

Note.- Accounts drawn in pay bills of officers will not appear in this register, except in the case of Plan Schemes entitled to Central assistance [vide sub-rule (xi) infra].

(iv) Before the tenth day of each month, an extract of the entries in this register so far as they relate to bills actually cashed at the treasury during the preceding month, must be sent in full detail by every drawing officer, other than a controlling officer, or the competent authority, to the controlling officer. As certain of the entries in each month will relate to bills which were not actually cashed before the end of that month, the copy sent will include a few entries of the previous month and exclude a few made in the month for which the return is submitted. If there be no entries in the register in any month, a 'nil' statement must invariably be sent.

(v) In order to watch the receipt of the returns prescribed in the foregoing sub-rule, the controlling officer must maintain a broad-sheet in Form K.F.C. 62-C, in which a serial number will be allotted to each individual drawing officer. This broad-sheet must be carefully watched and reminders sent, if any returns are not received by the 10th of the month. Since the accuracy of the controlling officer's accounts will depend to a large extent, upon the timely receipt of all returns.

(vi) On receipt of the returns from drawing officers, the controlling officer must carefully examine them and satisfy himself:-

- (a) that the accounts classification has been properly given,
- (b) that progressive expenditure has been properly noted and the available balances worked out;
- (c) that expenditure up-to-date is within the grant:-

(d) that the returns have been signed by the drawing officer's and if he finds defects in any of these respects, he must take immediate steps to rectify them.

(vii) When all drawing officer's returns for a particular month have been received and found to be in order, the controlling officer must prepare a statement in Form K.F.C. 62-D, in which he will incorporate:

(a) the totals of the figures supplied by drawing officers;

(b) the totals taken from his own registers in Form K.F.C. 62-B; and

(c) the totals of adjustments under the various detailed heads which will be communicated to him by the Accountant General on account of transfer entries and expenditure debited to the grant through accounts current. If the controlling officer is not the competent authority, he must forward to the latter authority, a copy of this statement, supporting it by the copies of Form K.F.C. 62-B, submitted by drawing officers and by an extract of the month's entries in the register in Form K.F.C.62-B maintained in his own office. This should be done not later than the 5th of the second following month.

If any adjustment communicated by the Accountant General affects the appropriation at the disposal of a subordinate drawing officer, the fact that it has been made, must be communicated by the controlling officer to the drawing officer concerned.

(viii) On receipt of all the necessary returns, the competent authority must prepare an account in Form K.F.C. 62-E showing the complete expenditure from the grant at his disposal up to the end of the month concerned. The figures of expenditure

upon pay of officers and establishments and upon allowances drawn with pay will be communicated to him by the Accountant General as prescribed in sub-rule (xi) below:

(ix) By the 25th June each year, the competent authority must forward to the Accountant General a copy of his account for April in Form K.F.C. 62-E. In-subsequent months, it will suffice to send by the same date an abstract of the expenditure up-to-date under the various heads of disbursements in three columns showing:

- (a) expenditure up to the end of the preceding month;
- (b) expenditure during the month just concluded; and
- (c) total expenditure up-to-date, being the total of (a) and (b).

The subsidiary record in Forms K.F.C.62-B, K.F.C. 62-D will be retained by the competent authority in his own office, unless in any case the Accountant General requires that the whole or any part of them should be sent to him with the statement.

(x) (i) The competent authority and the Accountant General will be jointly responsible for the reconciliation of the figures in the accounts maintained by the competent authority with those booked in the Accountant General's books. Unless in any case there are special rules or orders to the contrary, the reconciliation should be made monthly, the initial responsibility resting with the competent authority. The reconciliation need not be very close; its extent should be determined by the following considerations:

- (a) that the account figures finally published will be those maintained by the Accountant General; and

(b) that the main object of the reconciliation is to ensure that the departmental accounts are sufficiently accurate to render possible an efficient departmental control of expenditure.

¹[Note:- Reconciliation of expenditure by the departmental officers on various types of pension under the major head of account 2235 Social Security and Welfare is not necessary.]

