

Appendix

(Refers to Para 4 of GOI MoD letter
No A/89591/FP-1/1974/D (GS-I)
dated 26 Jul 2006)

DETAILED GUIDELINES FOR EXERCISE OF DELEGATED FINANCIAL POWERS IN THE ARMY

General

1. The Committee on Defence Expenditure in 1990 had recommended substantial delegation of financial powers to the Services in a number of areas of functioning. In line with these recommendations, the New Financial Management Strategy was implemented in the Services during the period 1995 to 1997 and the concept of Authority cum Responsibility Centres introduced selectively for the Field Logistics units. Subsequently, a major review of the financial powers of the three Services was undertaken by the Committee on Delegation of Financial Powers set up in 2001, based on the recommendations of the Group of Minister (GoM) Report on Higher Defence Management. The outcome of their recommendations was the Govt of India, Min of Def letter issued on Enhanced Delegation of Financial Powers to Army Authorities vide MoD letter No A/89591/693/FP-1/2002/D(GS-I) dt 22 Apr 2002. With a view to further decentralize the process of decision making, remove any anomalies and inadequacies to make the system more effective, the powers delegated vide the above orders and other Govt letters delegating financial powers to the Services CFAs, as amended to date, have been reviewed.

2. The Revised Delegation of Financial Powers is based on the recommendations of the Committee set up by the RM under FA (DS) in Dec 2005, as a sequel to the PMOs directions to Review the Delegation of Financial Powers to the three Service. The general principles and policy guidelines given by this Committee have been kept in view while further enhancing the financial powers of various CFAs, as well as delegating powers to authorities who were overlooked in the earlier review of 2002. The provisions of DPM 2005 and GFRs 2005 have also been kept in view.

3. Delegation emphasizes 'Value for Money' which encompasses economy, efficiency and effectiveness. The above concern will be reflected by the budget allottees by preparation of suitably prioritized Annual Procurement Plans on the Revenue side, through more detailed planning and the establishment of priorities, supplemented by proper and planned utilisation of allocated resources. The enhanced

delegation of financial powers has linkage with the budget allotment, placed with the respective CFAs and would optimize its utilisation.

Budget Management

4. The Vice Chief of the Army Staff is the Top Level Budget Holder (TLBH) of the Army under the New Financial Management Strategy. The Revenue budget of the Army will be allocated by the TLBH among the Authority-cum-Accountability Centres (High Level Budget Holders) at Army HQ, namely DCOAS (IS&T), DCOAS (P&S) AG, QMG, MGO and E-in-C etc. The HLBHs will allocate funds to the Intermediate Level Budget Holders (ILBH) i.e. DGs and ADGs who will in turn sub- allot funds to the budget centres. The allocated budgets and the outcomes will be used as a tool for monitoring the performance of such centres.

Budget Centres

5. The present Revenue budget management places emphasis on centralised control of expenditure and resource inputs. To fit in with the outcome-oriented budgetary system of New Financial Management Strategy, budget centres will acquire the management responsibility for the whole range of expenditure and receipts that fall within their areas. Within the limits of their delegated authority, budget centres will have the freedom to manage their budgets so that objectives and targets are achieved in the most economic, efficient and effective manner.

Financial Powers

6. Schedules I to XXIII (Army) enclosed with the Govt Letter stipulate the financial powers and other instructions/restrictions that have to be followed by the CFAs with reference to the particular purpose for which the powers stand delegated therein.

Financial Advice

7. The Integrated Financial Advisors are available to provide financial advice to the TLBH and HLBHs at Army HQ and also at HQ Commands. As such, their advice/expertise should be sought for ensuring that:-

(a) Appropriate financial accounting systems as well as procedures have been established and are functioning properly in accordance with the accounting procedures laid down by the Government.

(b) Instructions and guidance on financial matters are issued to all concerned including that relevant to formulation of Plans and Projects.

(c) Intermediate and Lower Level Budget Holders receive guidance in the preparation of budgetary estimates and monitoring as well as review of expenditure.

8. The IFAs are primarily accountable to the HLBHs for advice given or action taken on their behalf on expenditure proposals or budget management that is needed by the former to meet his objectives. In addition, they are accountable to the MOD (Finance) and to the CGDA for the integrity of the financial system in respect of areas of their responsibility.

Authority of Executive

9. In matters within the delegated financial powers, the CFA is recognized as the ultimate decision maker. It will be open to the CFA to overrule the advice of the CDA/IFA by an order recorded in writing containing a gist of the objection of IFA / CDA and reasons for overruling the advice. A copy of the order overruling the financial advice will be endorsed to the next higher CFA and the IFA. In such cases it will be open to the IFA to report the matter to the next higher IFA for pursuing the matter with the higher CFA or dropping it as deemed fit.

