the procedures to be followed by different departments of the Government and Instrumentalities of the State, in expending money out of the Consolidated Fund of the State and they also determine financial delegation and procedures to handle receipts accruing to the State’s Accounts.

4. The Committee has adopted the following principles/procedures in drafting the revised Draft HP Financial Rules 2009, which are placed below:

   (a) The Rules are broadly modeled on the General Financial Rules of the Government of India, which were notified in 2005, after over 35 years, in Government of India.

   (b) The Draft includes Ten chapters as mentioned in the Table of contents and includes the latest financial practices of Government of India, as well as practices and procedures, which would be useful to today’s needs of good governance and sound financial procedures.

   (c) More specifically, the chapters on works, procurement of Goods & Services, Contracting, Outsourcing of services, Inventory Management and Contract Management, take into account the latest requirements of the Departments, consistent with the objectives of ensuring transparency in public spending, efficiency in public services delivery and the local needs of Himachal Pradesh.

   (d) Though the Draft Himachal Pradesh Financial Rules, 2009 are substantially on the pattern of Government of India General Financial Rules, 2005 yet they have been suitably modified to take into account the needs of the State.

   (e) With the notification of the revised Himachal Pradesh Financial Rules, it is proposed that the existing Himachal Pradesh Budget
Manual may also be repealed since the chapters on Budget and Government Accounts incorporate all major provisions of the Constitution and the existing Budget Manual, relating to Budget preparation & estimation of receipts & expenditure. Therefore, in the draft Rules, it is also proposed to repeal the Himachal Pradesh Budget Manual of 1971.

(f) Even as the old Himachal Pradesh Financial Rules are repealed & the new Rules are notified, it would be simultaneously important that Public Works Department/ Forest Department/ Industry Department/Treasury Department amend their own Public Works Department code/ Forest Code/ Accounts Code/ Procurement Rules/ procedures/Treasury procedures, consistent with the provisions of the new Himachal Pradesh Financial Rules. These departments are also requested to amend & update their Accounts Manuals/ Procurement procedures consistent with the new proposed draft Himachal Pradesh Financial Rules.

(g) In preparing this Draft of the Himachal Pradesh Financial Rules, 2009 due attention has been given to Repeal and Savings clause. Even while the previous Himachal Pradesh Financial Rules are repealed, it has been specifically provided that all existing economy instructions, financial delegations, instructions of the Finance Department/Administrative departments, proformas, forms etc. shall continue to be operative and relevant, to the extent they are not repugnant to the new Rules or till the same are modified or superseded. Same has also been provided with respect to instructions, orders and notices etc. issued by the Finance Department under the Himachal Pradesh Budget manual.

(h) All the relevant definitions and important clauses of the existing Himachal Pradesh Financial Rules have been inserted in the New Draft HP Financial Rules.
(i) The Draft Rules provide the broad contours of the procedure for operation of the Consolidated Fund of the State. The individual Rules in this Draft are enabling provisions designed to allow the Finance Department/ Administrative Departments to issue necessary instructions for best utilization of Public funds, consistent with the need to avoid losses to the exchequer, even while ensuring efficiency in services. This should help the financial procedures to be flexible, within the ambit of the Himachal Pradesh Financial Rules, without inducing rigidity in the Public Financial system.

5. Given the importance of updating the existing H.P. Financial Rules, your comments on the Draft H.P. Financial Rules, 2009 are requested on a priority basis. You are requested to give your suggestion on possible amendments on the Draft, especially with respect to issues and Rules which are relevant to your organization and department. **It is requested that your comments may reach the Finance Department by 2nd February, 2009, so that this department can take further necessary action in the matter. Adherence to this timeline would be appreciated. If no comments are received by this date, it would be presumed that the departments have no comments to offer in the matter.**

6. The Administrative Departments are requested to also circulate the hardcopy Draft of the H.P. Financial Rules to the Departments under their control for a wider consultation process, and send their comments within the stipulate time.

7. For any clarification or to get a soft copy of the Draft of H.P. Financial Rules, you are requested to access the Finance Department website or contact Sh. Ravi Sood, Additional Director, Local Audit Department/ Sh. Suneel Angra, Assistant Director, Local Audit Department (Ph. No. 2620046, e-mail : jtdirectorlad@gmail.com) or Sh. Ramesh Gupta, Section Officer, Finance-Regulations (Ph. No. 2880413, Room No.- 325A, H.P. Secretariat).

*Yours faithfully,*
Copy forwarded to the following for information and necessary action, the copy of the draft H.P. Financial Rules, 2009 may be downloaded from FD’s website:

1. The Secretary, H.P. Vidhan Sabha, Shimla-3
2. The Registrar General, H.P. High Court, Shimla-1 & Registrar, H.P. State Consumer Forum, Shimla.
3. All the Heads of Departments in H.P.
HIMACHAL PRADESH FINANCIAL RULES, 2009

GOVERNMENT OF HIMACHAL PRADESH
FINANCE DEPARTMENT
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CHAPTER-1.

Whereas the present H.P. Financial Rules, 1971 were notified in the year 1971 and since then many changes have taken place in the field of Public Financial Management;

Whereas many of the provisions of the aforesaid Rules had become redundant and have been found to be not in consonance with the present requirements, as a result of paradigm shift in the financial administration in the State and in other parts of the country;

Whereas various developments including rapid growth of alternative service delivery systems, applications of information technology, outsourcing of services and liberalization of the system of procurement, accounting and disposal of goods, in line with the national and global practices have necessitated a review and the need to bring out changes in the said Rules; and

Whereas the matter to replace the existing Rules has been under consideration of the Government for sometime past. Accordingly, now taking into consideration the operational necessity of the Government in administering its affairs, the Governor of Himachal Pradesh, in exercise of the powers under clause-2 of Article 283 of the
Constitution, hereby notifies the H.P. Financial Rules, 2009 as under:

**INTRODUCTION.**

**Rule-1. Short title and commencement:**
(1) These rules may be called the H.P. Financial Rules, 2009. In the event of any inconsistency, the provisions of these Rules will have overriding effect on existing provisions of Manual of Works, Accounts Codes and Treasury Rules, as applicable in the State of Himachal Pradesh, or on any other general or special orders, issued by the Government.
(2) They shall come into force with immediate effect.

**Rule-2. Definitions:**
In these rules, unless the context otherwise requires:
(1) “Accountant General” means the Accountant General(A&E), Himachal Pradesh;
(2) “Administrative Department” means the Administrative Department of the H.P. Government. Any reference to “Government” shall also construe to mean through the Administrative Department, unless otherwise specified.
(3) “Administrative approval” means the formal acceptance by a competent authority of a proposal to incur expenditure on works initiated by or connected with the requirements of that Department.
(4) "Appropriation" means the assignment, to meet specified expenditure, of funds included in a primary unit of appropriation;
(5) "Audit Officer" means the Audit Officer of the office of Accountant General, H.P.
(6) “Accounts Officer” means the Accounts Officer of the office of Accountant General
(7) “Bank” means any office or branch of the banking department of the Reserve Bank of India, any branch of State Bank of India acting as the agent of the Reserve Bank of India or any other branch of the subsidiary bank(s) which is authorized to transact government business as agent of the State Bank of India, or any other agency appointed by the Reserve Bank of India.
(8) “Book Transfer” means the process whereby financial transactions which do not involve the giving or receiving of cash or of stock materials are brought to account. Such transaction represents liabilities and assets brought to accounts either by way of settlement or otherwise but they may also represent corrections and amendments made in cash, stock or book transfer transactions previously taken to account.
(9) “Cash” includes legal tender, coins, currency and bank notes, cheques payable on demand, Reserve Bank government drafts and demand drafts, revenue stamps and banker’s cheques.
(10) “Cash Order” is a payment order issued by a Head Treasury or a sub treasury under its jurisdiction in favour of the person to whom the money is due or who is responsible
for its disbursement and is payable in lump sum.

(11) “Charged Expenditure” is the expenditure which under various Articles of the Constitution of India has been declared as charged on the Consolidated Fund of the State and as such is not subject to vote of the Legislature.

(12) “Competent Authority” means, in respect of the power to be exercised under any of these rules, the Governor or such other authority to which the power is delegated by or under these Rules, Manual of Works, Accounts Codes and Treasury Rules as applicable in the State of Himachal Pradesh or any other general or special orders issued by the Government.

(13) “Consolidated Fund” means the Consolidated Fund of Himachal Pradesh as referred to in the Constitution.

(14) “Constitution” means the Constitution of India;

(15) “Contractor” means a person, syndicate or firm that has made a contract but the use of this term is often restricted to contractor for the execution of work or services in connection therewith.

(16) “Contingency Fund” means the Contingency Fund of Himachal Pradesh established under the Constitution of India.

(17) “Controlling Officer” means an officer entrusted by a Department of the State Government with the responsibility of controlling the incurring of expenditure and/or the collection of revenue. The term shall include a Head of Department;

(18) “Department” means the Department of the State Government, as notified from time to time;

(19) “Detailed Bill” is a bill setting forth the details of either contingent or travelling allowance expenditure and is subject to countersignature by a controlling authority.

(20) “Detailed Head” means a division of a minor head of account.

(21) “Disbursing Officer” means a Head of Office and also any other Officer so designated by a Head Department, to draw bills and make payments on behalf of the State Government. The term shall also include a Head of Department where he himself discharges such functions;

(22) “Finance Department” means the Finance Department of the Government of Himachal Pradesh;

(23) “Financial year” means the year beginning on the 1st of April and ending on the 31st of March following;

(24) “Governor” means the Governor of Himachal Pradesh;

(25) “Government” means any administrative department of the Government of Himachal Pradesh;

(26) “Head of Department” means:

(a) An authority declared to be the Head of Department in relation to receipts and expenditure under any Head of Account;

(b) Resident Commissioner, Pangi under the demand “Tribal Development”;

(c) Deputy Commissioner, Kinnaur, Lahaul & Spiti, Chamba and Additional Deputy Commissioner, Kaza under the demand “Tribal Development”; and

(d) Any other authority as may be declared by the Finance Department from time to time.

(27) “Head of Office” means a government servant designated as a disbursing officer or
any other government servant declared to be the head of an office by a competent authority. Heads of Departments are authorized to declare any officer subordinate to them to be the head of an office for the purpose of these Rules.

(28) "Local Body" means an authority legally entitled or specially empowered by Government to administer a local fund;

(29) "Local Fund" means
(a) revenue administered by bodies which by law or rules having the force of law come under the control of Government whether in regard to the proceedings generally, or to specific matters such as the sanctioning of the budget, sanction to the creation or filling up of particular posts, the enactment of leave, pension or similar rules;
(b) the revenues of any body which may be specially notified by the competent authority as such.

(30) “Major Head” is a main unit of classification of revenue and expenditure in government accounts.

(31) “Minor Head” is a sub division of a major head.

(32) “Non-recurring expenditure” means expenditure sanctioned as a lump sum charge whether the money is paid as a lump sum or by installments. Sanction of any expenditure which is of a fixed recurring nature and does not vary periodically and which is chargeable to contingencies and which does not extend beyond the financial year or beyond six months within the financial year, is deemed to be a sanction of non recurring expenditure.

(33) "Primary unit of appropriation" means a portion of the supply under each Minor Head which is allotted to a prescribed sub division of the Head as representing one of the primary objects of the supply.

(34) "Public Account" means the public account of the State Government into which all public moneys other than those which form a part of the Consolidated Fund of the State, received by or on behalf of the State are credited and from which disbursements are made in accordance with the prescribed instructions.

(35) "Public Works" means civil works and irrigation, navigation, embankment and drainage works and other such work;

(36) "Re-appropriation" means the transfer of funds from one primary unit of appropriation to another such unit;

(37) "recurring expenditure" means the expenditure which is incurred at periodic intervals and is non recurring;

(38) "Reserve Bank" means any office or branch of the banking department of the Reserve Bank of India, any branch of the State Bank of India or of any other nationalized bank acting as the agent of the Reserve Bank of India in accordance with the provisions of the Reserve Bank of India Act, 1934 (Act II of 1934) and any branch of a subsidiary bank as defined in section 2 of the State Bank of India(Subsidiary Banks)Act, 1959 (38 if 1959), which is authorized to transact government business as agent of the State Bank of India or any other agency appointed by the Reserve Bank of India;

(39) “Rules” means the H.P. Financial Rules, 2009;

(40) “Specified” means instructions as may be issued by the Finance Department or the State Government, from time to time;
"Subordinate authority" means a Department of the State Government or any authority subordinate to the Governor;

“Technical Sanction” means sanction of a competent authority to a properly detailed estimate of the cost of a work of construction or repair. Ordinarily, such sanction can only be accorded by competent authority,

"Treasury Rules" means the Treasury Rules of the Himachal Pradesh Government and includes Subsidiary Treasury Rules; and

"Voted Expenditure” means expenditure other than charged expenditure, which is subject to vote of the Vidhan Sabha.

Rule-3. Interdepartmental Consultations: When the subject of a case covered by these Rules, concerns more than one department, no order should be issued until all such departments have concurred, or, failing such concurrence, a decision has been taken by or under the authority of the Cabinet. In this regard it is clarified that every case in which a decision, if taken in one Department, is likely to affect the transaction of business allotted to another department, shall be deemed to be a case, the subject of which concerns more than one department.

Rule-4. Departmental Regulations of financial character: All Departmental regulations, in so far as they embody orders or instructions of a financial character or have important financial bearing, shall be made by, or with the approval of the Finance Department, unless a separate authority has been prescribed in these Rules.

Rule-5. Removal of doubts: Where a doubt arises as to the interpretation of any of the provisions of these Rules, the matter shall be referred to the Finance Department for decision.

Rule-6. Modifications:
1. The systems and procedures established by these rules are subject to general or special instructions/orders, which the Finance Department may issue from time to time.
2. The systems and procedures established by these rules may be modified only by or with the express approval of the Finance Department.

CHAPTER-2.

GENERAL SYSTEM OF FINANCIAL MANAGEMENT.

Rule-7. General Principles:
All moneys received by or on behalf of the Government either as dues of Government or for deposit, remittance or otherwise, shall be brought into Government Account without delay, in accordance with such general or special rules as may be issued under the Constitution of India and under Rules and Instructions of the Government, issued from time to time.

Rule-8. (1) (i) 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 Government, shall be paid into the Public Account.

(ii) All moneys received by or deposited on the orders of any Court within the territory of India, shall also be dealt with in accordance with Clause (i) of sub-rule (1).

(2) The Head of Account to which such moneys shall be credited and the withdrawal of moneys there from shall be governed by the provisions of relevant Rules and/ or such other general or special orders as may be issued in this behalf by the Finance Department from time to time.

Rule-9. It is the duty of the concerned Department of the State Government to ensure that the receipts and dues of the Government are correctly and promptly assessed, collected and duly credited to the Consolidated Fund or Public Account as the case may be.

Rule-10. The Head of Department shall arrange to obtain from his subordinate officers, monthly accounts and returns in suitable form, claiming credit for the amounts paid into the treasury or bank as the case may be, or otherwise accounted for, and compare them with the statements of credits furnished by the Accountant General to see that the amounts reported as collected have been duly credited.

Rule-11. (1) Detailed procedure regarding assessment, collection, allocation, remission and abandonment of revenue and other receipts shall be laid down in the guidelines of the department responsible for the same, in consultation with the Finance Department.

(2) In the departments in which officers are required to receive moneys on behalf of Government and issue receipts there-for, the departmental regulations should provide for the maintenance of a proper account thereof.

(3) Any amendment in the guidelines issued under Sub Rule (1) of this Rule, will be carried out by the Department concerned, in consultation with the Finance Department.

(4) Notwithstanding anything contained in this Rule, the Finance Department may issue orders/guidelines to the Departments generally or specially, for assessment, collection, allocation, remission and abandonment of revenue and other receipts.

Rule-12. Amounts due to Government shall not be left outstanding without sufficient reasons. Where such amounts appear to be irrecoverable, the orders of the competent authority shall be obtained for their adjustment/settlement.

Rule-13. Unless otherwise specially authorized by any other Act, Rules etc. no sums shall be credited as revenue by debit to a suspense head.

Rule-14. (1) The Head of a Department responsible for the collection of revenue shall keep the Finance Department fully informed of the progress of collection of revenue under his control and of all important variations in such collections as compared with the Budget Estimates.
(2) The Finance Department may issue general or specific instructions from time to time to the Departments relating to the manner and the time intervals in which the report under sub Rule(1) is to be prepared and communicated.

**Rule-15. Rents of buildings and lands:**
(1) When the maintenance of any rentable building is entrusted to a civil department other than the Public Works Department, the Administrator or Head of the Department concerned shall be responsible for the due recovery of the rent thereof.
(2) The detailed rules and procedures regarding the assessment, demand and recovery of rent of Government buildings and lands shall be as such may be prescribed by the General Administration Department from time to time.
(3) The Heads of Department may from time to time, prescribe in consultation with their Administrative Department, the procedure for the assessment, demand, collection and deposit of rent of office premises under their control which may be hired out on day-usage basis, subject to the condition that such hiring out will not be detrimental to the office work.

**Rule-16. Society Mode:**
The Administrative Department, taking into consideration the viability and in consultation with Finance Department, may permit running of any or all the activities of a Department, in a Society mode to be registered under the relevant Law.

Provided that where any or all activities of a Department are allowed to run in a Society mode, the constitution of the Society and guidelines for its running shall be approved by the Administrative Department.

**Rule-17. Fines:**
(1) Every authority having the power to impose and/or realize a fine shall ensure that the money is realized, duly checked and deposited into a treasury or bank, as the case may be.
(2) Every authority having the power to refund fines shall ensure that the refunds are checked and no double refunds of fines collected or refunds of fines not actually paid into a treasury or bank, as the case may be, are made.

**Rule-18. Miscellaneous Demands:**
The Head of Department shall watch the realization of miscellaneous demands of Government, not falling under the ordinary revenue administration, such as contributions from State Governments, Local Funds, contractors and others, towards establishment charges.

