



# FINANCIAL CODES

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LeAP Training for Senior  
Faculty Members – AMU,  
September 3, 2019



## SESSIONS

**I – Elements of Financial Administration for Practicing University Administrators.**

**II – Issues in Financial Management Relevant for future Academic Leaders.**



# Elements of Financial Administration

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- Bedrock is General Financial Rules 2017.
- GFR fully applicable to CUs unless Statutes or Ordinances framed after 11<sup>th</sup> February are to the contrary.
- GFR not concerned with Accounting – Government Accounting Rules 1990 or Treasury Functions (Central Government Receipts and Payment Rules 1983).



# Fundamental Principles of GFR

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- Institutional funds to be treated with same care as one's own.
- No Expenditure without Sanction of the Competent Authority.
- No Expenditure without Provision of the Budget.
- As far as possible no expenditure except on advice of an expert.
- Conflict of Interest to be disclosed by the sanctioning Authority.

# Defalcation and Losses



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- All Losses irrespective of loss to be reported to the next higher authority.
- Even a Suspicion to be Reported.
- Loss by Defalcation, particularly forged signatures, to be reported to the Police.
- Amount lost can be Redrawn Pending Investigation.



# COOPERATION WITH AUDIT

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- Fullest Possible Information to be furnished on demand by the Auditor.
- Highly Sensitive Documents to be Personally Shown to the Audit.
- Special Issues Relating to Printing of Question Papers etc.
- Audit Memos – Special Issues.

# BUDGET



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- Estimate of Receipts and Expenditure. Issues about Accuracy.
- Expenditure Estimates to be based on Past Trends and Discussions with Stakeholders.
- Overall availability of Resources a Precondition for Good Budget.
- Inter se Priority Main Challenge – Leadership of Highest Quality Needed.





# BUDGET – Control of Expenditure

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- Expenditure not only to be within Budget Limits but also within Sub-Allocations.
- Payments within the Same Financial Year.
- Re-appropriations.
- Need to Stagger and Avoid Rush of Expenditure.
- Monitoring Bank Statements.



# Control of Expenditure - Contd

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- Matching Physical Progress with Progress of Expenditure.
- Permanent Advance.
- Avoidance of Cash Payment .
- Strict Watch Over Liabilities.

# WORKS



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- Source of Potentially Serious Trouble to Institutional Heads.
- Concept of Public Works Organisation (PWO).
- Nothing to be done without PWO.
- Design and Estimates.
- Technical Sanction and Administrative Approval.

# Works - Cntd



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- Calling of Tenders and Pre Qualification
- Invitation to Bid.
- Separate Design and Architectural Contracts for Larger Works.
- Breaking of Works Between Different Components.
- Financial Evaluation.

# Works - Contd



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- Reasonableness of Financial Bids.
- Weightage to Technical Evaluation.
- Very Limited Scope of Negotiations.
- Ban Against Matching of Bids.
- Consultations with the CVO.
- No Splitting of the Same Component.
- Payment of Advance and Its Adjustment.
- Every Step to be Documented.



# PROCUREMENT OF GOODS

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- Efficiency, Economy and Transparency to be Hallmarks.
- Single Bid no Longer Permitted Except for Proprietary Items.
- Hosting of All Bids on Central Public Procurement Portal (CPPP).
- Pitfalls of Technical Specifications – Pros and Cons of Pre-Bid Conference.

# Procurement of Goods - Cotd




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- Correct Assessment of Quantities – another ticklish issue.
- Calling of Samples – Different Issues.
- Rate Contracts.
- Procurement of Goods from Abroad – LoC and Escrow Account/
- Electronic Reverse Auctions – Pros and Cons.

# Procurement – Contd.

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- Performance Security.
  - Contract Management.
  - Monitoring of Complaints in Bulk Purchases.
  - DGS&D.
  - Full and Clear Documentation as in Works.
  - Quality Assurance Measures in View of *Caveat Emptor*.





# Procurement of Services – CONSULTANCY CONTRACTS

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- Identification of Consultancy Areas.
- Preparation of Scope of Assignment.
- Cost Estimates Having Regard to Market Rates.
- Identification of Likely Sources.
- Short Listing of a Minimum of Three for Every Assignment.
- Technical and Financial Estimates from Short Listed Parties
  - RFP.