Manner of Exercise of Financial Powers

10. The financial powers delegated in the Schedules are personal to the officer and cannot be delegated to any subordinate officer except as indicated in Para 11 (b) to (e) below, in terms of Rule 65 (a) and (b), FR Pt I, 1983 Edition.

11. (a) The officer possessing financial powers is personally and unreservedly responsible for any orders purporting to be issued in accordance with the degree of relaxation permitted by this paragraph whether the communication conveying the orders is signed by himself or by an officer subordinate to him.

(b) On the strict understanding that the sole responsibility rests on him, an officer possessing financial powers may authorise a staff officer to sign communication and documents of a financial character on his behalf, provided that the name of the officer who is authorised to sign is communicated to the audit officer concerned and that concurrent authorization to several officers to the full limit of powers is not made. In such cases, it shall not be necessary for the officer possessing financial powers himself to sanction and sign communications and financial documents in respect of each item personally.

(c) When an officer possessing financial powers is absent on leave and no officer has been formally appointed in his place, financial responsibility will rest on the officer actually performing his duties who will for the time being exercise the full powers of the absentee. The subordinate officer's signature in these cases should, however, indicate that he signs "for absent on".

(d) When an officer possessing financial powers is absent on temporary duty or tour, he may permit in writing another officer to sign letters on his behalf. An audit officer will accept the subordinate officer's signature as implying that the orders have been approved by the superior officer, provided that the signing officer signs "for absent on tour/ temporary duty".

(e) When an officer possessing financial powers has been posted out and no officer has been formally appointed in his place, financial responsibility will rest on the officer actually performing his duties who will for the time being exercise the full powers of the appointment.

12. **Monetary Limits.** The monetary limit, which has been set in each case, extends to each separate sanction. The criterion in every case is the total cost of a measure and no measure which requires the sanction of higher authority shall be sanctioned by a lower authority in installments.

Purchases/ Mode of Tendering

13. **Open/Limited Tendering.** Open Tender Enquiry/Limited Tender Enquiry (OTE / LTE) upto laid down financial limits of respective CFAs will be resorted to in consultation with IFA as per norms laid down in Chapter IV, Para 4.3 of DPM 2005. There is a need to make broad based specifications to ensure competition for common user items. Vendor registration and Vendor Listing should be availed for issue of LTE. Vendor registration should be periodically updated and such data base shared both intra-service and inter-services. Towards this end, electronic networking of such data base between the Services CFAs, IFAs, the MoD and MoD(Fin) needs to be established in a time bound manner.

14. **Single Tender Purchases.** Keeping in view the fact that procurements should ideally be through competitive bids with broad-based QRs, **greater care needs to be exercised in regard to Single Tender and PAC purchase cases.** Single tendering for non-PAC items is to be resorted to only on grounds of urgency or operational or

technical requirements. The reasons for single tender enquiry (STE) and selection of a particular firm must be recorded and approved by the CFA prior to single tendering as stipulated in Chapter 4.2 of DPM 2005 and provisions of Rule 154 of GFR kept in view. **Further, purchase on STE basis should be made from reputed firms after determining the reasonableness of rates.**

15. **PAC Procurements.** PAC status will be assigned as per procedure laid down in the DPM 2005 (Para 4.1.1 & 9.7 refers) in consultation with the IFA. The PAC Certificate has to be given at a level not below that of PSO / APSO / DG /ADG at Army HQ and by the GOC-in-C/Corps Commander and Heads of Establishment /Formations or Units not below the rank of Maj Gen in the Commands. CFAs will keep the following in mind:-

- (a) **Bought Out Item Analysis.** PAC bestows a monopoly status on the Supplier and reduces the Buyer's leverage. In order to minimise the disadvantage, PAC status should be awarded with great care.
- (b) **Availability.** No other manufacturer is available.
- (c) **Standardisation.** The need to minimise spares support problems.
- (d) **Price Analysis.** In some cases, PAC items could be bought cheaper from distributors, stockists and trade than from OEMs. However, in such cases the former may be asked to show necessary authorization/ certification from the OEM with regard to quality of the items.

16. **Items Developed by Defence PSUs.** When Defence PSUs / OFB have specifically developed an item for the Department of Defence or have taken TOT, such sources could be treated at par with the PAC firms. However, this will not be applicable to procurements based on provision reviews / scales.

17. **Rate Contracts.** Rate Contracts may be concluded by CFAs to whom powers have been delegated in this regard for items required by several users on recurring basis within the Army or for the three Services as per provisions of Chapter VIII of DPM.