**Rule-19. Remission of Revenue:**
(1) Ordinarily, a claim to revenue shall not be remitted or abandoned.
(2) Finance Department may delegate from time to time, powers for the remission and abandonment of irrecoverable revenue and the Departments may lay down suitable guidelines to be followed in this behalf.
Rule-20. Handling of Cash and recording of transactions connected therewith:

(1) Finance Department may:
   (a) Lay down procedure and/or issue instructions for handling of cash and maintenance of accounts thereof.
   (b) Delegate powers, subject to such conditions as it may deem proper, generally or specially to the Heads of Departments for drawing advances from the Treasury.
   (c) Issue instructions regarding the preparation of bills on which different classes of charges are drawn and the method of obtaining money from the Treasury, whether by bills or by cheques and issue of cheques and maintenance of accounts thereof.
   (d) Lay down time limits for the presentation of different classes of claims in the treasury and procedure to be adopted for payment of claims so becoming time barred.

(2) Administrative Department may lay down limits of imprest amounts to be maintained by various subordinate officers under its control and issue instructions relating thereto, enabling the latter to make payments for expenditure before they can replace the funds by drawing bills on the Treasury, for recoupment of the imprest amount.

(3) All government transactions shall be rounded off to the nearest rupee i.e. 50 paisa and above to the next higher rupee and less than that to the lower rupee.

I. GENERAL PRINCIPLES RELATING TO EXPENDITURE AND PAYMENT OF MONEY.

Rule-21. Standards of financial propriety:

(1) Every officer incurring or authorizing expenditure from public moneys should be guided by high standards of financial propriety. Every officer should also enforce financial order and strict economy and see that all relevant rules and regulations are observed, by his own office and by subordinate disbursing officers. Among the principles on which emphasis is to be generally laid are the following:
   (i) Every officer is expected to exercise the same vigilance in respect of expenditure incurred from public moneys, 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 moneys should not be incurred for the benefit of a particular person or a section of the people, unless:
(a) a claim for the amount could be enforced in a Court of Law, or
(b) the expenditure is in pursuance of a recognized 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.

(2) Finance Department may from time to time lay down additional standards to be followed by officers incurring or authorizing expenditure from public moneys.

**Rule-22. Expenditure from public funds:**
No authority may incur any expenditure or enter into any liability involving expenditure or transfer of moneys for investment or deposit from Government account unless the same has been sanctioned by a competent authority.

**Rule-23. Delegation of Financial Powers:**
(1) Finance Department generally or specifically may, from time to time, delegate/revise financial powers to various authorities and may also issue instructions for the exercise of such powers.
(2) The residual financial powers of the Government shall rest with the Finance Department.
(3) Heads of Departments may delegate or re-delegate financial powers to their subordinate officers from time to time subject to the condition that they shall remain responsible for the expenditure incurred by them or by their subordinate officers.

**Rule-24. Provision of funds for sanction:**
(1) All sanctions to incur or authorize expenditure shall indicate the details of the provisions in the relevant grant or appropriation, from where such expenditure is to be met.
(2) All proposals for sanction to expenditure shall indicate whether such expenditure can be met by valid appropriation or re-appropriation.
(3) Finance Department may lay down/revise guidelines from time to time for the issue of sanctions.

**Rule-25. Responsibility of Controlling Officer in respect of Budget allocation:**
The duties and responsibilities of a Controlling Officer in respect of funds placed at his disposal are to ensure:

(a) that the expenditure does not exceed the budget allocation.
(b) that the expenditure is incurred for the purpose for which funds have been provided.
(c) that the expenditure is incurred in public interest.
(d) that adequate control mechanism is prescribed and functioning in his department 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, and
(e) that mechanism or checks contemplated in this Rule are effectively applied.
Rule-26. (1) **Date of effect of sanction:** 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.

(2) **Date of creation to be indicated in sanctions for temporary posts:** Orders sanctioning the creation of a temporary post in addition to the duration for which it is sanctioned, should invariably specify the date from which it is to be created.

Rule-27. **Powers in regard to certain special matters:**

(1) A Department or a subordinate authority shall not, without the previous consent of the Finance Department, issue an order which -

(i) involves any grant of land, or assignment of revenue, or concession, grant, lease or licence of mineral or forest rights, or rights to water power or any easement or privilege of such concessions, or

(ii) Involves relinquishment of revenue in any way.

(2) Nothing mentioned in Sub Rule (1) of this Rule shall prohibit the issue of orders if such orders are made under specific provisions of certain Acts or Rules or in pursuance of general or specific delegation made by the Finance Department.

Rule-28. **Procedure for communication of sanctions:**

All financial sanctions and orders issued by a competent authority shall be communicated to the Accountant General and the Treasury Officer concerned duly signed. The procedure to be followed for communication of financial sanctions and orders will be as under: -

(i) All financial sanctions issued by a Department of the State Government which relate to a matter concerning the Department and on the basis of which payment is to be made or authorized by the Treasury Officer, should be addressed to him.

(ii) All other sanctions should be accorded in the form of an Order, which need not be addressed to any authority, but a copy thereof should be endorsed to the Accountant General and the Treasury Officer concerned.

(iii) In the case of non-recurring expenditure, the sanctioning authority may, where required, accord sanction by signing or countersigning the bill or voucher, whether before or after the money is drawn, instead of by a separate sanction.

(iv) All orders conveying sanctions to expenditure of a definite amount or up to a specific limit should express both in words and figures the amount of expenditure sanctioned.

(v) Sanctions accorded by a Head of Department may be communicated to the Accountant General and the concerned Treasury Officer duly signed by him or by a duly authorized Officer of his Office.

(vi) All orders conveying sanctions to the grant of additions to pay such as Special Allowance, Personal Pay, etc., should contain a brief summary of the reasons for the grant of such additions to pay so as to enable the Accountant General and the concerned Treasury Officer to see that it is correctly termed as Special Allowance, Personal Pay, etc., as the case may be.

(vii) Copies of all Financial Orders/sanctions issued by the Government shall be supplied to the Accountant General.

(viii) Sanctions accorded by competent authority to grants of land and alienation of land
Rule-29.  (1) Lapse of sanctions: A sanction for any fresh charge shall, unless it is specifically renewed, lapse if no payment in whole or in part has been made during a period of twelve months from the date of issue of such sanction, provided that:
   (i) when the period of currency of the sanction is prescribed in the departmental regulations or is specified in the sanction itself, it shall lapse on the expiry of such periods; or
   (ii) when there is a specific provision in a sanction that the expenditure would be met from the Budget provision of a specified financial year, it shall lapse at the closing date of that financial year;
(2) Finance Department may prescribe different date(s) other than 31st March of the relevant financial year, to be the closing date(s) of a financial year for different purposes.

Rule-30. Remission of disallowance by Audit and writing off of overpayment made to Government servants:
The Finance Department may generally or specifically remit the disallowances by Audit and/or write off overpayments made to Government servants on reference of the matter to it, by the concerned Administrative Department.
II. DEFALCATION AND LOSSES.

Rule-31. Report of Losses:

(1) Any loss or shortage of public moneys, departmental revenue or receipts, stamps, opium, stores or other property held by, or on behalf of, Government irrespective of the cause of loss and manner of detection, shall be immediately reported by the subordinate authority concerned to the next higher authority even when such loss has been made good by the party responsible for it. However the following losses need not be reported in:

(i) Cases involving losses of revenue due to -
   (a) mistakes in assessments which are discovered too late to permit a supplementary claim being made,
   (b) under assessments which are due to interpretation of the law by the local authority being overruled by higher authority after the expiry of the time-limit prescribed under the law,
   (c) refunds allowed on the ground that the claims were time-barred:

(ii) Petty losses of value not exceeding Rupees two thousand.

(2) Cases involving serious irregularities shall immediately be brought to the notice of Finance Department and the Accountant General.

(3) Report of loss contemplated in sub-rule (1) & (2) shall be made at two stages-

   (i) An initial report should be made as soon as a suspicion arises that a loss has taken place.

   (ii) The final report should be sent to authorities indicated in sub rule (1) & (2) after investigation, indicating nature and extent of loss, errors or neglect of regulations which caused the loss and the prospects of recovery.

(4) The complete report contemplated in sub-rule 3, shall reach through proper channels to the Head of the Department, who shall finally dispose of the same as per delegation of powers. The reports, which he cannot finally dispose of under the delegated powers, shall be submitted to the Government.

(5) An amount lost through misappropriation, defalcation, embezzlement, theft, robbery etc., may be redrawn on a simple receipt with the approval of the authority competent to write-off the loss in question, pending investigation, recovery or write-off.

(6) In cases of loss to Government on account of culpability of Government servants, the loss should be borne by the Department concerned with the transaction. Similarly, if any recoveries are made from the erring Government officials in cash, the receipt will be credited to the Government which sustained the loss.

(7) All cases involving loss of Government money arising from erroneous or irregular issue of cheques or irregular accounting of receipts will be reported to the Finance Department along with the circumstances leading to the loss, so that it can take steps to remedy defects in rules or procedures, if any, connected therewith.

Rule-32. Loss of Government property due to fire, theft, fraud:

1. Departmental Officers shall, in addition to taking action as prescribed in the foregoing Rule, follow the provisions indicated below in cases involving
material loss or destruction of Government property as a result of fire, theft, fraud, robbery etc.

2. All losses above the value of Rupees ten thousand due to suspected fire, theft, fraud, robbery etc., shall be invariably reported to the Police for investigation as early as possible.

3. Once the matter is reported to the Police Authorities, all concerned should assist the Police in their investigation. A formal investigation report should be obtained from the Police Authorities in all cases, which are referred to them

**Rule-33. Loss of immovable property by fire, flood, etc.:**
All loss of immovable property exceeding Rupees fifty thousand, such as buildings, communications, or other works, caused by fire, flood, cyclone, earthquake or any other natural cause, shall be reported at once by the subordinate authority concerned to Government through the usual channel. All other losses should be immediately brought to the notice of the next higher authority

**Rule-34. Report of loss:**
After a detailed enquiry as to the cause and the extent of the loss has been made, the detailed report should be sent by the subordinate authority concerned to the Government through proper channel.

**Rule-35. Responsibility for Losses:**
(1) An officer shall be held personally responsible for any loss sustained by the Government through fraud or negligence on his part. He will also be held personally responsible for any loss arising from fraud or negligence of any other officer to the extent to which it may be shown that he contributed to the loss by his own action or negligence.

(2) The departmental proceedings for assessment and fixing up responsibility for the loss shall be conducted according to the relevant Rules and/or general or special instructions issued by the State Government from time to time and for taking further action.

**Rule-36. Prompt disposal of cases of loss:**
Action at each stage of detection, reporting, write off, final disposal, in cases of losses including action against delinquents and remedial measures should be completed promptly with special attention to action against delinquents. Remedial measures, wherever practicable, will also be taken to strengthen the control system to avoid recurrence of such incidents.

**III. SUBMISSION OF RECORDS AND INFORMATION.**

**Rule-37. Demand for information by Audit:**
The Head of Department or a subordinate authority shall afford all reasonable facilities to the Audit Officer or Accounts Officer for the discharge of his functions, and furnish fullest possible information required by him for the preparation of any official account or report.
Rule-38. The Head of Department or subordinate authority shall not withhold any information, books or other documents required by the Audit Officer or Accounts Officer.

Rule-39. If the contents of any file are categorized as 'Secret' or 'Top Secret' the file may be sent personally to the Head of the Audit Office specifying this fact, who will then deal with it in accordance with the standing instructions for handling and custody of such classified documents.

CHAPER-3.

BUDGET FORMULATION AND IMPLEMENTATION.

Rule-40. Presentation of Budget to State Legislature:
(1) In accordance with the provisions of Article 202 (1) of the Constitution, the Governor shall cause to be laid before the State Legislature, an Annual Financial Statement also known as the 'Budget' showing the estimated receipts and expenditure of the State Government in respect of a financial year, before the commencement of that year.
(2) The provisions for preparation, formulation and submission of budget to the State Legislature are contained in Articles 202-206 of the Constitution of India.
(3) The Finance Department shall issue guidelines for preparation of budget estimates from time to time. All the Departments shall comply with these guidelines.

Rule-41. The budget shall contain the following:
(i) Estimates of all Revenue expected to be raised during the financial year to which the budget relates.
(ii) Estimates of all Expenditure for each programme and project in that financial year.
(iii) Estimates of all interest and debt servicing charges and any repayments on loans in that financial year.
(iv) Medium term fiscal plan in terms of the provisions of F.R.B.M. Act, 2005.
(v) Any other information as may be prescribed from time to time.
Rule-42. **Receipt Estimates:**
The detailed estimates of receipts will be prepared by the estimating authorities separately for each Major Head of Account in the prescribed form. For each Major Head, the estimating authority will give the break up of the Minor / Subhead wise estimate along with actuals of the past three years. Where necessary, itemwise break up should also be furnished so as to highlight individual items of significance. Any major variation in estimates with reference to past actuals or / and Budget Estimates will be supported by cogent reasons.

Rule-43. **Expenditure estimates:**
(1) The expenditure estimates shall show separately the sums required to meet the expenditure Charged on the Consolidated Fund under Article 202 (3) of the Constitution and sums required to meet other expenditure for which a vote of the State Legislature is required under Article 203(2) of the Constitution.
(2) The estimates shall also distinguish provisions for expenditure on revenue account from that for other expenditure including expenditure on capital account, on loans by the Government and for repayment of loans, treasury bills and ways and means advances.
(3) The detailed estimates of expenditure will be prepared by the estimating authorities for each unit of appropriation (Sub or Detailed or SOE) under the prescribed Major and Minor Heads of Accounts separately for Plan and Non-Plan expenditure. Estimates should include suitable provision for liabilities of the previous years left unpaid during the relevant year.
(4) The Revised Estimates of both Plan and Non-Plan expenditure and Budget Estimates for Non-Plan expenditure, after being scrutinized and approved by the Administrative Department concerned will be forwarded to the Finance Department in such manner and forms as may be prescribed from time to time.

Rule-44. **Demands for Grants:**
(1) The estimates for expenditure for which vote of State Legislature is required shall be in the form of Demand for Grants.
(2) Generally, one Demand for Grant is presented in respect of each Department. However, in respect of major Departments, more than one Demand may be presented. Each Demand normally includes provisions required for a service, i.e. provisions on account of revenue expenditure, capital expenditure, grants to the local bodies and other institutions eligible by law and also Loans and Advances relating to the service.

Rule-45. **Form of Annual Financial Statement and Demands for Grants:**
(1) The form of the Annual Financial Statement and Demands for Grants shall be laid down by the Finance Department and no alteration of arrangement or classification shall be made without the approval of that Department.
(2) The sub-heads under which provision for expenditure will be made in the Demands for Grants or Appropriation shall be prescribed by the Finance Department in consultation
with the Administrative Department. The authorized sub-heads for expenditure in a year shall be as shown in the Detailed Demands for Grants passed by State Legislature and no change shall be made therein without the approval of the Finance Department.

(3) Detailed instructions for preparation of the budget shall be such as may be issued by the Finance Department, from time to time.

**Rule-46. Acceptance and inclusion of estimates:**

(1) The estimates of receipts and expenditure of each Department will be scrutinized in the Finance Department. The Finance Secretary or his nominee may hold meetings with Administrative Departments/Heads of Departments to discuss the totality of the requirements of funds for various programmes and schemes, along with receipts of the Departments.

(2) The estimates initially submitted by the Departments may undergo some changes as a result of scrutiny in the Finance Department.

**Rule-47. Vote on Account:**

(1) The Budget is normally presented to the State Legislature in the month of March but the corresponding Appropriation Bill seeking authorization of the State Legislature to make expenditure in consonance with the Budget proposal is introduced and passed later i.e. after due deliberation and approval by the State Legislature.

(2) Pending the completion of the procedure prescribed in Article 204 of the Constitution for the passing of the Budget, the Finance Department may arrange to obtain a 'Vote on Account' to cover expenditure for one month or such longer period as may be necessary in accordance with the provisions of Article 206 of the Constitution. Funds made available under Vote on Account are not to be utilized for expenditure on a 'New Service'.

**Rule-48. Communication and distribution of grants and appropriations:**

After the Appropriation Bill relating to Budget is passed, the Finance Department shall communicate Budget provisions to the Departments which, in turn, shall distribute the same to their subordinate formations. The distribution so made shall also be communicated to the respective District Treasury Officers/Treasury Officers who shall exercise check against the allocation to each subordinate authority.

**Rule-49. Responsibility for control of Expenditure:**

(1) Administrative Departments of the State Government shall be responsible for the control of expenditure against the sanctioned grants and appropriations placed at their disposal. The control shall be exercised through the Heads of Departments and other Controlling Officers, if any, and Disbursing Officers subordinate to them.

(2) A Grant or Appropriation can be utilized only to cover the charges (including liabilities, if any, of the past year) which are to be paid during the financial year of the Grant or Appropriation and adjusted in the account of the year. No charges against a Grant or Appropriation can be authorized after the expiry of the financial year.

(3) No expenditure shall be incurred which may have the effect of exceeding the total
grant or appropriation authorized by State Legislature by law for a financial year, except after obtaining a supplementary grant or appropriation or an advance from the Contingency Fund. Since voted and charged portions as also the revenue and capital sections of a Grant / Appropriation are distinct and reappropriation *inter se* is not permissible, an excess in anyone portion or section is treated as an excess in the Grant / Appropriation.

(4) To have effective control over expenditure by the Departments, Controlling and Disbursing Officers subordinate to them shall follow the procedure given below:

(i) For drawal of money, the Drawing and Disbursing Officer shall:

(a) Prepare and present bills for "charged" and "voted" expenditure separately.

(b) Enter on each bill the complete accounts classifications from major head down to the object head of account. When a single bill includes charges falling under two or more object heads, the charges shall be distributed accurately over the respective heads.