# CONSULTANCY - Contd



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- Committee to Assess RFPs – Advisability of Outside Help.
- Quality and Cost Based Selection (QCBS) to be adopted as far as Possible.
- RFPs Scoring Minimum Qualifying Marks to be Eligible for Financial Evaluation.
- After Financial Bid Evaluation, Aggregate Tabulation (RFP + FB)

# CONSULTANCY – Contd.



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- Relative Weightage to RFP and FB to be Ideally 50: 50 .In no case RFP Weightage to Exceed 80%.
- However Least Coast Method (LC) is to be Applied for low-tech Consultancies e.g. Procurement of Goods.



# OUTSOURCING OF SERVICES

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- Contract Award to Depend on Physical, Measureable and Deliverable Outcomes.
- Meant to not Fully Replace but Supplement Organisational Personnel.
- Award of Contract Can be done on ‘Nomination Basis’ but the Option not to be Lightly Exercised.
- Monitoring of Such Contracts of Prime Importance.

# OUTSOURCING - Contd



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- Issue of Minimum Wages and Responsibility of Personnel of the Selected Agency – Primary Problem.
- Implications on Work Efficiency of the Existing Staff to be Carefully Monitored.
- Long Term Implications of Outsourcing and Changing Agencies.
- Special Problems of IT Services Outsourcing.



# TRANSFER of LANDS and BUILDINGS

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- No Sale without Prior Approval of the Government.
- No Sale Below Reserve Price – Determined on Valuation and Registered Deeds.
- No Long Term Lease.
- Lease Rent to be Negotiated at Certain Percentage of Capital Cost or Reverse Auction.
- No Permanent Structure by Lessees.

# AUDIT of ACCOUNTS



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- Head of the Institution to have Liaison and Coordination with the Principal AG.
- Audit Observations Must be Taken Seriously.
- Mandatory for the Institutional Head to Read Old Audit Reports.
- Internal Audit to be Encouraged.
- Occasional Commercial Audit.





**END OF SESSION 1**



# SESSION II – FINANCIAL MANAGEMENT ISSUES

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## BACKGROUND

41000 Colleges, 750 Universities including 49 Central Universities.

Around 2.58 Crores Students in Tertiary Stream out of whom about 2.30 Crores are in around 41000 Affiliated Colleges with woefully inadequate Infrastructure.

Only 28 Lakhs Students in Teaching Universities/ Constituent Colleges (including 7.60 lakhs in CUs)

# Anomalies in Funding



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- Financial Figures a Challenge; Latest Available Actuals for 2011 – 12.
- Central Us received Rs 4740.65 Crores (Non Plan Rs 2974, Plan Rs 1766.65) with 7.61 Lakhs students this works out roughly to Rs 6300 Per Capita per annum.
- State Universities with Affiliated Colleges roughly got 20000 Crores (state + UGC) for 2.51 Crores Students per Capita figure is Rs 8000 per annum!

# Anomalies in Funding - Contd

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- Going by Global Averages Per Capita Allocation to CUs is below par; For 97% Students in the State Sector it is scandalous!
- Disaggregated Flows for State Universities and Affiliated Colleges not separately available but bulk of State Government Grants have stopped at the State University Level.
- Colleges are thus financially Dysfunctional with Odd Exceptions.

# GROUND REALITIES



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- GER of around 25% – Sustainability in the context of our population?
- Off Campus Colleges Main Vehicles of Education.
- NPE (Draft) or Most other Policies Do not Factor in Collegiate System.
- Non Salary Component in Steep Decline in State Universities, not increasing in CUs.
- Severe Limitations on Revision of Fee.

# MAJOR GAPS



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- No Norms to Determine Financial Requirements of Different Classes of Institutions.
- No Costing Studies.
- Lack of Political Will to Treat Higher Education as “Merit Good”.
- Shrinking Job Market Pushes up Enrolments.
- Capacity to Pay Fee Curtailed.

# MAJOR GAPS - Contd



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- Fee Differential Between Conventional and Open Systems.
- Increasing Gap Between Need and Allocations of CUs.  
Finance Committees Redundant.
- Monthly Release of Funds.
- Non Salary Component on Decline.
- Capital Expenditure Badly Compromised. Projects Lying Incomplete.



# MAJOR GAPS - Contd



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- Internal Resources have not Gone Up.
- Residential Character of Purely Teaching Universities Badly Eroded Due to Failure to Add to Hostel capacities.
- Maintenance of Assets Badly Compromised Due to Lack of Funds.