(ii) The detailed procedure for effecting the reconciliation between departmental figures in Form K. F. C. 62-E and those in the books of the Accountant General will be as under:

The departmental competent authority should send a clerk of its office to the Accountant General's Office with the departmental registers not later than the 25th of the second following month. That clerk should, with the assistance of the Accountant General's staff, compare the departmental figures with those recorded in the Accountant General's books. The clerk will prepare in duplicate, a statement of discrepancies ²[in Form 79] showing, separately, the adjustments to be made in the Accountant General's books and those to be made by the departmental competent authority in its books. The Accountant General's office will keep one copy of it, and the other will be taken by the clerk for the use of the department. The departmental competent authority after effecting necessary adjustments should inform the Accountant General that this has been done.

The Accountant General will likewise make necessary adjustments in his books and inform the departmental competent authority to that effect. The latter should then send a certificate

1. Inserted by No. FD 8 TFC 89 dt. 14-5-90.

2. Inserted by No. FD 1 CFC 79 dt.19-4-1979 (w.e.f. 19-4-1979)

to the Accountant General stating that the figures in its registers have been reconciled with those of the Accountant General. This certificate should be sent not later than the 15th of the 3rd following month.

(xi) Expenditure on pay of officers and establishments is not, as a rule, liable to violent fluctuation. Moreover, the provision for such expenditure is frequently not distributed among drawing officers. It is, therefore, unnecessary to watch such expenditure through the forms and registers prescribed in sub-rules (iii) to (vii) above. The figures of such expenditure drawn in pay bills of officers and establishments will be communicated monthly by the Accountant General to the competent authority, which must enter them in its account in Form K.F.C. 62-E and watch the progress of expenditure against the grant.

Exception.- In the case of Plan Schemes entitled to Central assistance with reference to actuals, account of expenditure on pay of officers and establishments also should be kept and rendered to the controlling officers in Form K.F.C. 62-B to enable the figures being reconciled with those of the Accountant General.

(xii) The competent authority and the controlling officers under it must further take steps to maintain a careful watch over expenditure incurred from time to time on important non-recurring items, such as grants and contributions, purchase of rations and purchase of uniforms. In some cases, the competent authority may prefer to keep the entire grant under its own control and to order disbursing officers who wish to spend money against it to apply to it for a special allotment. In other cases, that authority may prefer to distribute the grant and to order its drawing officers to report expenditure against it through

their monthly accounts. Whatever method it adopts, it is essential that it should keep itself informed not only of the actual expenditure against such grants, but also of the liabilities which have been incurred and must ultimately, be met from them. Without such information, no adequate control over expenditure can be exercised.

(xiii) To keep himself informed of the liabilities which must ultimately be met from the grants, every controlling officer should obtain from his subordinate officers a monthly liability statement in Form K.F.C.62-F and 62-F.I. This statement should be compiled from a register in similar form kept by the drawing officers and should be furnished commencing from the month of October in each financial year. The controlling officer also should maintain a Liability Register in the same form in which the particulars furnished in the monthly statement of subordinate officers will be consolidated.

(4) As regards expenditure in Public Works and Forest Departments, drawn on cheques, the following procedure should be followed:

A-Public Works Department.- (i) The Divisional or other officer should prepare a monthly statement in Form K.F.C. 62-G for each major head of account. This statement should show the various minor and detailed heads (primary and secondary units of appropriation) and individual works for which specific appropriation has been sanctioned by a higher authority, as well as the appropriation therefor, as modified from time to time. In case of works for which a lumpsum appropriation has been placed at the disposal of the Divisional or other officer, only the total expenditure thereof and the lumpsum appropriation may be shown. The expenditure incurred under each primary and secondary unit and under any work or item requiring a

specific appropriation should be posted in the relevant column. In the case of suspense heads, the debits and credits will be shown separately to facilitate reconciliation. Undischarged liabilities and anticipated credits should be separately necessary in the column provided for the purpose, as it is necessary to take them into account in reviewing the progress of expenditure vide paragraph 40, Karnataka Public Works Account Code.