(c) Enter on each bill, the progressive total of expenditure up-to-date under the primary unit of appropriation to which the bill relates, including the amount of the bill on which the entry is made.

(ii) All Disbursing Officers shall maintain a separate expenditure register in the specified Form for allocation under each minor or sub-head of account with which they are concerned.

(a) On the third day of each month, a copy of the entries made in this register during the preceding month shall be sent by the officer maintaining it, to the Head of the Department or other designated Controlling Officer. If there are no entries in the register in any month, a 'nil' statement shall be sent.

(b) The Controlling Officer will maintain a broadsheet to monitor the receipt of the return as specified in the foregoing sub-clause.

(b) On receipt of the returns from Disbursing Officers, the Controlling Officer shall examine them and satisfy himself:

(aa) that the accounts classification has been properly given;

(bb) that progressive expenditure has been properly noted and the available balances worked out correctly;

(cc) that expenditure up-to-date is within the grant or appropriation; and

(dd) that the returns have been signed by Disbursing Officers.

Where the Controlling Officer finds defects in any of these respects, he shall take steps to rectify the defect.

(iv) When all the returns from the Disbursing Officers for a particular month have been received and found to be in order, the Controlling Officer shall compile a statement, in which he will incorporate:

(a) the totals of the figures supplied by Disbursing Officers;

(b) the totals taken from his own registers.

(c) the totals of such adjustments under the various detailed heads as communicated to him by the Accounts Officer on account of transfer entries.
and expenditure debited to the grant as a result of settlement of inward account claims and not reckoned by his DDOs.

(v) If any adjustment communicated by the Accountant General affects the appropriation at the disposal of a subordinate Disbursing Officer, the fact that the adjustment has been made shall be communicated by the Controlling Officer to the Disbursing Officer concerned.

(vi) On receipt of all the necessary returns, the Head of the Department shall prepare a consolidated account in the prescribed Form, showing the complete expenditure from the grant or appropriation at his disposal up to the end of the preceding month.

(5) The Head of the Department shall be responsible for the monthly reconciliation of the figures given in the accounts maintained by the Head of the Department with those appearing in the books of the Accountant General. The procedure for reconciliation shall be as follows:

I. DDOs shall maintain a Bill Register in the specified Form, and note all bills presented for payment to the Treasury Officer in the register. As soon as the bills are received and presented for payment, these will be noted in the appropriate column of the Bill Register and the DDOs will ensure that the amounts received tally with the net amount of the bills presented. In case any retrenchment is made by the Treasury Officer, a note of such retrenchments should be kept against the bill in the remarks column in the prescribed register.

II. The Treasury Officer shall furnish to each of the DDOs including Cheque-drawing DDOs, an extract from the expenditure control register or from the Compilation Sheet every month indicating the expenditure relating to grants controlled by him classified under the various major-minor detailed head of accounts. The statements for May to March should also contain progressive Figures.

III. On receipt of these extracts from the Treasury Officers, the DDOs should tally the figures received, excluding book adjustments, with the expenditure worked out for the month in the relevant register. Discrepancies, if any, between the two sets of figures should be promptly investigated by the DDO in consultation with the Treasury Officer. He will also note in the prescribed register particulars of book adjustments advised by the Treasury Officer through the monthly statement. Thereafter, the DDO should furnish to the Treasury Officer a certificate of agreement of the figures as per his books with those indicated by the Treasury Officer by the last day of the month following the month of accounts.

IV. The Accountant General should send a monthly statement showing the expenditure vis-a-vis the Budget provision under the various heads of accounts, in the prescribed pro forma, to the Heads of Departments responsible for overall control of expenditure against grant of the Department as a whole. The figures so communicated by the Accountant General should be compared by the Heads of Departments with those consolidated in the specified form and differences, if any, should be taken up by the Heads of Departments/Accountant General for reconciliation. The Head of the Department should furnish a quarterly certificate to the Accountant General certifying the correctness of the figures.
for the quarter by the 15th of the second following month after the end of quarters April-June, July-September, October-December and January-March.

(6) The Administrative Departments of the State Government should obtain from their Heads of Departments and other offices under them the departmental figures of expenditure in the prescribed Form by the 15th of the month following the month to which the returns relate. The figures relating to Plan and Non-Plan expenditure should be separately shown in these returns. The information so obtained should be posted in register(s) kept for watching the flow of expenditure against the sanctioned grant or appropriation. Progressive totals of expenditure should be worked out for the purpose. If the departmental figures obtained in the prescribed Form and posted in the register(s), require correction in a subsequent month, Heads of Departments or other offices should make such corrections by making plus or minus entries in the progressive totals. In case the figures in the office of Accountant General which subsequently become available are found to be higher than departmental figures, the former should be assumed to be the correct figures, as appropriation accounts are prepared on the basis of the figures booked in the accounts.

(7) The Administrative Departments of State Government should also obtain from the Heads of Departments and other authorities under them, statements showing the details of the physical progress of the schemes for which they are responsible. This statement should show the name of the scheme, the Budget provision for each scheme, the progressive expenditure on each scheme, the progress of the scheme in physical terms and the detailed reasons for any shortfalls or excess, both against physical and financial targets.

(8) A Broadsheet should be maintained by the Administrative Departments of State Government or each Head of Department and other authorities directly under them, to watch the prompt receipt of the various returns mentioned above from month to month and to take necessary measures for rectifying any defaults noticed.

Rule-50. **Maintenance of Liability Register for effecting proper control over expenditure:**
In order to maintain proper control over expenditure, whenever the Head of Department or the Administrative Department so direct a Controlling Officer should obtain from the spending authorities, liability statements every month, starting from the month of October in each financial year. The Controlling Officer should also maintain a Liability Register which reflects all such liabilities.

Rule-51. **Personal attention of the Head of Department or Controlling Officer required to estimate savings or excesses:**
A Head of Department or Controlling Officer should be in a position to estimate the likelihood of savings or excesses every month and to regularize them in accordance with the instructions laid down in these Rules.

Rule-52. **Control of expenditure against grant/appropriation and ultimate responsibility of the authority administering it:**
The Accountant General should report to the Head of the Department concerned, immediately on the first appearance of any disproportionate expenditure, particularly in
respect of recurring items of expenditure under any grant or appropriation or a primary unit of appropriation thereof. However, the authority administering a grant/appropriation is ultimately responsible for the control of expenditure against the grant / appropriation and not the Accountant General.

Rule-53. **Surrender of savings:**
(1) Heads of Departments of the State Government through their Administrative Department shall surrender to the Finance Department, by the dates prescribed by the Finance Department before the close of the financial year, all the anticipated savings noticed in the Grants or Appropriations controlled by them. The Finance Department shall communicate the acceptance of such surrenders as are accepted by them to the Head of Department, before the close of the year. The funds provided during the financial year and not utilized before the date(s) to be prescribed by the Finance Department shall stand lapsed at the close of the financial year or on the date prescribed by the Finance Department, whichever is earlier.

(2) The savings as well as provisions that cannot be profitably utilized should be surrendered to Government immediately when they are foreseen, without waiting till the end of the year. No savings should be held in reserve for possible future excesses.

(3) Rush of expenditure, particularly in the closing months of the Financial year shall be avoided. Finance Department may issue guidelines to avoid rush of expenditure in the closing months of the year.

Rule-54. **Expenditure on New Service:**
No expenditure shall be incurred during a financial year on a new service or new scheme not contemplated in the Annual Budget for that year except after obtaining a supplementary grant or an approval of the Finance Department or the Planning Department, as the case may be.

Rule-55. **Additional Allotment for excess expenditure:**
(1) A subordinate authority incurring the expenditure will be responsible for seeing that the allotment placed at its disposal is not exceeded. Where any excess over the allotment is apprehended, the subordinate authority should obtain additional allotment before incurring the excess expenditure.

(2) A Disbursing Officer may not, on his own authority, authorize any payment in excess of the funds placed at his disposal. If the Disbursing Officer is called upon to honour a claim, which is certain to produce an excess over the allotment or appropriation at his disposal, he should take the orders of the administrative authority to which he is subordinate before authorizing payment of the claim in question. The administrative authority will then arrange to provide funds either by reappropriation or by obtaining a Supplementary Grant or Appropriation after approval from the Finance Department.

Rule-56. **Re-appropriation of Funds:**
(1) Subject to instructions issued and such other general or specific restrictions as may be
imposed by the Finance Department in this behalf, no re-appropriation of funds will be made without prior approval of the Finance Department.

(2) Re-appropriation of funds may be made with the approval of Finance Department only when it is known or anticipated that the appropriation for the unit from which funds are to be transferred will not be utilized in full or that savings can be affected in the appropriation for the said unit.

(3) Funds shall not be re-appropriated from a unit with the intention of restoring the diverted appropriation to that unit when savings become available under other units later in the year.

(4) An application for re-appropriation of funds shall ordinarily be made in the manner specified by the Finance Department.

Rule-57. Inevitable Payments:
(i) Subject to the provisions of Article 204 (3) of the Constitution, money indisputably payable by Government shall not ordinarily be left unpaid.
(ii) Suitable provision for anticipated liabilities should invariably be made in Demands for Grants to be placed before the Vidhan Sabha.

Rule-58. The Head of Department shall communicate DDO-wise appropriation under each object, to the concerned District Treasury Officer/Treasury Officer and the latter shall also exercise pre-check of bills against the provision of funds.

Rule-59. Duties and Responsibilities of the Administrative Department:
The Secretary of the Administrative Department shall:
(i) be responsible and accountable for financial management of his Department.
(ii) ensure that the public funds allocated to the Department are used for the purpose for which they were meant.
(iii) be responsible for the effective, efficient, economical and transparent use of the resources of the Department in achieving the stated objectives of that Department, whilst complying with performance standards.
(iv) appear before the Committee on Public Accounts and any other Legislative Committees for examination.
(v) review and monitor regularly the performance of the programmes and projects assigned to the Department to determine whether stated objectives are achieved.
(vi) be responsible for preparation of expenditure and other statements relating to the Administrative Department as required by regulations, guidelines or directives issued by Finance Department.
(vii) shall ensure that the Administrative Department maintains full and proper records of financial transactions and adopts systems and procedures that will at all times afford internal controls.
(viii) shall ensure that the Department follows the Government procurement procedure for execution of works, as well as for procurement of services and supplies, and implements it in a fair, equitable, transparent, competitive and cost-effective manner;
(ix) shall take effective and appropriate steps to ensure that the Department:
   (a) collects all moneys due to the Government;
   (b) accounts for all moneys collected; and
(c) avoids unauthorized, irregular and wasteful expenditure

CHAPTER-4.

GOVERNMENT ACCOUNTS.

Rule-60. Preparation and presentation of Accounts:
Accounts of the State Government shall be prepared every year showing the receipts and disbursements for the year, surplus or deficit generated during the year and changes in Government liabilities and assets. The accounts so prepared shall be certified by the Comptroller and Auditor General of India. The report of the Comptroller and Auditor-General of India relating to these accounts shall be submitted to the Governor of Himachal Pradesh, who shall cause them to be laid before State Legislature.
Rule-61. **Form of Accounts:**
By virtue of the provisions of Article 150 of the Constitution, the Accounts of the State Government shall be kept in such form as may be prescribed by the Comptroller and Auditor General of India.

Rule-62. **Principles of Accounting:**
The accounts of the Departments of the State Government shall be maintained according to the respective Code(s), Rules, manuals and departmental regulations, relating to the department concerned.

Rule-63. **Cash based Accounting:**
Government accounts shall be prepared on cash basis or on such basis as may be prescribed by the Comptroller & Auditor General of India from time to time. The transactions in Government accounts shall represent the actual cash receipts and disbursements during a financial year as distinguished from amounts due to or by Government during the same period.

Rule-64. **Period of Accounts:**
The annual accounts of the State Government shall record transactions which take place during a financial year running from the 15th April to the 31st March thereof.

Rule-65. **Main Divisions and structure of Accounts:**
The accounts of Government shall be kept in three parts, namely Consolidated Fund (Part-I), Contingency Fund (Part-II) and Public Account (Part-III).

Part-I, Consolidated Fund, is divided into two Divisions, namely, 'Revenue' and 'Capital' divisions. The Revenue Division comprises of the sections 'Receipt Heads (Revenue Account)' dealing with the proceeds of taxation and other receipts classified as revenue and the section 'Expenditure Heads (Revenue Account)' dealing with the expenditure met there from. The Capital Division comprises of three sections, viz., 'Receipt Heads (Capital Account)', 'Expenditure Heads (Capital Account)' and 'Public Debt, Loans and Advances, etc.'. These sections are in turn divided into sectors such as 'General Services', 'Social and Community Services', 'Economic Services', Grant-in Aid etc., under which specific functions or services are grouped corresponding to the sectors of Plan classification and which are represented by Major Heads (comprising Sub-Major Heads wherever necessary).

In Part-II, Contingency Fund, are recorded transactions connected with the Contingency Fund set up under Article 267 (2) of the Constitution.

In Part-III, Public Account, transactions relating to debt (other than those included in Part-I), reserve funds, deposits, advances, suspense, remittances and cash balances shall be
Rule-66. **Classification of transactions in Government Accounts:**
The government transactions shall be classified as per Rules of classification of accounts representing 6-tier classification by a unique 15 digit numeric code.

Rule-67. **Authority to open a new Head of Account:**
The Finance Department may allow opening of Major, Sub-Major and Minor Heads of Accounts and also Sub-Heads and Detailed Heads as may be required by various Departments in consultation with the Accountant General. The power to amend or modify the object heads and to open new Object Heads shall rest with Finance Department.

Rule-68. **Conformity of budget heads with rules of classification:**
Budget Heads exhibited in estimates of receipts and expenditure framed by the Government or in any appropriation order shall conform to the prescribed rules of classification.

Rule-69. **Responsibility of Departmental officers:**
Every officer responsible for the collection of Government dues or expenditure of Government money shall see that proper accounts of the receipts and expenditure, as the case may be, are maintained in such form as may have been prescribed for the financial transactions of Government with which he is concerned and shall tender accurately and promptly all such accounts and returns relating to them as may be required by Government, Controlling Officer or Accounts Officer, as the case may be.

Rule-70. **Classification should be recorded in all the bills and challans by Drawing Officers:**
Suitable classification shall be recorded by Drawing Officers on all bills drawn by them. Similarly, classification on challans crediting Government money into the Bank/Treasury shall be indicated or recorded by Departmental Officers responsible for the collection of Government dues, etc. In cases of doubt regarding the Head under which a transaction should be accounted, the matter shall be referred to the Finance Department for clarification.

Rule-71. **Charged or Voted Expenditure:**
The expenditure covered under Article 202(3) of the Constitution of India is charged on the Consolidated Fund of the State and is not subject to vote by the legislature. All other expenditure met out of the Consolidated Fund of India is treated as Voted expenditure. Charged and Voted Expenditure shall be shown separately in the accounts as well as in the Budget documents.

Rule-72. **Plan or Non plan Expenditure:**
Plan expenditure representing expenditure on Plan outlays approved for each scheme or
organization, indicating the extent to which such outlays are met out of budgetary provisions, shall be shown distinctly from the other expenditure in the accounts as well as in the Budget documents.

**Rule-73.** **Capital or Revenue Expenditure:**
Significant expenditure incurred with the object of acquiring tangible assets of a permanent nature (for use in the organization and not for sale in the ordinary course of business) or enhancing the utility of existing assets, shall broadly be defined as Capital expenditure. Subsequent charges on maintenance, repair, upkeep and working expenses, which are required to maintain the assets in a running order as also all other expenses incurred for the day to day running of the organization, including establishment and administrative expenses shall be classified as Revenue expenditure. Capital and Revenue expenditure shall be shown separately in the Accounts.

**Rule-74.** **Banking Arrangements:**
The banking arrangements shall be such as may be notified by the Finance Department. The approved bank(s) shall provide banking facilities to the departments of the Government.

**ANNUAL ACCOUNTS.**

**Rule-75.** **Appropriation Accounts:**
Appropriation Account of Government shall be prepared by the Accountant General.

**Rule-76.** **Finance Accounts:**
Annual accounts of the State government called Finance Accounts showing the respective heads, the annual receipts and disbursements for the purpose of the State Government, shall be prepared by the Accountant General.

**Rule-77.** **Presentation of Annual accounts:**
The certified annual accounts and the Reports relating to the accounts shall be prepared and submitted by the Accountant General to the Governor on the prescribed dates and in accordance with the provisions of Section 11 of the Comptroller and Auditor General’s (Duties, Powers and Conditions of Service) Act, 1971 and Clause (2) of Article 151 of the Constitution of India, who shall cause them to be laid before the State Legislature.

**PROFORMA ACCOUNTS.**

**Rule-78.** **Subsidiary Accounts of Government Departments undertaking commercial activities:**
Where the operations of certain government departments working on a commercial or quasi-commercial basis e.g., an industrial factory or a store etc. cannot be suitably brought within the cash based Government accounting system, the Head of the units shall be
required to maintain such subsidiary proforma accounts in commercial form as may be agreed between Government and the Accountant General. This includes the maintenance of suitable Manufacturing, Trading, Profit & Loss Accounts and Balance Sheet.

**Rule-79. Methods and principles of keeping subsidiary accounts in commercial form:**
The methods and principles in accordance with which subsidiary and Performa accounts in commercial form are to be kept shall be regulated by orders and instructions issued by the Government in each case.

*Note-1. Proforma accounts of regular Government Workshops and Factories shall be kept in accordance with the detailed rules and procedure prescribed in the departmental regulations. Proforma accounts relating to Public Works shall be prepared by the Accounts Officers in accordance with the instructions contained in Account Code for Accountants General.*

*Note-2. The Heads of Account (which should, as far as possible, be common to the Government accounts and the General Ledger maintained by a Commercial Undertaking) shall be selected with due regard to the principles of Governmental and Commercial accounting so that the monthly classified account of income and expenditure of the undertaking may be prepared readily from the General Ledger maintained by it.*

**Rule-80. Maintenance and submission of subsidiary accounts and statements by department units:**
The Head of the Department(s) shall arrange to obtain the orders of Government regarding the nature and form of subsidiary accounts and statements, if any. Such accounts and statements shall be submitted to the Accounts Officer on such date as may be required by him.