18. **Post Contract Management.** Post Contract Management is a neglected area and must be undertaken carefully in consultation with the respective IFA. In particular the following aspects need to be watched closely:-

- (a) Extension of Delivery Period.
- (b) LC Extension.
- (c) Waiver of Liquidated Damages.

19. **Inventory Holding.** There should be a periodic review of the inventory holding of the Army. The Automation Programmes of the Army e.g. CICP to inter-link all the inventory holding/ Ordnance Stores depots should be urgently made operational for this purpose.

Issue of SOPs

20. **Powers during Hostilities /War/Special Operations.** Powers delegated to Army Authorities for exercise during war, hostilities and special operations without consultation of IFAs will become operative only on the issue of a Govt order declaring such a situation or ordering of a Special Operation by the Army, inter alia indicating the overall ceiling of funds for this purpose. Detailed procedural guidelines will be evolved for procurement of stores/equipment to meet such operational requirements, by way of a Fast Track Procedure (FTP) to be put in place in consultation with the Min of Defence (Finance).

21. **Powers to MAs/ DAs for Urgent Procurements from Abroad.** An SOP will be put in place in consultation with the Min of Defence (Finance) for procurement of stores/spares by MAs/DAs ex-import under their delegated powers to meet operational or technical requirements on grounds of urgency, with appropriate checks and balances as regards initial grant of acceptance of necessity by the MGO.

Rules / Manuals

22. The powers contained in the Schedules will be exercised as per provisions/principles given in the following Manuals, as updated from time to time:-

- (a) DSRs, FR Part I & II
- (b) DPM 2005.
- (c) GFR 2005.
- (d) Instruction issued by Govt Deptts like Deptt of Public Sector Enterprises e.g. Purchase Price Preference for PSUs and Small Scale Industries (SSIs) and other guidelines issued by the Min of Finance.

Endorsement of Sanction to CDA

23. A copy of every sanction issued by the CFA shall be forwarded to the concerned PCDA/CDA quoting the authority under which such sanction has been accorded. Further, it shall be ensured that all sanctions issued by the CFA in consultation with the IFA must bear the U.O No and date allotted by the IFA office.

Key Areas of Monitoring.

24. In order to ensure that the enhanced delegation of financial powers does actually lead to **better fiscal management** in the Army, resulting in **tangible benefits by way of timely procurements, time bound implementation of schemes / projects, improved availability and enhanced serviceability state of major weapon systems/platforms/equipment** in the hands of the field functionaries and optimum utilization of in-house capabilities built up over the years, the following checks and balances are being instituted :-

(a) **Priority Procurement Plan.** A clear Revenue Priority Procurement Plan will be formulated in all major areas of central procurement, to indicate the carry forward liabilities and new schemes during the FY, indicating those to be sanctioned under delegated powers of the Services and under MoD powers separately. The progress of schemes under the delegated powers of Army CFAs and those to be executed under MoD powers will be monitored separately by MOD to see the results achieved vis-à-vis targets set. **For this purpose, Army HQ is to submit a monthly return to MoD on the progress of the Prioritised Procurement Plan and the progressive utilisation** of revenue budget. Army HQ is also to prepare a PERT chart for all major schemes under revenue head for close monitoring of the progress of such schemes.

(b) **Link between Revenue and Capital Plans.** The DPB should preferably be apprised of the Priority Procurement Plans of the Army on the Revenue side so that these are duly harmonized with the Annual Acquisition Plans for Capital Equipment and the maintenance requirements are duly factored into our budgeting process.

(c) **Accountability.** Budget has to be an efficiency indicator and the enhanced financial powers should ensure higher efficiency level, in terms of serviceability and maintainability of equipment/machinery/platform/ weapon system. A comprehensive data base will be built up for CFAs to review performance.

(d) **Use of In-house Capability.** The in-house capacity of Ordnance Factories, Army Base Workshops and Advance Base Workshops must get utilised optimally.

(e) **Capital.**

(i) The delegation of financial powers for Capital procurement is to be exercised as per the procedures laid down in DPP 2005. The Competent authority to accord various stage approvals as per DPP procedure and the composition of CNCs will be laid down separately by Army HQ with the approval of MoD.

(ii) Army HQ has to render a Quarterly Report to DG Acquisition on the progress of various Capital schemes under delegated powers, indicating the actual cash out go against the budgetary projections in the AAPs

(f) **MIS.** Army HQ is also to put in place a system for data sharing and data networking, both within Army and Inter-Services in order to widen the procurement sources and obviate different rates being paid for the same item by the Army Commands/different Services.