# TWO CENTRAL GOVERNMENT INITIATIVES

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- Resources Sought to be Augmented through two Initiatives.
- RASHTRIYA UCHCHATAR SHIKSHA ABHIYAN – RUSA or the National Higher Education Mission.
- HIGHER EDUCATION FUNDING AGENCY (HEFA)

# RUSA



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- Launched in 2013.
- Main Components – Conversion of Autonomous Colleges and Cluster of Colleges to the Level of Universities. Establishment of Model Colleges and Upgradation of Ordinary to Modern Colleges.
- State Government Share Varies Between 30% and 10%. Central Government Meets 100% Outlay in Union Territories.
- Progress has been very halting. Only 271 Colleges have benefitted. Financial progress is very sketchily reported in State RUSA Sites.
- In any case RUSA barely scratches the surface.

# HEFA



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- A not for Profit NBFC, 10000 Crores Share Capital .
- It is tasked to mobilise Rs 1 Lakh Crores till 2022.
- Central Government Guarantees Repayments. Beneficiary to Repay 10% per Year.
- Doubtful if Remunerativeness of HEFA Sponsored Projects Adequately Addressed,

# HEFA - Contd



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- NBFC Sector Currently in Deep Crisis.
- Government Guarantees Payments, not Guarantees Timely Payment.
- Meeting of Recurring Costs Remain Unresolved.
- Has the Potential of Putting Universities to Financial Difficulties.

# Issues about Fee



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- Accounted Roughly for 50% of Recurrent Expenditure in AMU & BHU (Private Universities) in 1947 - 48.
- Fee Fixed by Calcutta University for Affiliated Colleges in 1898 Considered Ruinous (Amrit Bazar Patrika reported extensive Drop-Outs)
- Already there is Inequity in Fee System – Between Open and Conventional Systems.

# Fee - Contd



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- Conceptually Fee is a Charge for Services Provided – Debate and Policy Needed what Proportion of Cost Should be Met by the User.
- The Issue Hinges Round Whether Tertiary Education is “Merit Good”.
- Failure of Policy Makers to Factor in Extraordinarily High Gross Enrolment Ratio in the Indian Context.





# ECONOMY IN EXPENDITURE

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- Scope Highly Restricted Due to Shrinking of Non salary Budget.
- Measures Like Banning and Curtailing Travel Expenses, Library Purchases further Compromise Standards.
- Keeping Teaching Posts Unfilled – No Economy Measure.
- Savings in Budget Not Rewarded.



# ECONOMY IN EXPENDITURE - Contd

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- Drastic Reduction in Filling Non Teaching Posts and Substitution with Outsourcing (Requires Expertise in Contract Management)
- Competitive Bulk Purchases for Price Advantage – Expertise in Inventory Management.
- Bringing Examination and Admission Fee in University Budget – Also a Resource Mobilisation Measure.



# RESOURCE MOBILISATION

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- Primary Hope, Grossly Underutilised.
- Alumni Support: Disposal of Surplus Assets; Levy of User Charges; New Revenue Streams.
- State Needs to Incentivize RM.
- Need to Moderate, not to go Overboard. Universities not Profit Centres.
- Meaningful Only as Long Term Measure.
- Philosophy Needs to be Clear.

# ALUMNI SUPPORT



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- Grossly Underutilised Despite Exceptions.
- Institutions with Brand Name or Long Vintage Better Placed to Benefit.
- Income Sharing Agreements with Freeship and Concession Holders Need a Try.
- Institution of Freeships and Scholarships by the Alumni.
- Financing of International Travel of Faculty.

# FEE REVISION



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- Strong Case for Differential Fee Structure DFS).
- DFS must Follow Cost Studies.
- Rational Recovery of Part of Cost Best Basis of Revision.
- Cross Subsidisation, not Cost Recovery to be Primary Aim.
- UGC must Lead Cost Discovery Exercises – Not for Individual Universities.

# USER CHARGES



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- Free or Grossly Underpaid Services have Many Down-Sides.
- Electric Meter in Every Hostel Room; Upward Revision of Hostel Rents.
- Soil/ Water Testing Charges and Other Investigations.
- Revision of Tariff of Guest Houses.
- Consultancy Fee Share; New Areas of Consultancy

# INCOME FROM ASSETS



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- Procurement Contracts with Buy Back and Maintenance Clauses.
- Hiring and Leasing of Equipments in Suitable Cases.
- Hiring of University Premises within Strict Policy Framework.
- Land Utilisation Survey – Disposal of Surplus Land. (Avoids Encroachment). Going Vertical.

# CONCLUDING



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- DELEGATION & DECENTRALISATION.
- Active Involvement of Faculty in Financial Planning.
- Improving and Devising New MIS – Badly Neglected.

**–NEVERTHELESS STATE  
SUPPORT TO UNIVERSITY  
BUDGETS MUST INCREASE.**



Thank You

Questions?