**PERSONAL LEDGER OR DEPOSIT ACCOUNT.**

**Rule-81. Personal Ledger Account:**
Personal Ledger Account is a device intended to facilitate the Designated Officer thereof to credit receipts into and effect withdrawals directly from the account, subject to an overall check being exercised by the bank in which the account is authorized to be opened. The Designated Officer shall ensure (with the help of a personal ledger account to be maintained by the bank/Treasury for the purpose) that no withdrawal will result in a minus balance therein. Only Government officers acting in their official or any other capacity shall be the Designated Officer thereof.

**Rule-82. Authority to open Personal Deposit/Ledger Account:**
(1) The Personal Deposit/Ledger Account shall be authorized to be opened by an order of the Finance Department in consultation with the Accountant General. Such special order or permission shall be issued or granted by the Finance Department after it is satisfied that the initial accounts of the moneys to be held in a personal deposit/Ledger
account and disbursed, shall be arranged to be maintained properly and shall be subject to audit. Every personal deposit/ledger account so authorized to be opened, shall form part of the Government Account and be located in the Public Account thereof.

(2) Personal Deposit accounts shall generally be authorized to be opened in the following types of cases:

(a) in favour of a Designated Officer appointed for the purpose of administering monies tendered by or on behalf of wards and attached estates under Government management. It shall also be ensured that proper arrangements are made for the maintenance and audit of connected initial accounts;

(b) in relation to Civil and Criminal Courts' deposits, in favour of the Chief Judicial authority concerned;

(c) where, under certain regulatory activities of the Government, receipts are realized and credited to a Fund or Account under the provisions of an Act to be utilized towards expenditure there under and no outgo from the Consolidated Fund is involved.

(d) where a personal deposit account is required to be created by a law or rules having the force of law and certain liabilities devolve on the Government out of the special enactments;

(e) Officers of commanding units and others concerned in the administration of public funds in the Civil Defence and Police Departments can be authorised to open personal deposit accounts for such funds.

(f) In any other case of exceptional character.

CAPITAL AND REVENUE ACCOUNTS.

Rule-83. Capital Expenditure:
Significant expenditure incurred with the object of acquiring tangible assets of a permanent nature (for use in the organization and not for sale in the ordinary course of business) or enhancing the utility of existing assets, shall broadly be defined as Capital expenditure. Subsequent, charges on maintenance, repair, upkeep and working expenses, which are required to maintain the assets in a running order as also all other expenses incurred for the day to day running of the organization, including establishment and administrative expenses, shall be classified as Revenue expenditure. Capital and Revenue expenditure shall be shown separately in the Accounts.

Expenditure on a temporary asset or on grants-in-aid cannot ordinarily be considered as a capital expenditure and shall not, except in cases specifically authorized by the President on the advice of the Comptroller and Auditor-General of India, be debited to a Capital Head.
Capital expenditure is generally met from receipts of capital nature, as distinguished from ordinary revenues derived from taxes, duties, fees, fines and similar items of current income including extraordinary receipts. It is open to the Government to meet capital expenditure from ordinary revenues, provided there are sufficient revenue resources to cover this liability.

Expenditure of a capital nature, as defined above, shall not be classed as Capital expenditure in the Government Accounts unless the classification has been expressly authorized by general or special orders of Government.

Expenditure of a Capital nature shall be distinguished from Revenue expenditure both in the Budget estimates and in Government Accounts.

**Rule-84. Principles for allocation of expenditure between Capital and Revenue:**

The following are the main principles governing the allocation of expenditure between Revenue and Capital:

(a) Capital shall bear all charges for the first construction and equipment of a project as well as charges for intermediate maintenance of the work while not yet opened for service. It shall also bear charges for such further additions and improvements, which enhance the useful life of the asset, as may be sanctioned under rules made by competent authority.

(b) Subject to Clause (c) below, revenue shall bear subsequent charges for maintenance and all working expenses. These embrace all expenditure on the working and upkeep of the project and also on renewals and replacements and additions, improvements or extensions that are revenue in nature as per rules made by Government.

(c) In the case of works of renewal and replacement, which partake expenditure both of a capital and revenue nature, the allocation of expenditure shall be regulated by the broad principle that Revenue should pay or provide a fund for the adequate re-placement of all wastage or depreciation of property originally provided out of capital grants. Only the cost of genuine improvements, which enhance the useful life of the asset whether determined by prescribed rules or formulae, or under special orders of Government, may be debited to Capital. Where under special orders of Government, a Depreciation or Renewals Reserve Fund is established for renewing assets of any commercial department or undertaking, the distribution of expenditure on renewals and replacements between Capital and the Fund shall be so regulated as to guard against over-capitalisation on the one hand and excessive withdrawals from the Fund on the other.

(d) Expenditure on account of reparation of damage caused by extraordinary calamities such as flood, fire, earthquake, enemy action, etc., shall be charged to Capital, or to Revenue, or divided between them, depending upon whether such expenditure results in creation/acquisition of new assets or whether it is only for restoring the condition of the existing assets, as may be determined by Government according to the circumstance of each case.

**Rule-85. Allocation between capital and revenue expenditure:**
The allocation between capital and revenue expenditure on a Capital Scheme for which separate Capital and Revenue Accounts are to be kept, shall be determined in accordance with such general or special orders as may be specified by the Government after consultation with the Comptroller and Auditor-General.

Rule-86. **Capital receipts during construction mainly to be utilised in reduction of capital expenditure**:
Capital receipts in so far they relate to expenditure previously debited to Capital accruing during the process of construction of a project, shall be utilised in reduction of capital expenditure. Thereafter their treatment in the accounts will depend on circumstances, but except under special rule or order of Government, they shall not be credited to the revenue account of the department or undertaking.

Rule-87. **Receipts and recoveries representing recoveries of expenditure previously debited to Capital Major Head**:
Receipts and recoveries on Capital Account in so far as they represent recoveries of expenditure previously debited to a Capital Major Head shall be taken in reduction of expenditure under the Major Head concerned, except where, under the rules of allocation applicable to a particular department, such receipts have to be taken to Revenue.

Rule-88. **Capital cost of non-productive work to be met from ordinary revenues**:
As a general rule, capital cost of works which are non productive in nature is met from ordinary revenues. Borrowed moneys and other resources outside the Revenue Account shall not ordinarily be spent for non productive purposes unless the following conditions are fulfilled:-

(a) The objects for which the money is wanted are so urgent and vital that the expenditure can neither be avoided, postponed or distributed over a series of years; and

(b) The amount is too large to be met from current revenues.

ADJUSTMENTS WITH OTHER GOVERNMENTS' DEPARTMENTS, ETC.

Rule-89. **Adjustments with State Governments**:
Subject to the relevant provision of the Constitution or of any law or any orders issued there under, adjustments in respect of financial transactions with Central/State Governments shall, unless otherwise provided for, be made in such manner, and to such extent as may be mutually agreed upon.

Rule-90. **Re-audit**:
As a convention, a period of three years has been accepted for the re-audit of past transactions involving errors in classification.
Rule-91. When adjustment necessary:
Adjustment shall always be made unless otherwise agreed upon:
(a) If a commercial department or undertaking or a regularly organised store department or store section of a department is concerned, or
(b) If under the operation of any rule or order, an adjustment would have been made if the particular transaction with Central/State Government were a transaction between two departments of the State Government.

Rule-92. Crucial date for closure of inter-Government adjustments:
Inter Governmental adjustments can be carried out up to 15th of April on which date the books of the Reserve Bank are closed for the month of March. Every endeavour must, therefore, be made to settle as far as possible all transactions with Central Government and other State Governments before the close of accounts of the respective year.

Rule-93. Adjustments with foreign Governments, outside bodies, etc.:
Unless exempted by Government by general or special orders, services shall not be rendered to any foreign Government or non-Government body or institution or to a separate fund constituted as such, except on payment.

Rule-94. Recoveries of expenditure for services rendered to non-Government parties
Recoveries of expenditure for services rendered or supplies made to non-Government parties or other Governments (including local funds and Governments outside India), shall in all cases, be classified as receipts of the Government

Rule-95. Recoveries of expenditure for services rendered as an agent:
When the Government undertakes a service merely as an agent of a private body, the entire cost of the service shall be recovered from that body so that the net cost to Government is nil. The recoveries shall be taken as reduction of expenditure.

Explanation: The term 'recovery' is used in these rules to denote repayment of, or payment by non-Government parties or other Governments towards charges initially incurred and classified by a State Government Department in the account, as final expenditure by debit to a Revenue or Capital Head of Account. Recoveries towards establishment charges, tools and plants, fees for procurement of inspection of stores or both etc., effected at percentage rates or otherwise, are some examples.

Rule-96. Payments to outside body or fund
Any relief in respect of payment for services rendered or supplies made to any outside body or fund shall be as per orders of the Government from time to time.

INTER-DEPARTMENTAL ADJUSTMENTS.
**Rule-97.**  **Inter-Departmental Adjustments:**

Save as expressly provided by any general or special orders, a Service Department shall not charge other departments for services rendered or supplies made which falls within the class of duties for which the former department is constituted. However, a commercial department or undertaking shall ordinarily charge and be charged for any supplies made and services rendered to, or by, other departments of Government.

**Rule-98.**  **Principles for division of Departments for purposes of interdepartmental payments:**

For purposes of inter-departmental payments, the departments of a Government shall be divided into service departments and commercial departments according to the following principles:-

**Service Departments.** - These are constituted for the discharge of those functions which either-

(i) Are inseparable from and form part of the idea of Government e.g. Departments of Administration of Justice, Jails, Police, Education, Medical, Public Health, Forest; or

(ii) Are necessary to and form part of, the general conduct of the business of Government

**Commercial Departments or Undertakings.** - These are established mainly for the purposes of rendering services or providing supplies, of certain special kinds, on payment for the services rendered or for the articles supplied. They perform functions, which are not necessarily governmental functions. They are required to work to a financial result determined through accounts maintained on commercial principles.

**Rule-99.**  **Period for preferment of claims:**

All claims shall ordinarily be preferred between Departments, both commercial and non-commercial of the State Government, within the same financial year and not beyond three years from the date of transaction. This limitation, however, may be waived in specific cases by mutual agreement between the departments concerned.

**Rule-100.**  **Procedure for settlement of inter-departmental adjustments:**

The settlement of inter-departmental adjustments shall be regulated by the provisions of Accounts Code Vol. I.

**Rule-101.**  **Inter-departmental and other adjustments to be made in the account year:**

Under the directions contained in the Account Code for Accountants General, inter-departmental and other adjustments are not to be made in the accounts of the past year, if they could not have been reasonably anticipated in time for funds being obtained from the proper authority. In all cases, where the adjustment could have reasonably been anticipated as, for example, recurring payments to another Government or department and payments which, though not of fixed amount, are of a fixed character, etc., the Accountant General will automatically make the adjustment in the accounts before they are finally closed. The onus of proving that the adjustments could not have been reasonably anticipated should lie
with the Controlling Officer.
As between different Departments of the same Government, the recoveries effected for services rendered shall be classified as deductions from the gross expenditure. However, recoveries made by a Commercial Department, in respect of services rendered in pursuance of the functions for which the Commercial Department is constituted shall be treated as receipts of the Department but where it acts as an agent for the discharge of functions not germane to the essential purpose of the Department, the recoveries shall be taken as reduction of expenditure.

NOTE-I.-The term 'recovery' is used in this rule to denote repayment of/or payment by one Department of the same Government towards charges initially incurred and classified by another Department in its accounts as final expenditure by debit to a Revenue or Capital Head of Account. Recoveries towards establishment charges, tools and plants etc are some examples.

NOTE-2.-Recoveries effected from another Department of the same Government which are to be classified as deduction from the gross expenditure, shall be shown in the relevant Demand for Grant as "below the line" recovery under the appropriate major Head of Account etc. Recovery actually affected, irrespective of the year to which it relates shall be adjusted in accounts in the schedule of recovery to be attached to the Appropriation Account of the year in which the recovery is affected.
CHAPTER-5.

WORKS.

Rule-102. (1) Original works means all new constructions, additions and alterations to existing works, special repairs to newly purchased or previously abandoned buildings or structures, including remodeling or replacement.
(2) Repair works means works undertaken to maintain building and fixtures.

Rule-103. Administrative control of works includes:
(i) assumption of full responsibility for construction, maintenance and upkeep;
(ii) proper utilization of buildings and allied works;
(iii) Provision of funds for execution of these functions.

Rule-104. Powers to sanction works:
The powers delegated to Administrative Departments/Heads of Departments subordinate authorities to accord administrative approval, sanction expenditure and to re-appropriate funds for works will be regulated by the Finance Department from time to time, and by such other orders contained in the respective departmental regulations, if any.

Rule-105. (1) A Department at its discretion may directly execute repair works estimated to cost up to Rupees ten Lakh after following the due procedure.

(2) A Department may, at its discretion, assign repair works estimated to cost above Rupees ten Lakh and up to Rupees thirty Lakh to any Public Works Organization, which includes State Public Works Department, Irrigation and Public Health Department or other State Government organizations authorized to carry out civil or electrical works such as HIMUDA, HPTDC, HPGIC and HPSIDC etc. or any other Public Sector Undertakings set up by the State Government which have the capability to carry out civil or electrical works.

(3) All original works costing up to Rupees ten Lakh may be assigned by the Department concerned to a Public Works Organization as defined in sub rule (2) above.

(4) All original works estimated to cost above Rupees ten Lakh and repair works estimated to cost above Rupees thirty Lakh may be got executed through a Public Works Organization as defined in sub rule (2), after consultation with the Administrative Department.
Rule-106. Works under the administrative control of the Public Works Departments:
Works not specifically allotted to any executing agency shall be included in the Grants for Civil Works to be administered by the Public Works Department and Irrigation and Public Health Department. No such work may be financed partly from funds provided in departmental budget and partly from the budget for Civil works as mentioned above.

Rule-107. General Rules:
Subject to the observance of these general rules, the initiation, authorization and execution of works allotted to a particular Department shall be regulated by detailed rules and orders contained in the respective departmental regulations or any other orders issued by the State Government or Finance Department.

Rule-108. (1) No works shall be commenced or liability incurred in connection with it until,-
(i) administrative approval has been obtained from the appropriate authority in each case;
(ii) sanction to incur expenditure has been obtained from the competent authority;
(iii) a properly detailed design has been sanctioned;
(iv) estimates containing the detailed specifications and quantities of various items have been prepared on the basis of the Schedule of Rates maintained by PWD or other Public Works Organizations and sanctioned;
(v) funds to cover the charge during the year have been provided by competent authority;
(vi) tenders invited and processed in accordance with rules;
(vii) a work Order issued.
(2) On grounds of urgency or otherwise, if it becomes necessary to carry out a work or incur a liability under circumstances when the provisions set out under sub rule 1 of this rule cannot be complied with, the concerned executive officer may do so on his own judgment and responsibility. Simultaneously, he should initiate action to obtain approval from the competent authority and also to intimate the concerned Head of Department.
(3) Any development of a project considered necessary while a work is in progress, which is not contingent on the execution of work as first sanctioned, shall have to be covered by a supplementary estimate.

Rule-109. For purpose of approval and sanctions, a group of works which forms one project, shall be considered as one work. The necessity for obtaining approval or sanction of higher authority to a project which consists of such a group of work should not be avoided because of the fact that the cost of each particular work in the project is within the powers of such approval or sanction of a lower authority. This provision, however, shall not apply in case of works of similar nature which are independent of each other.

Rule-110. Any anticipated or actual savings from a sanctioned estimate for a definite project, shall not, without special authority, be applied to carry out additional work not contemplated in the original project.
Rule-111. **Procedure for Execution of Works:**
The broad procedure to be followed by a Department for execution of works under its own arrangements shall be as under:

(i) the detailed procedure relating to expenditure on such works shall be prescribed by departmental regulations framed in consultation with the Accountant General, generally based on the procedures and the principles underlying the financial and accounting rules/manual prescribed for similar works carried out by the Public Works Department (PWD);

(ii) preparation of detailed design and estimates shall precede any sanction for works;

(iii) no work shall be undertaken before Issue of Administrative Approval and Expenditure Sanction by the competent Authority on the basis of estimates framed;

(iv) open tenders will be called for works costing Rupees five lakh to Rupees ten lakh;

(v) limited tenders will be called for works costing less than Rupees five lakh;

(vi) execution of Contract Agreement or Award of work should be done before commencement of the work;

(vii) final payment for work shall be made only on the personal certificate of the officer-in-charge of execution of the work in the format given below:

"I ...................................................., Executing Officer of (Name of the Work), am personally satisfied that the work has been executed as per the specifications laid down in the Contract Agreement and the workmanship is up to the standards followed in the Industry."

Rule-112. For original works and repair works entrusted to a 'Public Works Organisation' as defined in Rule 109(2), the administrative approval and expenditure sanction shall be accorded and funds allotted by the concerned authority under these rules and in accordance with the delegation of powers by the Finance Department, issued from time to time. The Public Works Organisation shall then execute the work entrusted to it in accordance with the rules and procedures prescribed in that organisation.

Rule-113. **Review of Projects:**
After a project costing Rupees ten crore or above is approved, the Administrative Department will set up a Review Committee consisting of a representative each from the Head of Department, Administrative Department, an officer of the Finance Department in the Department and the Executing Agency, to review the progress of the work. The Review Committee shall have the powers to accept variation within 10% of the approved estimates. For works costing less than Rupees ten crore, it will be at the discretion of the Administrative Department to set up a Review Committee on the above lines.
CHAPTER-6.

PROCUREMENT OF GOODS AND SERVICES.

(I) PROCUREMENT OF GOODS.

Rule-114. This chapter contains the general rules applicable to all Departments and organizations under the control of State of Himachal Pradesh, regarding procurement of goods required for use in the public service. Detailed instructions relating to procurement of goods may be issued by the Controller of Stores, H.P. broadly in conformity with the general rules contained in this Chapter.

Rule-115. Definition of Goods:
(1) The term 'goods' used in this chapter includes all articles material, commodities, livestock, furniture, fixtures, raw material, spares, instruments, machinery, equipment,
industrial plant, I.T. Hardware, Software etc. purchased or otherwise acquired for the
use of Government. It also includes expendable or issuable articles in use or
accumulated for specific purposes but excludes books, publications, periodicals, etc.
for a library.

(2) For all matters relating to a library unless separate Rules/procedure are/is prescribed
by the concerned Administrative Department, the rules/procedure/instructions issued
for the libraries of H.P. Education Department, will apply mutatis mutandis to all the
government libraries in the State.

Rule-116. **Fundamental principles of public buying:**
Every authority delegated with the financial powers of procuring goods in public interest
shall have the responsibility and accountability to bring efficiency, economy transparency
in matters relating to public procurement and for fair and equitable treatment of suppliers
and promotion of competition in public procurement.

The procedure to be followed in making public procurement must conform to the
following yardsticks:-

(i) the specifications in terms of quality, type etc; as also quantity of goods to be
procured, should be clearly spelt out keeping in view the specific needs of the
procuring organizations. The specifications so worked out should meet the basic
needs of the organization without including superfluous and non-essential features,
which may result in unwarranted expenditure. Care should also be taken to avoid
purchasing quantities in excess of requirement to avoid inventory carrying costs;

(ii) offers should be invited following a fair, transparent and reasonable procedure;

(iii) the procuring authority should be satisfied that the selected offer adequately meets
the requirement in all respects;

(iv) the procuring authority should satisfy itself that the price of the selected offer is
reasonable and consistent with the quality required;

(v) at each stage of procurement the concerned procuring authority must place on
record, in precise terms, the considerations which weighed with it while taking the
procurement decision.

Rule-117. **Authorities competent to purchase goods:**
An authority which is competent to incur contingent expenditure, may sanction the
purchase of goods required for use in public service, in accordance with delegation of
powers notified by the Finance Department, from time to time.

Rule-118. **Powers for procurement of goods:**
The single users Departments may be delegated full powers to make their own
arrangements for procurement of goods. In case however, a Department does not have the
required expertise, it may project its indent to the Controller of Stores or any other
organization/undertaking, with the approval of the Government.

Rule-119. **Rate Contract:**
The Store Purchase Organization (Controller of Stores) shall conclude rate contracts with
the registered suppliers, for goods and items of standard types, which are identified as
common user items and are needed on recurring basis by various State Government Departments or Organizations. The Store Purchase Organization will furnish and update all the relevant details of the rate contracts in its web site. The Departments shall follow those rate contracts as far as possible.

Rule-120. Registration of Suppliers:
(i) With a view to establishing reliable sources for procurement of goods commonly required for Government use, the Store Purchase Organization (e.g. Controller of Stores) will prepare and maintain item-wise lists of eligible and capable suppliers. Such approved suppliers will be known as “Registered Suppliers” after they have deposited the requisite registration fee fixed by the Controller of Stores. The registration may be renewed from time to time by the Controller of Stores on the deposit of renewal fee prescribed by him subject to fulfillment of other terms and conditions prescribed for renewal. All Departments may utilize these lists as and when necessary. Such registered suppliers are prima facie eligible for consideration for procurement of goods through Limited Tender Enquiry. They are also ordinarily exempted from furnishing bid security/earnest money along with their bids. A Head of Department may also register suppliers of goods which are specifically required by that Department or Office on similar lines.

(ii) Credentials, manufacturing capability, quality control systems, past performance, after-sales service, financial background etc. of the supplier(s) should be carefully verified before registration.

(iii) The supplier(s) will be registered for a fixed period (between 1 to 3 years) depending on the nature of the goods. At the end of this period the registered supplier(s) willing to continue with registration are to apply afresh for renewal of registration. New supplier(s) may also be considered for registration at any time, provided they fulfill all the required conditions.

(iv) Performance and conduct of every registered supplier is to be watched by the concerned Department. The registered supplier(s) are liable to be removed from the list if they fail to abide by the terms and conditions of the registration or fail to supply the goods on time or supply substandard goods or make any false declaration to any Government agency or for any ground which, in the opinion of the procuring authority, is not in public interest.

Provided that no registered supplier who is registered by the Controller of Stores shall be removed from the list except by or with prior approval of the Controller of Stores.

(v) The directory of the registered suppliers shall be hosted on the web site, if any, of the Registering authority and a link will also be provided in the web site of the Store Purchase Organization for use by other Departments/Organizations.

Rule-121. Enlistment of Indian Agents:
As per the Compulsory Enlistment Scheme of suppliers the Controller of Stores shall act as Registrar of Firms. It is compulsory for Indian agents, who desire to quote directly on behalf of their foreign principals, to get themselves enlisted with the Store Purchase Organization (Controller of Stores). However, such enlistment is not equivalent to
Rule-122. (A) Purchase of goods without quotation:
(1) Purchase of goods up to a particular monetary value of not exceeding Rs.5000/- (Rupees five Thousand) only on each occasion subject to a maximum of Rs.1.5 lac in a financial year, may be made by the Drawing and Disbursing Officer/Controlling Officer/Head of Department without inviting quotations or bids, on the basis of a certificate to be recorded by the procuring authority in the following format:

“I, ____________________________, am personally satisfied that the goods purchased are of the requisite quality and specifications and have been purchased from a reliable supplier at a reasonable price.”

(2) The procuring authority shall keep a record of goods purchased without inviting quotations and on each such occasion, shall work out the cumulative total of such purchases made during the financial year.

(3) The above monetary limit(s) may be revised by the Finance Department from time to time generally or specifically.

(B) Purchase of goods by Purchase Committee:
(1) Purchase of goods costing above Rs. 5,000/- (Rupees five Thousand) only and up to Rs.1,00,000/- (Rupees one lakh) only on each occasion may be made on the recommendations of a duly constituted Local Purchase Committee consisting of three members of an appropriate level as decided by the Head of the Department. The committee will survey the market to ascertain the reasonableness of rate, quality and specifications and identify the appropriate supplier. Before recommending placement of the purchase order, the members of the committee will jointly record a certificate as under.

“Certified that we, the following members of the purchase committee are jointly and individually satisfied that the goods recommended for purchase are of the requisite specification and quality, priced at the prevailing market rate and the supplier recommended is reliable and competent to supply the goods in question.”

(2) The above monetary limits may be revised by the Finance Department from time to time generally or specifically.

Rule-123. Purchase of goods directly under rate contract:
(1) In case a Department directly procures rate contracted goods from suppliers, decided by the Store Purchase Organisation i.e. Controller of Stores or an approved undertaking, the prices to be paid for such goods shall not exceed those stipulated in the rate contract and the other salient terms and conditions of the purchase should be in line with those specified in the rate contract. The Department shall make its own arrangement for inspection and testing of such goods where required.

(2) The Store Purchase Organisation should host the specifications, prices and other
salient details of different rate contracted items, appropriately updated, on the web site for use by the procuring Departments.

**Rule-124.** A demand for goods should not be divided into small quantities to make piece meal purchases to avoid the necessity of obtaining the sanction of higher authority required with reference to the estimated value of the total demand.

**Rule-125.** **Purchase of goods by obtaining bids:**
Except in cases covered under Rule 126 and 127, Department shall procure goods under the powers referred to in Rule 122 by following the standard method of obtaining bids in:
(i) Advertised Tender Enquiry
(ii) Limited Tender Enquiry;
(iii) Single Tender Enquiry.

**Rule-126.** **Advertised Tender Enquiry.**
(1) Subject to exceptions incorporated under Rules 131 and 134, this method should be used for procurement of goods of estimated value of Rs. 25 lakh (Rupees Twenty Five Lakh) and above. Advertisement in such case should be given in the Rajpatra and at least in a leading daily newspaper having wide circulation.
(2) An organization having its web site should also publish all its advertised tender enquiries on the web site and provide a link with web site of the Store Purchase Organization. It should also give its web site address in the advertisements in Rajpatra and newspapers.
(3) The organization should also post the complete bidding document in its web site and permit prospective bidders to make use of the document downloaded from the web site. Specific mention may be made in the bidding document for comprehensive maintenance contract wherever required. If such a downloaded bidding document is priced, there should be clear instructions for the bidder to pay the amount by demand draft etc. along with the bid.
(4) Ordinarily, the minimum time to be allowed for submission of bids should be three weeks from the date of publication of the tender notice or availability of the bidding document for sale, whichever is later. Where the department also contemplates obtaining bids from abroad, the minimum period should be kept as four weeks for both domestic and foreign bidders.

**Rule-127.** **Limited Tender Enquiry:**
(1) This method may be adopted when estimated value of the goods to be procured is up to Twenty-five lakh. Preference may be made to the supplier having depot/dumps within the territory of Himachal Pradesh. Copies of the bidding document should be sent directly by speed post/registered post/courier/e-mail to firms which are borne on the list of registered and/or known unregistered suppliers to obtain more responsive bids on competitive basis.
(2) Purchase through Limited Tender Enquiry may be adopted even where the estimated value of the procurement is more than Rupees twenty-five Lakh, in the following circumstances.
(i) The Head of Department certifies that the demand is urgent and any additional expenditure involved by not procuring through advertised tender enquiry is justified in view of urgency and reasons why the procurement could not be anticipated.

(ii) There are sufficient reasons, to be recorded in writing by the procuring authority, indicating that it will not be in public interest to procure the goods through advertised tender enquiry.

(iii) The sources of supply are definitely known and possibility of fresh source(s) beyond those being tapped is remote.

(iv) Minimum 2-weeks time after the date of actual dispatch of limited tender inquiry document is allowed for submission of bids in such cases.

**Rule-128. Two bid system:**

(1) For purchasing high value plant, machinery etc. of a complex and technical nature, bids may be obtained in two parts as under:-

   (i) Technical bid consisting of all technical details along with commercial terms and conditions; and
   (ii) Financial bid indicating item-wise price for the items mentioned in the technical bid.

(2) The technical bid and the financial bid should be sealed by the bidder in separate covers duly super-scribed. Both these sealed covers are to be put in a bigger cover which should also be sealed and duly super-scribed. The technical bids are to be opened by the procuring authority at the first instance and evaluated by a competent committee or authority to be constituted by the Head of Department.

(3) At the second stage financial bids only of the technically acceptable offers, should be opened for further evaluation and ranking before awarding the contract.

**Rule-129. Late Bids:**

In the case of advertised tender enquiry or limited tender enquiry, late bids (i.e. bids received after the date and time specified for receipt of bids) should not be considered.

**Rule-130. Single Tender Enquiry:**

Procurement from a single source may be resorted to in the following circumstances:

(i) It is in the knowledge of the user department that only a particular firm is the manufacturer of the required goods.

(ii) In a case of emergency, the required goods are necessarily to be purchased from a particular source and the reason for such decision is to be recorded and approval of Administrative Department is obtained.

(iii) For standardization of machinery or spare parts to be compatible to the existing sets of equipment (on the advice of a competent technical expert and approved by the competent authority), the required item(s) is (are) to be purchased only from a selected firm.

Note: Proprietary Article Certificate in the following form is to be provided by the
Department before procuring the goods from a single source under the provision of sub Rule (i) and (iii) of this Rule as applicable.

(i) The indented goods are manufactured by M/s……………………………..

(ii) No other make or model is acceptable for the following reasons:

…………………………..
…………………………..
…………………………..

(iii) Approval of the competent authority vide………………………………

_______________________________________________
(Signature with date and designation of the procuring officer)

Rule-131. Contents of Bidding Document:
All the terms, conditions, stipulations and information to be incorporated in the bidding document are to be shown in the appropriate chapters as below:-

Chapter- 1 : Instructions to Bidders.
Chapter- 2:  Conditions of Contract.
Chapter- 3 : Schedule of Requirements.
Chapter- 4:  Specifications and allied Technical Details.
Chapter-5 : Price Schedule (to be utilized by the bidders for quoting their prices)
Chapter- 6 :  Contract Form.
Chapter- 7 : Other Standard Forms, if any, to be utilized by the purchaser and the Bidders.

Rule-132. Maintenance Contract:
Depending on the cost and nature of the goods to be purchased, it may also be necessary to enter into maintenance contract(s) of suitable period either with the supplier of the goods or with any other competent firm, not necessarily the supplier of the goods. Such maintenance contracts are especially needed for sophisticated and costly equipment and machinery. It may however be kept in mind that the equipment or machinery is maintained free of charge by the supplier during its warranty period or such other extended periods as the contract terms may provide and the paid maintenance should commence only thereafter.

Rule-133. Bid Security:
(1) To safeguard against a bidder’s withdrawing or altering its bid during the bid validity period in the case of advertised or limited tender enquiry, Bid Security (also known as Earnest Money) is to be obtained from the bidders except those who are registered with the Store Purchase Organisation. The bidders should be asked to furnish bid security along with their bids. Amount of bid security should ordinarily range
between two percent to five percent of the estimated value of the goods to be procured. The exact amount of bid security should be determined accordingly by the Department and indicated in the bidding documents. The bid security may be accepted in the form of Account Payee Demand Draft, Duly pledged Fixed Deposit Receipt, Banker’s Cheque or Bank Guarantee from any of the scheduled commercial banks in an acceptable form, safeguarding the purchaser’s interest in all respects. The bid security is normally to remain valid for a period of forty-five days beyond the final bid validity period.

(2) Bid securities of the unsuccessful bidders should be returned to them at the earliest after expiry of the final bid validity but not later than by 30th day after the award of the contract.

**Rule-134. Performance Security:**

(1) To ensure due performance of the contract, Performance Security is to be obtained from the successful bidder(s) on the award of the contract. Performance Security is to be obtained from every successful bidder irrespective of its registration status etc. Performance Security should be for an amount between five to ten per cent of the value of the contract. Such Security may be furnished in the form of an Account payee Demand Draft, Fixed Deposit Receipt from a scheduled commercial bank, Bank Guarantee from a commercial bank in an acceptable form safeguarding the purchasers’ interest in all respects.

(2) Performance Security should remain valid for a period of sixty days beyond the date of completion of all contractual obligations of the supplier including warranty obligations.

(3) Bid security, if any, should be refunded to the successful bidder(s) on receipt of Performance Security

(4) The procuring authority shall be liable to make the payments as per terms to be settled while finalizing the contract.

**Rule-135. Advance/On Account payment to supplier:**

(1) Ordinarily, payment for services rendered or supplies made should be released only after the services have been rendered or supplies made. However, it may become necessary to make advance/On Account payments in the following or other similar type of cases:

(i) Advance/On Account payment demanded by firms holding maintenance contracts for servicing of machinery and equipments/hardwares/softwares and other costly items.

(ii) Advance/ On account payment demanded by firms against fabrication contracts, turn-key contracts etc.

(2) Where it becomes necessary to make advance payment, the amount should not exceed the following limits:

(i) Thirty per cent of the contract value to the private firms;

(ii) Forty per cent of the contract value to a State or Central Government Organization or a Public Sector Undertaking;
(3) The Administrative Department may relax, the ceilings (including percentage laid down for advance payment) mentioned above. While making any advance payment as above, adequate safeguards in the form of bank guarantee etc. should be obtained from the firm.

(4) Pro-rata on account payment upto 80% of the work done & measured/service rendered can be made pending completion of contractual obligation.

(5) **Part payment to suppliers**: Depending on the terms of delivery incorporated in a contract, part payment to the supplier may be released after it dispatchers the goods from its premises in terms of the contract

**Rule-136. Transparency, competition, fairness and elimination of arbitrariness in the procurement process:**

All government purchases should be made in a transparent, competitive and fair manner in order to secure best value for money. This will also enable the prospective bidders to formulate and send their competitive bids with confidence. Some of the measures for ensuring the above are as follows:

(i) 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 require 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.

(ii) 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.

(iii) Suitable provision for settlement of disputes, if any, emanating from the resultant contract, should be kept in the bidding document.

(iv) The bidding document should indicate clearly that the resultant contract will be interpreted under Indian Laws and in case of a legal dispute the same will be subject to jurisdiction of the Courts of Himachal Pradesh.

(v) The bidders should be given reasonable time to send their bids.

(vi) The bids should be opened in public and authorized representatives of the bidders should be permitted to attend the bid opening.

(vii) 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 specification should be broad based to the extent feasible. Efforts should also be made to use standard specifications which are
widely known to the industry.

(viii) Pre-bid conference: In case of turn-key contract(s) or contract(s) of special nature for procurement of sophisticated and costly equipment, a suitable provision is to be kept in the bidding documents for a pre-bid conference for clarifying issues and clearing doubts, if any, about the specifications and other allied technical details of the plant, equipment and machinery projected in the bidding document. The date, time and place of pre-bid conference should be indicated in the bidding document. This date should be sufficiently ahead of bid opening date.

(ix) 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.

(x) 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.

(xi) Bidders should not be permitted to alter or modify their bids after expiry of the deadline for receipt of bids.

(xii) Negotiation with bidders after bid opening must be severely discouraged. However, in exceptional circumstances where price negotiation against ad-hoc procurement is necessary due to some unavoidable circumstances, the same may be resorted to only with the lowest evaluated responsive bidder.

(xiii) In the procurement system where the rates of more than one firm have been approved for the same item, time and cost effectiveness may be kept in view.

(xiv) Contract should ordinarily be awarded to the lowest evaluated bidder whose bid has been found to be responsive and who is eligible and qualified to perform the contract satisfactorily as per the terms and conditions incorporated in the corresponding bidding document. However, where the lowest acceptable bidder against ad-hoc requirement is not in a position to supply the full quantity required, the remaining quantity, as far as possible, be ordered from the next higher responsive bidder at the rates offered by the lowest responsive bidder.

(xv) The name of the successful bidder who has been awarded the contract should be mentioned in the Department’s notice board or bulletin or web site.

**Rule-137. Efficiency Economy and Accountability in Public Procurement System:**

Public procurement procedure is also to ensure efficiency, economy and accountability in the system. To achieve the same, the following key areas should be addressed:

(i) To reduce delay, appropriate time frame for each stage of procurement should be prescribed by the Department. Such a time frame will also make the procuring authorities more alert.

(ii) To minimize the time needed for decision making and placement of contract, the Head of Department/ Administrative Department with the approval of the Finance Department may delegate, wherever necessary, appropriate purchasing powers to the lower functionaries to secure best value for money.

(iii) The Departments should ensure placement of contract within the original validity of
the bids. Extension of bid validity must be discouraged and resorted to only in exceptional circumstances for reasons to be recorded in writing.

**Rule-138. Buy Back Offer:**
When it is decided with the approval of the competent authority to replace an existing old item(s) with a new and better version, the department may trade the existing old items while purchasing the new one. For this purpose, a suitable clause is to be incorporated in the bidding document so that the prospective and interested bidders formulate their bids accordingly. Depending on the value and condition of the old item to be traded, the time as well as the mode of handing over the old item to the successful bidder should be decided and relevant details in this regard suitably incorporated in the bidding document. Further, suitable provision should also be kept in the bidding document to enable the purchaser either to trade or not to trade the item while purchasing the new one.

**II. CONTRACTING AND OUTSOURCING OF SERVICES.**

**A-CONTRACTING OF SERVICES.**

**Rule-139.** The Department may hire external professionals, consultancy firms or consultants (referred to as consultant hereinafter) for a specific job/service, which is well defined in terms of content and time frame for its completion or outsource certain services.

**Rule-140.** This Chapter contains the fundamental principles applicable to all Departments regarding engagement of consultant(s) and outsourcing of services. Detailed instructions to this effect may be issued by the concerned Department. However, the Department shall ensure that they do not contravene the basic rules contained in this chapter.

**Rule-141. Identification of Work/Services required to be performed by Consultants:** Engagement of consultants may be resorted to in situations requiring high quality services for which the concerned Department does not have requisite expertise. Approval of the competent authority should be obtained before engaging consultant(s).

**Rule-142. Preparation of scope of the required work/service:** The Department should prepare in simple and concise language the requirement objectives and the scope of the assignment. The eligibility and pre-qualification criteria to be met by the consultants should also be clearly identified at this stage.

**Rule-143. Estimating reasonable expenditure:** The Department proposing to engage consultant(s) should estimate reasonable expenditure by ascertaining the prevalent market conditions and consulting other organizations engaged in similar activities.

**Rule-144. Identification of likely sources:**
(1) Where the estimated cost of the work or service is up to Rupees twenty-five lakh, preparation of a long list of potential consultants may be done on the basis of formal or informal enquiries from other Departments or Organizations involved in similar activities, Chambers of Commerce & Industry, Association of consultancy firms etc.

(2) Where the estimated cost of the work or service is above Rupees twenty-five lakhs, in addition to (i) above, an enquiry for seeking “Expression of Interest” from consultants should be published in at least one national daily newspaper and the Departmental web site. The web site address should also be given in the advertisements. Enquiry for seeking Expression of Interest should include in brief, the broad scope of work or service, inputs to be provided by the Ministry or Department, eligibility and the prequalification criteria to be met by the consultant(s) and consultant’s past experience in similar work or service. The consultants may also be asked to send their comments on the objectives and scope of the work or service projected in the enquiry. Adequate time should be allowed for getting responses from interested consultants.

Rule-145. **Short-listing of consultants:**
On the basis of responses received from the interested parties, as consultants meeting the requirements should be short listed for further consideration. The number of short listed consultants should not be less than three.

Rule-146. **Preparation of Terms of Reference (TOR):**
The TOR should include
(i) Precise statement of objectives;
(ii) Outline of the tasks to be carried out;
(iii) Schedule for completion of tasks;
(iv) The support or inputs to be provided by the Department to facilitate the consultancy.
(v) The final outputs that will be required from the Consultant;

Rule-147. **Preparation and Issue of Request for Proposal (RFP):**
RFP is the document to be used by the Department for obtaining offers from the consultants for the required work/service. The RFP should be issued to the short listed consultants to seek their technical and financial proposals. The RFP should contain;
(i) A letter of Invitation.
(ii) Information to Consultants regarding the procedure for submission of proposal.
(iii) Terms of Reference (TOR).
(iv) Eligibility and pre-qualification criteria in case the same has not been ascertained through Enquiry for Expression of Interest.
(v) List of key position whose CV and experience would be evaluated.
(vi) Bid evaluation criteria and selection procedure.
(vii) Standard formats for technical and financial proposal.
(viii) Proposed contract terms.
(ix) Procedure proposed to be followed for midterm review of the progress of the work and review of the final draft report.
Rule-148.  
**Receipt and opening of proposals:**
Proposals should ordinarily be asked for from consultants in “Two-bid” system with technical and financial bids sealed separately. The bidder should put these two sealed envelops in a bigger envelop duly sealed and submit the same to the Department by the specified date and time at the specified place. On receipt, the technical proposals should be opened first by the Department at the specified date, time and place.

Rule-149.  
**Late bids:**
Bids received after the specified date and time of receipt, should not be considered.

Rule-150.  
**Evaluation of Technical Bids:**
Technical bids should be analysed and evaluated by a Consultancy Evaluation Committee (CEC) constituted by the Department. The CEC shall record in detail the reasons for acceptance or rejection of the technical proposals analysed and evaluated by it.

Rule-151.  
**Evaluation of Financial Bids of the technically qualified bidders:**
The Department shall open the financial bids of only those bidders who have been declared technically qualified by the Consultancy Evaluation Committee for further analysis or evaluation and ranking and selecting the successful bidder for placement of the consultancy contract.

Rule-152.  
**Consultancy by nomination:**
Under some special circumstances, it may become necessary to select a particular consultant where adequate justification is available for such single-source selection in the context of the overall interest of the Department. Full justification for single source selection should be recorded in the file and approval of the competent authority obtained before resorting to such single-source selection.

Rule-153.  
**Monitoring the Contract:**
The Department should be involved throughout in the conduct of consultancy, preferably by taking a task force approach and continuously monitoring the performance of the consultant(s) so that the output of the consultancy is in line with the Department’s objectives.

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**B- OUTSOURCING OF SERVICES.**

Rule-154.  
**Outsourcing of Services:**
A Department may outsource certain services in the interest of economy and efficiency and it may prescribe detailed instructions and procedures for this purpose without, however, contravening the following basic guidelines.

Rule-155.  
**Identification of likely contractors:**
The Department should prepare a list of likely and potential contractors on the basis of
formal or informal enquiries from other Departments and Organizations involved in similar activities, scrutiny of ‘Yellow pages’, and trade journals, web site etc.

**Rule-156. Preparation of Tender enquiry:**
The Department should prepare a tender enquiry containing, *inter alia*;
(i) The details of the work or service to be performed by the contractor.
(ii) The facilities and the inputs which will be provided to the contractor by the Ministry or Department.
(iii) Eligibility and qualification criteria to be met by the contractor for performing the required work / service; and
(iv) The statutory and contractual obligations to be complied with by the contractor.

*Note: Provisions of Rule 133 and 134 relating to Bid Security and Performance Security shall be applied mutatis mutandis in all outsourcing contracts.*

**Rule-157. Invitation of Bids:**
(a) **For estimated value of the work or service up to Rupees ten lakh:** The Department should scrutinize the preliminary list of likely contractors decide the prima facie eligible and capable contractors and issue limited tender enquiry to them asking for their offers by a specified date and time etc. as per standard practice. Unless approved otherwise by the Administrative Department, the number of the contractors so identified for issuing limited tender enquiry should not be less than six.
(b) **For estimated value of the work or service above Rupees ten lakh:** The Department should issue advertised tender enquiry asking for the offers by a specified date and time etc. in at least one largely circulated leading newspaper and web site of the Department.

**Rule-158. Late Bids:**
Bids received after the specified date and time of receipt, should not be considered.

**Rule-159. Evaluation of Bids Received:**
The Department should evaluate, segregate, rank the responsive bids and select the successful bidder for placement of the contract.

**Rule-160. Outsourcing by choice:**
Should it become necessary, in an exceptional situation to outsource a job to a specifically chosen contractor, the Head of Department may do so in consultation with the Administrative Department. In such cases the detailed justification, the circumstances leading to the outsourcing by choice and the special interest or purpose it may serve, shall form an integral part of the proposal

**Rule-161. Monitoring the Contract:**
The Department should be involved throughout in the conduct of the contract and continuously monitor the performance of the contractor.
Rule-162. The Finance department may with a view of effecting economy or in view of specific needs of a department/class of departments or generally, may allow relaxation in the provisions of rules under this chapter or may prescribe a different procedure/limits to be observed in certain or all cases, from time to time.

CHAPTER – 7.

INVENTORY MANAGEMENT.

Rule-163. This chapter contains the basic rules applicable to all Departments regarding inventory management. Detailed instructions and procedure relating to inventory management may be prescribed by various Departments broadly in conformity with the basic rules contained in this chapter.
Rule-164. Receipt of goods and materials from private suppliers:

(i) While receiving goods and materials from a supplier, the officer-in-charge of stores should refer to the relevant contract terms and follow the prescribed procedure for receiving the materials.

(ii) All materials shall be counted, measured or weighed and subjected to visual inspection at the time of receipt to ensure that the quantities are correct, the quality is according to the required specifications and there is no damage or deficiency in the materials. Technical inspection where required should be carried out at this stage by Technical Inspector or Agency approved for this purpose. An appropriate receipt, in terms of the relevant contract provisions may also be given to the supplier on receiving the materials.

(iii) Details of the material so received should thereafter be entered in the appropriate stock register. The officer-in-charge of stores should certify that he has actually received the material and recorded it in the appropriate stock registers.

Rules-165. Receipt/issue of goods and materials from internal divisions of the same organization:

(i) The indenting officer requiring goods and materials from internal division(s) of the same organization, should project an indent in the form specified for this purpose. While receiving the supply against the indent, the indenting officer shall examine, count, measure or weigh the materials as the case may be, to ensure that the quantity is correct, the quality is in line with the required specifications and there is no damage or deficiency in the materials. An appropriate receipt shall also be given to this effect by the indenting officer to the division sending the materials.

(ii) In the case of issue of materials from stock for departmental use, manufacture, sale, etc., the officer-in-charge of the stores shall see that an appropriate indent, in the prescribed form has been projected by the indenting officer. A written acknowledgement of receipt of material issued shall be obtained from the indenting officer or his authorized representative at the time of issue of materials.

(iii) In case of materials issued to a contractor, the cost of which is recoverable from the contractor, all relevant particulars, including the recovery rates and the total value chargeable to the contractor should be got acknowledged from the contractor duly signed and dated. Entries should also be recorded in the contractor ledger to watch the recoveries from the running/final bill of the contractor as the case may be.

(iv) If the officer-in-charge of the stores is unable to comply with the indent in full, he should make the supply to the extent available and make suitable entry to this effect in the indentor’s copy of the indent. In case alternative materials are available in lieu of the indented materials, a suitable indication to this effect may be made in the document.

Rule-166. Custody of goods and materials:
The officer-in-charge of stores having custody of goods and materials, especially valuable
and/or combustible articles, shall take appropriate steps for arranging their safe custody, proper storage, accommodation, including arrangements for maintaining required temperature, dust free environment etc.

**Rule-167. Lists and Accounts:**

(i) The officer-in-charge of stores shall maintain suitable item-wise lists and accounts and prepare accurate returns in respect of the goods and materials in his charge making it possible at any point of time to check the actual balances with the book balances. The form of the stock accounts mentioned above shall be determined with reference to the nature of the goods and materials, the frequency of the transactions and the special requirements of the concerned Departments.

(ii) Separate accounts shall be kept for:-

(a) Fixed Assets such as plant, machinery, equipment, furniture, fixtures etc.

(b) Consumables such as office stationery, chemicals, maintenance spare parts etc.

(c) Library books.

(d) Assets of historical/ artistic value held by museum/government departments.

(e) “Dead Stock” such as plant, machinery, furniture, equipment and fixture. An inventory of the dead stock should be maintained in all government offices in a form prescribed by competent authority, showing number received, number disposed of (by transfer, sale, loss, etc), and the balance in hand for each kind of article.

*Note: (i) These accounts may be kept in forms specified by Departments, as required.
(ii) Expenditure on stores incurred in civil departments is included under contingent expenditure (except where it is treated otherwise, e.g. stores relating to works)*

**Rule-168. Hiring out of Fixed Assets:**

When a fixed asset is hired to local bodies, contractors or others, proper record should be kept of the assets and the hire and other charges as determined under rules prescribed by the competent authority, should be recovered regularly. Calculation of the charges to be recovered from the local bodies, contractors and others as above should be based on the historical cost.

**Rule-169. (i) Physical verification of fixed Assets:**

The inventory for fixed assets shall ordinarily be maintained at site. Fixed assets should be verified at least once in a year and the outcome of the verification recorded in the corresponding register. Discrepancies, if any, shall be promptly investigated and brought to account.
(ii) **Verification of Consumables:**

A physical verification of all the consumable goods and materials should be undertaken at least once in a year and discrepancies, if any, should be recorded in the stock register for appropriate action by the competent authority.

(iii) **Procedure for Verification:**

(a) Verification shall always be made in the presence of the officer responsible for the custody of the inventory being verified.

(b) A certificate of verification along with the findings shall be recorded in the stock register.

(c) Discrepancies, including shortages, damages and unserviceable goods, if any identified during verification, shall immediately be brought to the notice of the competent authority for taking appropriate action in accordance with provisions of these Rules.

**Rule-170. Buffer Stock:**

Depending on the frequency of requirement and quantity thereof as well as the pattern of supply of a consumable material, optimum buffer stock should be determined by the concerned department.

*Note: As the inventory carrying cost is an expenditure that does not add value to the material being stocked, a material remaining in stock for over a year shall generally be considered surplus, unless adequate reasons to treat it otherwise exist.*

**Rule-171. Physical Verification of Library Books:**

Unless separate rules/procedures are prescribed by the concerned Administrative Department for physical verification of library books, the rules/procedures prescribed for physical verification of library books in case of libraries of Education Department will apply mutatis mutandis to all Government libraries.

**Rule-172. Transfer of Charge of Goods, Materials etc.:**

In case of transfer of official-in-charge of the goods, materials etc., the transferred official shall see that the goods or material are made over correctly to his successor. A statement giving all relevant details of the goods, materials etc., in question shall be prepared and signed with date by the relieving official and the relieved official. Each of these officials will retain a copy of the signed statement.

**Rule-173. Disposal of Goods:**

(i) An item may be declared surplus or obsolete or unserviceable if the same is of no use to the department. The reasons for declaring the item surplus or obsolete or unserviceable should be recorded by the authority competent to purchase the item.
(ii) The competent authority may, at his discretion constitute a committee at appropriate level to declare item(s) as surplus or obsolete or unserviceable.

(iii) The book value, guiding price and reserved price, which will be required while disposing of the surplus goods, should also be worked out. In case where it is not possible to work out the book value, the original price of the goods in question may be utilized. A report of stores for disposal shall be prepared in prescribed Proforma.

(iv) In case an item becomes unserviceable due to negligence, fraud or mischief on the part of Government servant, responsibility for the same should be fixed.

(v) When stock material are sold to the public or any other department or authority at their full value, a suitable percentage as determined by the competent authority should be added to the book value to cover the charges on account of supervision, storage and contingencies. This addition may however, be waived off by the officer empowered to sanction the sale in the case of surplus stock which in his opinion would otherwise be un-saleable.

(vi) In case item(s) are declared surplus in a department, the same can be transferred to another department of the Government, at book value, for better utilization of such stock items.

Rule-174. Modes of Disposal:

(i) Surplus or obsolete or unserviceable goods should be disposed of as per instructions issued from time to time by way of:

(a) obtaining bids through advertised tender or

(b) public auction

(c) any other mode of disposal as determined by the competent authority, keeping in view the necessity to avoid accumulation of such goods and consequential blockage of space and also deterioration in value of goods to be disposed of.

(ii) Certain surplus or obsolete or unserviceable goods such as expired medicines, food grain, ammunition etc., which are hazardous or unfit for human consumption, should be disposed of or destroyed immediately by adopting suitable mode so as to avoid any health hazard and/or environmental pollution and also the possibility of misuse of such goods.

(iii) Surplus or obsolete or unserviceable goods, equipment and documents, which involve security concerns (e.g. negotiable instruments, receipt books, stamps, etc.) should be disposed of / destroyed in an appropriate manner to ensure compliance with rules relating to official secrets as well as financial prudence.

Rule-175. Disposal through Advertised Tender

(i) The broad steps to be adopted for this purpose are as follows:
(a) Preparation of bidding documents

(b) Invitation of tender for the surplus goods to be sold

(c) Opening of bids

(d) Analysis and evaluation of bids received

(e) Selection of highest responsive bidder

(f) Collection of sale value from the selected bidder

(g) Issue of sale release order to the selected bidder

(h) Release of the sold surplus goods to the selected bidder

(i) Return of bid security to the unsuccessful bidders

(ii) The important aspects to be kept in view while disposing the goods though advertised tender are as under :-

(a) The basic principle for sale of such goods through advertised tender is ensuring transparency, competition, fairness and elimination of discretion. Wide publicity should be ensured of the sale plan and the goods to be sold. All the required terms and conditions of sale are to be incorporated in the bidding document comprehensively in plain and simple language. Applicability of taxes, as relevant, should be clearly stated in the document.

(b) The bidding document should also indicate the location and present condition of the goods to be sold so that the bidders can inspect the goods before bidding.

(c) The bidders should be asked to furnish bid security along with their bids. The amount of bid security should ordinarily be not less than ten percent of the assessed or reserved price of the goods. The exact bid security amount should be indicated in the bidding document.

(d) The bid of the highest acceptable responsive bidder should normally be accepted. However, if the price offered by that bidder is not acceptable, negotiation may be held only with that bidder. In case such negotiation does not provide the desired result, the reasonable or acceptable price may be counter-offered to the next highest responsive bidder(s).
(e) In case the total quantity to be disposed off cannot be taken up by the highest acceptable bidder, the remaining quantity may be offered to next higher bidder(s) at the price offered by the highest acceptable bidder.

(f) Full payment, i.e. the residual amount after adjusting the bid security should be obtained from the successful bidder before releasing the goods.

(g) In case the selected bidder does not show interest in lifting the goods, the bid security should be forfeited and other actions initiated including re-sale of the goods in question at the risk and cost of the defaulter after obtaining legal advice.

(iii) Late bids i.e. bids received after the specified date and time of receipt should not be considered.

Rule-176. Disposal through Auction:
(i) A Department may undertake auction of goods to be disposed of either directly or through approved auctioneers.

(ii) The basic principles to be followed here are similar to those applicable for disposal through advertised tender so as to ensure transparency, competition, fairness and elimination of discretion. The auction plan including details of the goods to be auctioned and their location, applicable terms and conditions of the sale etc. should be given wide publicity in the same manner as is done in case of advertised tender.

(iii) While starting the auction process, the condition and location of the goods to be auctioned, applicable terms and condition of sale etc., (as already indicated earlier while giving vide publicity for the same), should be announced again for the benefit of the assembled bidders.

(iv) During the auction process, acceptance or rejection of a bid should be announced immediately on the stroke of the hammer. If a bid is accepted, earnest money (not less than twenty-five percent of the bid value) should immediately be taken on the spot from the successful bidder either in cash or in the form of Deposit-at-Call-receipt (DACR), drawn in favour of the Department selling the goods. The goods should be handed over to the successful bidder only after receiving the balance payment.

(v) The Head of the Department will decide the composition of the auction team. The team should however include an officer of the Finance Department.

Rule-177. Disposal at scrap value or by other modes:
If a Department is unable to sell any surplus or obsolete or unserviceable item in spite of its attempts through advertised tender or auction, it may dispose of the same at its scrap value with the approval of the Administrative Department. In case the Department is unable to sell the item even at its scrap value, it may adopt any other mode of disposal including destruction of the item in an eco-friendly manner after constituting a committee of departmental officers who are not directly dealing with the store.
Rule-178.  A sale account should be prepared for goods disposed of in the Proforma specified by the Government or Finance Department duly signed by the officer who supervised the sale or auction.

Rule-179.  **Powers to write off:**
All profits and losses due to revaluation stock taking or other causes shall be duly recorded and adjusted where necessary. Formal sanction of the competent authority shall be obtained in respect of losses, even though no formal correction or adjustment in government accounts is involved. Power to write off of losses shall be exercised by the competent authority in accordance with the instructions issued by the Government of Himachal Pradesh, from time to time.

(i) **Losses due to depreciation:**
Losses due to depreciation shall be analyzed, and recorded under following heads, as applicable:-

(a) normal fluctuation of market prices  
(b) normal wear and tear  
(c) lack of foresight in regulating purchases and  
(d) negligence after purchase

(ii) **Losses not due to depreciation:**
Losses not due to depreciation shall be grouped under the following heads:-

(a) losses due to theft or fraud  
(b) losses due to neglect  
(c) anticipated losses on account of obsolescence of stores or of purchases in excess of requirements  
(d) losses due to damage and  
(e) losses due to extra ordinary situation under ‘Force Majeure’ conditions like fire, flood, enemy action, etc.

*Note: The Industry Department in the State Government and the Controller of Stores may issue detailed instructions and guidelines for procurement of goods and services and proper Inventory Management from time to time, for implementation by the different departments of the State.*

CHAPTER-8.

**CONTRACT MANAGEMENT.**

Rule-180.  (I) All contracts shall be made by an authority empowered to do so by or under the orders of the Governor in terms of Article 299 (1) of the Constitution of India.

(2) All the contracts and assurances of property made in the exercise of the executive
power of the Government of Himachal Pradesh shall be executed on behalf of the Governor. The words "for and on behalf of the Governor of Himachal Pradesh should follow the designation appended below the signature of the officer authorized in this behalf.

**Note: (i)** The various classes of contracts and assurances of property, which may be executed by different authorities, shall be such as are specified in the notifications issued by the Government of Himachal Pradesh, from time to time.

**Note: (ii)** The powers of various authorities, the conditions under which such powers should be exercised and the general procedure specified with regard to various classes of contracts and assurances of property shall be such as may be notified by Government of Himachal Pradesh, from time to time.

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**Rule-181. General principles for contract:**
The following general principles should be observed while entering into contracts:

(i) The terms of contract must be precise, definite and without any ambiguities. The terms should not involve an uncertain or indefinite liability, except in the case of a cost plus contract or where there is a price variation clause in the contract.

(ii) Standard forms of contracts should be adopted, wherever possible, with such modifications as are considered necessary in respect of individual contracts. The modifications should be carried out only after obtaining financial and legal advice.

(iii) In cases where standard forms of contracts are not used, legal and financial advice should be taken in drafting the clauses in the contract.

(iv) A Department may make purchases by issuing purchase orders containing basic terms and conditions. In respect of works contracts, where tender documents include the General Conditions of Contract (GCC), Special Conditions of Contract (SCC) and scope of work, the letter of acceptance will result in a binding contract.

(v) No work of any kind should be commenced without proper execution of an agreement as given in the foregoing provisions.

(vi) Contract documents, where necessary, should be executed within time limit as specified in the contract from the issue of letter of acceptance. Non-fulfillment of this condition of executing a contract by the Contractor or Supplier would constitute sufficient ground for annulment of the award and forfeiture of Earnest Money Deposit.

(vii) Cost plus contracts should ordinarily be avoided. Where such contracts become unavoidable, full justification should be recorded before entering into the contract.

*Explanation:* A cost plus contract means a contract in which the price payable for supplies or services under the contract is determined on the basis of actual cost of production of the supplies or services concerned plus profit either at a fixed rate per
(viii) (a) A schedule of quantities shall form an essential part of the contract. Price variation clause can be provided only in long-term contracts, where the delivery/execution period extends beyond the limits specified in contract document. In short-term contracts, firm and fixed prices should be provided for. Where a price variation clause is provided, the price agreed upon should specify the base level viz, the month and year to which the price is linked, to enable variations being calculated with reference to the price levels prevailing in that month and year.

(b) A formula for calculation of the price variations that have taken place between the base level and the scheduled delivery date should be included in this clause. The variations are also calculated by using indices published by Governments periodically. Formula for calculation of price variations should be specified in contract document.

(c) The Price variation clause should also specify cut off dates for material and labour, as these inputs taper off well before the scheduled delivery dates.

(d) The price variation clause should provide for a ceiling on price variations, particularly where escalations are involved. It could be a percentage per annum or an overall ceiling or both. There should be a provision in the contract for any reduction in the price in terms of the price variation clause provided in the contract.

(e) The clause should also stipulate a minimum percentage of variation of the contract price above which price variations will be admissible (e.g. where resultant increase is lower than percentage as specified in the contract document, no price adjustment will be made in favour of the supplier).

(f) Where advance or stage payments are made there should be a further stipulation that no price variations will be admissible on such portions of the price, after the dates of such payment.

(g) Where deliveries are accepted beyond the scheduled delivery date subject to levy of liquidated damages as provided in the contract, the liquidated damages (if a percentage of the price) will be applicable on the price as varied by the operation of the price variation clause.

(h) No price variation will be admissible beyond the original scheduled delivery date for defaults on the part of the supplier.

(i) Price variation may be allowed beyond the original scheduled delivery date, by specific alteration of that date through an amendment to the contract in cases of Force Majeure or defaults by Government.

(j) Where contracts are for supply of equipment, goods etc, imported (subject to
customs duty and foreign exchange fluctuations) and/or locally manufactured (subject to excise duty and other duties and taxes), the percentage and element of duties and taxes included in the price should be specifically stated, along with the selling rate of foreign exchange element taken into account in the calculation of the price of the imported item. The mode of calculation of variations in duties and taxes and Foreign exchange rates and the documents to be produced in support of claims for such variations should also be stipulated in the contract.

(k) The clause should also contain the mode and terms of payment of the price variation admissible.

(ix) Contracts should include provision for payment of all applicable taxes by the contractor or supplier.

(x) "Lumpsum' contracts should not be entered into except in cases of absolute necessity. Where lumpsum contracts become unavoidable, full justification should be recorded. The contracting authority should ensure that conditions in the lumpsum contract adequately safeguard and protect the interests of the Government.

(xi) Departmental issue of material should be avoided as far as possible. Where it is decided to supply material departmentally, such material as are required to execute the contract work should be incorporated in the schedule of quantities/tender documents with the issue rates of each item of material and should form an essential part of the contract.

(xii) (a) In contracts where government property is entrusted to a contractor either for use on payment of hire charges or for doing further work on such property, specific provision for safeguarding government property (including insurance cover) and for recovery of hire charges regularly, should be included in the contracts.

(b) Provision should be made in the contract for periodical physical verification of the number and the physical condition of the items at the contractor’s premises. Results of such verification should be recorded and appropriate penal action taken where necessary.

(xiii) (a) The terms of a contract, including the scope and specification once entered into, should not be materially varied.

(b) Wherever material variation in any of the terms or conditions in a contract becomes unavoidable, the financial and other effects involved should be examined and recorded and specific approval of the authority competent to approve the revised financial and other commitments obtained, before varying the conditions.

(c) All such changes should be in the form of an amendment to the contract duly signed by all parties to the contract.

(xiv) Normally no extensions of the scheduled delivery or completion dates should be granted except where events constituting force majeure, as provided in the contract, have occurred or the terms and conditions include such a provision for other reasons. Extensions as provided in the contract may be allowed through formal amendments to the contract duly signed by parties to the contract.
(xv) All contracts shall contain a provision for recovery of liquidated damages for defaults on the part of the contractor.

(xvi) A warranty clause should be incorporated in every contract, requiring the supplier to, without charge, repair or rectify defective goods or to replace such goods with similar goods free from defect. Any goods repaired or replaced by the supplier shall be delivered at the buyer’s premises without costs to the buyer.

(xvii) All contracts for supply of goods should reserve the right of Government to reject goods which do not conform to the specifications.

Rule-182. Management of Contracts:
(1) Implementation of the contract should be strictly monitored and notices issued promptly whenever a breach of provisions occur.

(2) Proper procedure for safe custody and monitoring of Bank Guarantees or other Instruments should be laid down. Monitoring should include a monthly review of all Bank Guarantees or other instruments expiring after three months, along with a review of the progress of supply or work. Extensions of Bank Guarantees or other instruments, where warranted, should be sought immediately.

(3) Wherever disputes arise during implementation of a contract, legal advice should be sought before initiating action to refer the dispute to conciliation and/or arbitration as provided in the contract or to file a suit as the case may be. The draft of the plaint for arbitration should be vetted by obtaining legal and financial advice. Documents to be filed in the matter of resolution of dispute, if any, should be carefully scrutinized before filing, to safeguard government interest.
CHAPTER – 9

GRANTS-IN-AID, LOANS AND GOVERNMENT GUARANTEES.

I. GRANTS-IN-AID

Rule-183. As a general principle, grants-in-aid can be given to a person or a public body or an institution having a distinct legal entity. Thus grants-in-aid including scholarships may be sanctioned by an authority competent to do so as per the financial delegation issued by the Finance Department:

Rule-184. The Department of the State Government directly concerned with the aim or activity of the Institution may consider requests for grants-in-aid. The concerned Department may sanction the grant as per approved guidelines and instructions notified by the government after due consultation with the Finance Department, where-ever required.

Rule-185. General Principles for setting up of Autonomous Organizations:

(i) No new autonomous institutions should be created by Departments without the approval of the Government.
(ii) Stringent criteria should be followed for setting up of new autonomous organizations and the type of activities to be undertaken by them. The Department should examine in detail:
    (a) whether the activities proposed to be taken up are necessary at all;
(b) whether these activities, if necessary, need to be undertaken by setting up an autonomous organization only or whether these could be performed by the concerned government agency or any other organization already existing.

(iii) All autonomous organizations, new or already in existence should be encouraged to maximize generation of internal resources and eventually attain self sufficiency.

(iv) A system of external or peer review of autonomous organizations every three or five years depending on the size and nature of activity should be put in place. Such a review should focus, inter alia, on:

(a) the objective for which the autonomous organization was set up and whether these objectives have been or are being achieved;

(b) whether the activities should be continued at all, either because they are no longer relevant or have been completed or if there has been a substantial failure in achievement of objectives. A zero based budget approach should be followed in making this assessment.

(c) whether the nature of the activities is such that these need to be performed only by an autonomous organization.

(d) whether similar functions are also being undertaken by other organizations, and if so, whether there is scope for merging or winding up the organizations under review.

(e) whether the total staff complement, is kept at a minimum, whether the enormous strides in information technology and communication facilities as also facilities for outsourcing of work on a contract basis, have been taken into account in determining staff strength; and whether scientific or technical personnel are being deployed on functions which could well be carried out by non scientific or non technical personnel etc.

(f) whether user charges, wherever the output or services are utilised by others, are levied at appropriate rates

(g) the scope for maximizing internal resources generation in the organization so that the dependence upon government budgetary support is minimized.

Rule-186. **Accounts of Grantee Institutions:** Institutions or Organizations receiving grants should, irrespective of the amount involved, be required to maintain subsidiary accounts of the Government grant and furnish to the department, a set of audited statement of accounts. These audited statements of accounts should be required to be furnished after utilization of the grants-in-aid or whenever called for.

Rule-187. **Audit of Accounts of Grants-in-aid:**
The accounts of all grantees Institutions or Organizations shall be open to inspection by the sanctioning authority and audit, both by the Comptroller and Auditor General of India under the provision of CAG (DPC) Act 1971 and audit by a department of the State government.

Rule-188. **Discretionary Grants:** When an allotment for discretionary grants is placed at the disposal of a particular authority, the expenditure from such grants shall be regulated by general or special orders of the competent authority specifying the object for which the grants can be
made and any other condition(s) that shall apply to them. Such discretionary grants must be non-recurring and not involve any future commitment.

**Rule-189.** Other Grants: Grants, subventions, etc other than those dealt with in the foregoing rules, shall be made under special orders of Government.

### II. LOANS

**Rule-190.** The rules in this section shall be observed by all authorities competent to sanction loans of public moneys to, local bodies, private individuals, institutions and others.

**Rule-191.** Powers and Procedure for sanction of loans:
The powers of Departments of the state Government and other subordinate authorities to sanction loans shall be such as contained in any general and special orders issued by the finance department.

**Rule-192.** All sanctions of loans issued by a Department of the state Government in exercise of their powers under these Rule should include a suitable certificate to the effect that the same is in accordance with the rules or principles as are notified from time to time at the rate of interest on the loan and the period of repayment, fixed by the state government.

**Rule-193.** (1) All sanctions to loans shall specify the terms and conditions relating to them including the terms and conditions of their repayment and payment of interest.
   
   (2) Borrowers shall be required to adhere strictly to the terms settled for the loans made to them.

**Rule-194.** (1) **General conditions for regulating all loans:**

   All loans, other than loans to cultivators, etc., which are governed by special rules, should be regulated by the following general conditions:
   
   (i) A specific term should be fixed which should be as short as possible, within which each loan should be fully repaid with interest due. The terms may, in very special cases, extend to thirty years.
   
   (ii) The term is to be calculated from the date on which the loan is completely drawn or declared by competent authority to be closed.
   
   (iii) The repayment of loans should be effected by installments, which should ordinarily be fixed on annual basis, due dates of payment being specially prescribed.
   
   (iv) When the due date of repayment of any installment of principal or interest falls on a Sunday or a public holiday, the payment made on the next working day following the Sunday or the public holiday, shall be regarded as payment on the due date and no interest shall be charged for the day or days by which the recovery is so postponed.

   **Exception.** –If an installment of principal or interest is payable on the thirty-first March of a year, and if that day happens to be a public holiday the recoveries
should be made on the immediately preceding working day. In case, the
due date for the repayment of a loan or payment of interest falls on a
holiday observed by the Reserve Bank of India, at which the effective credit
is to take place this should be shifted to the next working day, except when
the due date is thirty-first March.

(v) The payment of interest and the repayment of principal of a loan are always to be
made with reference to the calendar date on which the loan in question is paid.
However, where payment of installment is in advance of the due date by fourteen
days or less, interest for the full year or half year (depending on the prescribed mode
of recovery) will be charged thereon.

(vi) In order to avoid any default in the payment of loan, the authority who maintain the
detailed accounts of loans, should issue notices to the loanees say, a month in
advance of the due date for the repayment of any installment of the principal and/or
interest thereon. However, omission to give notice does not give the loanees any
claim to exemption from the consequences of default in the repayment of the
principal and/or interest thereon.

(2) Before considering a loan application from parties, the following requirements
should be fulfilled
(a) it should be seen that there is adequate budget provision;
(b) it should be seen whether the grant of the loan would be in accordance with
approved Government policy and accepted patterns of assistance.

Rule-195. **Interest on Loans:**
(1) Interest shall be charged at the rate specified by the Government for any particular loan
or for the class of loans concerned.

(2) A loan shall bear interest for the day of payment but not for the day of repayment.
Interest for any shorter period than a complete year shall be calculated as –
(Number of days X Yearly rate of interest )/365 (366 in case of Leap Year) unless any
other method of calculation is prescribed in any particular case of class of cases.

Rule-196. **Procedure to be followed for recovery of loans and interest thereon and grant of
moratorium:** The instructions issued by the Finance department from time to time
specifying the interest rates and other terms and conditions of loans to Local Bodies,
Statutory Corporations, financial, industrial and commercial undertakings in the Public
Sector and employees should be strictly followed.

Rule-197. **Irrecoverable Loans:**
A competent authority may remit or write off any loans owing to their irrecoverability or
otherwise.

Rule-198. **Accounts and Control :**
Subject to such general or specific directions as may be given by the Government in this
behalf, detailed accounts of loans to Institutions and Organizations, etc., shall be
maintained by the concerned Officer who shall watch their recovery and see that the
conditions attached to each loan are fulfilled.
Rule-199. Review of annual statements with a view to enforce repayments of the principal and interest due:
The Administrative Departments should keep watch over the receipt of the annual statements regularly from the departmental Officer and conduct a close review of the cases of defaults in repayment of the installments of principal and/or interest due, as revealed from these annual statements and take suitable measures for enforcing repayments of the principal and interest due. If these statements are not received in time, the Officer concerned should be reminded promptly. To facilitate a proper review of the position of outstanding loans, the department may also arrange to maintain centrally a list of all sanctions issued relating to loans advanced to all parties.

III. GOVERNMENT GUARANTEES.

Rule-200. The power of the State Government to give guarantees emanates from and is subject to such limits as may be fixed in terms of Article 293 of the Constitution of India, the Fiscal Responsibility and Budget Management Act, 2005 and Rules framed there under.

Rule-201. (1) Guidelines for grant of Government of Himachal Pradesh Guarantee:
Powers to grant Government Guarantee vest with the Finance Department. The following guidelines should be followed by the Departments of the Government for recommending guarantee or counter guarantee:
(i) A proposal for guarantee by Government must be justified by public interest such as in the case of borrowings by public sector institutions for approved development purposes or borrowings by public sector undertakings from Banks for working capital and other purposes.
(ii) The concerned Department shall examine the proposal in the same manner as a proposal for loan. While examining the proposal the following considerations shall be kept in view:
(a) Public interest which the guarantee is expected to serve.
(b) Credit worthiness of the borrower to ensure that no undue risk is involved.
(c) Terms of the borrowing take into account the yields as applicable on Government paper of similar maturity.
(d) The conditions prescribed in the guarantees in order to ensure continued credit worthiness of the borrower.
(iii) After examination in the concerned Department, all proposals for extending guarantees shall be referred to Department of Finance for approval. No guarantees shall be given without the approval of the Finance Department.
(iv) Government guarantees shall not be provided to the private sector.
(v) Government guarantees should normally not be extended for external commercial borrowings.
Rule-202. Levy of Guarantee Fees:  
The rates of fee on guarantees shall be as laid down by the Finance Department from time to time.

Rule-203. Review of Guarantees:  
(1) All Departments shall ensure that all guarantees are reviewed every quarter. The monitoring or review undertaken should examine whether the borrower is discharging repayment obligations or interest obligations as per terms of the loan agreement. These reviews should be undertaken by the Administrative Departments in consultation with the Finance Department.

(2) The Finance Departments would be responsible for ensuring that the periodical reviews are carried out by the Departments concerned. They shall also ensure that a register of guarantees is maintained:
   (i) to keep a record of guarantees;
   (ii) to retain information required from time to time in respect of guarantees
   (iii) to keep record of the periodical reviews to see that these are carried out regularly;
   (iv) to keep record of levy and recovery of guarantee fee;
   (v) to send data, duly updated every quarter to the Finance Department by tenth of the month following the quarter.
CHAPTER - 10.

MISCELLANEOUS SUBJECTS.

I. ESTABLISHMENT.

Rule-204. Proposal for additions to Establishment:
(1) All proposals for additions to establishment shall be submitted to sanctioning authority in accordance with the H.P. Government Rules of Business and instructions issued by the Finance Department or any other authorized Administrative Department in the government, or other such instructions which may be issued from time to time.

(2) All proposals for creation of a new office or a revision of staff in an existing establishment, whether temporary or permanent should contain, inter alia:-
(a) the present cost of the establishment in existence;
(b) cost implications of the change proposed giving details of pay and allowances of post(s) proposed;
(c) expenditure in respect of claim to pension or gratuity or other retirement benefits that may arise in consequence of the proposals;
(d) details on how the expenditure is proposed to be met including proposed re-appropriations.

(3) A full review of the justification for continuation or conversion of temporary posts into permanent posts shall be done in consultation with the Finance department.

(4) All proposals for increase in emoluments for existing post(s) shall be referred to the department of Finance for approval.

Rule-205. Transfer of Charge:
(1) A report of transfer of a Gazetted Government servant duly made in the prescribed form and signed both by the relieved and relieving Government servants, shall be sent on the same day to the Head of the Department or other Controlling Officers concerned and to the bank and the treasury to which he/she is attached, except in the following types of cases, in respect of which, report of transfer of charge need not be signed both by the relieving and relieved Government servants simultaneously and may be sent independently:

(i) Where a Gazetted Government servant assumes charge of a newly created or vacant post or relinquishes charge of a post which has been abolished.
(ii) Where a Gazetted government servant vacates a post for a short period and no formal appointment or officiating arrangement is made in his place.
(iii) Where due to administrative exigencies a government servant is required to move to another post, relinquishing his post against local arrangement.

(2) In cases in which the transfer of charge involves assumption of responsibility for cash, stores, etc., the following instructions should be observed:

(i) The Cash Book or imprest account should be closed on the date of transfer and a note recorded in it over the signatures of both the relieved and the relieving Government servants, showing the cash and imprest balances and the number of unused cheques/receipt books, if any, made over and received by them respectively.
(ii) The relieving Government servant should bring to notice anything irregular or objectionable in the conduct of business that may have come officially to his notice. He should examine the accounts, count, weight and measure certain selected articles, as applicable, in order to test the accuracy of the returns.
(iii) In the case of any sudden casualty occurring or any emergent necessity arising for a Government servant to relinquish his charge, the next senior officer of the department present shall take charge. When the person who takes charge is not a Gazetted Government servant, he must at once report the circumstances to his nearest departmental superior and obtain orders as to the cash in hand, if any.

Rule-206. **Date of Birth:**
Every person newly appointed to a service or a post under Government shall, at the time of the appointment, declare the date of birth by the Christian era with confirmatory documentary evidence such as a Matriculation Certificate, where prescribed qualification for appointment is Matriculation or above. In other cases, Municipal/Panchayat Birth Certificate or Certificate from the recognised school last attended, shall be treated as a valid document.

Rule-207. **Service Book:**
(1) Detailed Rules for maintenance of Service Books are contained in SR 196 to 203. Service Books maintained in the establishment should be verified every year by the Head of Office who, after satisfying himself that the services of Government servants concerned are correctly recorded in each Service Book shall record the following
certificate "Service verified from (the date record from which the verification is made) upto date".

(2) Instructions may be issued by the Government regarding maintenance of service books, from time to time, in the interest of efficiency and better record keeping in the government offices.

Rule-208. Retrospective claim due from date of sanction:
In the case of sanction accorded with retrospective effect, the charge does not become due before it is sanctioned. In such cases, the time-limit specified in Rule 264 (1) should be reckoned from the date of sanction and not from the date on which the sanction takes effect.

Rule-209. Due date of T.A. claim:
Travelling allowance claim of a government servant shall fall due for payment on the date succeeding the date of completion of the journey. He shall submit the travelling allowance claim within one-year of its becoming due failing which it shall stand forfeited. The DDO shall present the claim within one month to the treasury if s/he is the controlling officer as well and with in two months if higher officer is controlling officer.

Rule-210. Reckoning the date in case of T.A. claims by retired Government servants appearing in a Court of Law for defending himself:
Retired Government servants become eligible for reimbursement of Travelling expenses in respect of travel(s) for appearing in court of law for defending him only when the judgement relating to his honorable acquittal is pronounced by the court. In such cases the date of pronouncements of the judgement shall be the reference point for submission and forfeiture of his T.A claim.

Rule-211. Due date of Leave Travel Concession claim:
Leave Travel Concession claim of a government servant shall fall due for payment on the date succeeding the date of completion of return journey. The time limit for submission of the claims shall be as under:

(i) In case advance drawn: Within one month of the due date.
(ii) In case advance not drawn: Within three month of the due date.

In case of (i) above if the claim is not submitted within one month of the due date, the amount of advance shall be recovered but the Government employee shall be allowed to submit the claim as under (ii) above.

In case of failure to submit the claim, in both the cases within three months of the due date, the claim shall stand forfeited.

Rule-212. Due date of a withheld increment: In the absence of any specific order withholding an ordinary increment under FR 24 before the date on which it falls due for payment, the period of one year should be counted from the date on which it falls due and not with reference to the date on which the Increment Certificate is signed by the competent
authority. Even where an increment is withheld, the time-limit should be reckoned from the date on which it falls due after taking into account the period for which it is withheld.

Rule-213.  **Arrear Claims:**
(1) Any arrear claim of a Government servant which is preferred within one year of its becoming due shall be settled by the Drawing and Disbursing Officer after usual checks.

(2) For the purpose of the above provisions the date on which the claim is presented at the office of disbursement should be considered to be the date on which it is preferred.

(3) (i) A claim of a government servant which has been allowed to remain in abeyance for a period exceeding one year, should be investigated by the Head of the Department concerned. If the Head of Department is satisfied about the genuineness of the claim on the basis of the supporting documents and there are valid reasons for the delay in preferring the claims, the claims should be paid by the Drawing and Disbursing Officer, after usual checks.

(ii) A Head of Department may delegate the powers, conferred on him by sub rule (i) above to the subordinate authority competent to appoint the Government servant by whom the claim is made.

Rule-214.  **Procedure for dealing with time-barred claims:**
(1) Even a time barred claim of a Government servant, shall be entertained by the concerned authority provided that the concerned authority is satisfied that the claimant was prevented from submitting his claim within the prescribed time limit on account of causes and circumstance beyond his control.

(2) A time barred claim referred to in Rule shall be paid with the express sanction of the Administrative Department/Government issued within the monetary limits as prescribed by the Finance Department for each type of claim.

Rule-215.  **Time barred claims of persons not in Government service:**
The provisions of these Rules shall apply mutatis mutandis to arrear claims preferred against Government by persons not in Government service.

Rule-216.  **Retrospective sanctions:**
Retrospective effect shall not be given by competent authorities to sanctions relating to revision of pay or grant of concessions to Government servants, except in very special circumstances with the previous consent of the Finance Department.

Rule-217.  **Currency of sanction of Provident Fund advance/withdrawal:**
A sanction to an advance or a non-refundable part withdrawal from Provident Fund shall, unless it is specifically renewed, lapse on the expiry of a period of three months.
This will, however, not apply to withdrawals effected in instalments. In such cases the sanction accorded for non-refundable withdrawals from Provident Fund will remain valid up to a particular date to be specified by the sanctioning authority in the sanction order itself.

II. REFUND OF REVENUE.

Rule-218. Sanctions of refunds of revenue:
All sanctions to refunds of revenue, shall be regulated by the orders of the departmental authority, as the case may be, according to the provisions of the these rules.

Rule-219. (1) Communication of refund sanctions to audit: The sanction to a refund of revenue may either be given on the bill itself or quoted therein and a certified copy of the same attached to the bill in the latter case.

(2) Suitable note of refund to be made in original entry in the treasury record and other documents: Before a refund of revenue is made, the original demand or realization, as the case may be, must be linked and a reference to the refund should be recorded against the original entry in the treasury record or other documents so as to make the entertainment of a double or erroneous claim impossible.

(3) Remission of revenue before collection is not refund: Remissions of revenue allowed before collection are to be treated as reduction of demands and not as refunds.

(4) Refunds not regarded as expenditure for allotment: Refunds of revenues are not regarded as expenditure for purposes of grants or appropriation.

(5) Competent authority in case of credits wrongly classified: In cases where revenue is credited to a wrong head of account or credited wrongly under some misapprehension, the authority competent to order refund of revenue shall, in such cases, be the authority to whom the original receipts correctly pertain.

Rule-220. Compensation for accidental loss of property: No compensation for accidental loss of property shall be paid to an officer except with the approval of the Finance department. Compensation will not ordinarily be granted to an officer for any loss to his property which is caused by floods, cyclone, earthquake or any other natural calamity or which is due to an ordinary accident, which may occur to any citizen, for example, loss by theft or as the result of a railway accident or fire etc. The mere fact that at the time of the accident, the Government servant is technically on duty or is living in Government quarters in which he is forced to reside for the performance of his duties will not be considered as a sufficient ground for the grant of compensation.

III. SECURITY DEPOSITS.
**Rule-221.  Furnishing of security by Government servants handling cash:**

(1) Subject to any general or special rules/instructions prescribed by Government in this behalf, every Government servant, who actually handles cash or stores shall be required to furnish security, for such amount and in such form as Government may prescribe according to circumstances and local conditions in each case, and to execute a security bond setting forth the conditions under which Government will hold the security and may ultimately refund or appropriate it.

(2) The amount of security to be obtained from a Government servant shall be determined on the basis of actual cash handled which shall not include account payee cheques and drafts.

(3) In cases, where security is furnished in the form of a Fidelity Bond, the security bond as may be prescribed should be executed. In cases where security is furnished by way of Fidelity Bond, the department shall see that the government servant pays the premia necessary to keep the Bond alive, for which the government servant shall submit premium receipt in time. If the government servant fails to submit the premium receipt he shall not be allowed to perform the duties of his post and he shall be dealt with in accordance with the terms of his appointment.

(4) A Government servant who is officiating against the post of another cash or store handling Government servant shall be required to furnish the full amount of the security prescribed for the post.

The Department may, however, exempt a Government servant officiating in such a short-term vacancy from furnishing security if the circumstances warrant such exemption provided that -

(i) they are satisfied that there is no risk involved;

(ii) such exemption is granted only in the case of a permanent Government servant; and

(iii) the period of officiating arrangement does not exceed four months.

**Rule-222.  Notwithstanding anything contained in these Rules, security need not be furnished in cases of -**

(a) Government servants who are entrusted with the custody of stores, which in the opinion of the competent authority, are not considerable.

(b) Government servants, who are entrusted with the custody of office furniture, stationery and other articles required for office management, if the Head of Office is satisfied about the safeguards against loss through pilferage.

(c) Librarian and Library Staff.

(e) Drivers of Government vehicles.

**Rule-223.  Retention of Security:**

A security deposit taken from Government servant shall be retained for at least six months from the date he vacates his post, but a security bond shall be retained permanently or until
it is certain there is no further necessity for keeping it.

IV. DESTRUCTION OF RECORDS CONNECTED WITH ACCOUNTS.

**Rule-224.** Subject to any general or special rules or orders applicable to particular departments as prescribed in their departmental manuals, no Government record connected with accounts shall be destroyed except in accordance with the provisions of these rules.

Provided further that the existing instructions regarding destruction of record would continue to be in operation until superseded by instructions issued under these rules.

V. CONTINGENT & MISCELLANEOUS EXPENDITURE.

**Rule-225**  
**Permanent Advance or Imprest**: Permanent advance or Imprest for meeting day to day contingent and emergent expenditure may be granted to a government servant by the Head of the Department in consultation with Finance Department, keeping the amount of advance to the minimum required for smooth functioning.

**Rule-226.**  
**Advances for Contingent and Miscellaneous purpose:**

1. The Head of the Office or any other authorized officer may sanction advances to a Government Servant for purchase of goods or services or any other special purpose needed for the management of the office, subject to the following conditions:-
   (i) The amount of expenditure being higher than the Permanent Advance available, cannot be met out of it.
   (ii) The purchase or other purpose can not be managed under the normal procedures, envisaging post-procurement payment system.
   (iii) The amount of advance should not be more than the power delegated for the purpose under the relevant SOE.
   (iv) The Head of the Office or the Controlling Officer, as the case may be shall be responsible for timely recovery or adjustment of the advance as per item 2 below.

2. The adjustment bill, along with balance if any, shall be submitted by the government servant within fifteen days of the drawal of advance, failing which the advance or balance shall be recovered from his next salary (ies).

3. No second advance would normally be granted until the adjustment of the first advance has been done.

**Rule-227.**  
**Repeal and Savings:**

1. The H.P. Financial Rules dated 10th May, 1971 (hereinafter called the aforesaid Rules) which had come into force, with effect from 1st May, 1971, as published in the Rajpatra
of 15th July, 1971, vide Notification No. 15/4 (1971) R&EI, are hereby repealed, from the date of coming into force of these Rules.

Provided that the repeal of the aforesaid Rules, shall not affect:
   a) the previous operation of the aforesaid Rules or any financial delegation, instructions, issued by the Finance Department or any other Administrative Department, in the government; or
   b) any economy instruction(s) issued by the Finance Department, in the Government issued from time to time;

2. Unless it is otherwise expressly provided:
   a) anything done or any action taken (including any notification, instructions, notice, order etc.) in the exercise of any power conferred by or under the aforesaid Rules shall, in so far as it is not inconsistent with the provisions of these Rules, continue to be in force and be deemed to have been done or taken in the exercise of the powers conferred by or under the provisions of these Rules, as if these Rules were in force on the date on which such thing was done or such action was taken, unless and until it is superseded by or under any provision of these Rules, or by any notification, instructions or delegation, issued under these Rules;
   b) all proformas, forms, registers, record being maintained under the aforesaid Rules shall continue to be used by the departments and other subordinate offices as if they were specified under the Rules, until the same are modified or superseded by any provisions of these Rules or instructions issued thereunder.

Rule-228. The H.P. Budget Manual, 1971 too is hereby repealed, since, important provisions of the H.P. Budget manual, stand included in these Rules.

Provided that instructions, orders and notices issued by the Finance Department, under the provisions of the repealed H.P. Budget Manual, shall in so far as they are not inconsistent with the provisions of these Rules, continue to be operative, until the same are amended by the Finance Department.