(ii) The statement referred to above should be completed within a week of the date fixed for the closing of the Divisional accounts and a copy forwarded to the Superintending Engineer with such proposals as the Executive Engineer, may think necessary for the re-appropriation of funds or for the surrender of probable savings. The Divisional Officer should attach special importance to these statements after the first six months of the year.

(iii) The Superintending Engineer should after a thorough review of the statements received from the Divisional Officers, take such action as he considers necessary without delay and consolidate the statements of the Divisional officers in Form K.F.C. 62-H in order to review the progress of expenditure of the circle as a whole against the appropriations placed at his disposal. Thereafter he should reconcile the circle statement with the accounts received from the Audit Office. Any corrections found necessary in the figures furnished by the Divisional Officers should be incorporated in the circle statement and communicated also to the Executive Engineer;

(iv) The Superintending Engineers concerned, should furnish to the Accountant General for every month, a certificate in the following form not later than the 15th of the 3rd month, following:

“Certified that the figures of work expenditure under Grant No..... Major Head for the month of have been verified and reconciled with those of the Accountant General and that suitable action has been taken in respect of all cases of excesses over grants/ allotments noticed or anticipated.”

(v) The reconciled statements of Superintending Engineers will, thereafter be sent to the Chief Engineer for his information and return, indicating points requiring his orders.

B-Forest Department .- (i) The District Forest Officers and other disbursing officers should send to the Conservator of Forests, or other controlling officer concerned a progressive statement of expenditure for each month compared with the appropriations in Form K.F.C. 62-G, so as to reach him not later than the 15th of the succeeding month. This statement should be compiled from the monthly divisional accounts forwarded to the Accountant General. In respect of individual works sanctioned by a higher authority, the statement should also furnish the progress by each work,

(ii) The Conservator should after check of the statements consolidate them including the figures of expenditure incurred by him directly, in a progressive statement of expenditure in Form K.F.C. 62-H for the whole circle;

(iii) Each Conservator receives from the Accountant General, monthly, a summary of expenditure under the several heads of account, the figures of which should be reconciled by him with those worked out in the statement referred to above;

(iv) In other respects the procedure applicable to the works expenditure of the P.W.D. will apply mutatis mutandis;

(v) After reconciliation, and after taking such action as he considers necessary in respect of savings or excesses, he should send the statement to the Chief Conservator of Forests for information and return. The latter will review the statements and issue such instructions to the subordinate officers as he considers necessary.

(5) Under the procedure prescribed in these rules, the competent authority or a controlling officer should be in a position from month to month to estimate the likelihood of savings or excesses and to regularise them in accordance with the instructions on the subject. The processes involved should receive the personal attention of the competent authority and Controlling Officer and must on no account be left to be conducted entirely by subordinate officers.

(6) The control of expenditure is very important and to ensure that the work is not lost of sight or neglected, all drawing officers other than subordinate controlling and chief controlling officers, should furnish a certificate in the following form on their monthly pay bills;

“I certify that a copy of the expenditure account in Form K.F.C. 62-B due from me for the previous month under the provisions of Article 346 of K.F.C. was furnished to..... on”.

(7) All Gazetted Officers whether they are drawing officers or merely drawers of their own bills, should furnish this certificate. In the case of Gazetted Officers who are working under heads of offices, information of the amounts drawn by them on their own bills towards their personal claims relating to other than pay and allowances drawn with pay, is required by the heads of offices who keep an account of the expenditure

covered by such bills and, therefore, such officers should also render an account of the expenditure and record in their pay bills the certificate prescribed in para (6) above. In the case of officers drawing their pay and allowances along with those of their establishment, the certificate will be furnished in the establishment pay bill itself.

(8) in order that the work in the offices of the subordinate controlling and chief controlling officers may also be attended to with proper expedition, subordinate controlling and Chief Controlling Officers (including Heads of departments) should furnish a certificate in the following form in their monthly pay bills;

“I certify that the expenditure statement in Form K.F.C. 62-D due from me for the second previous month under the provisions of Article 346 K.F.C. was forwarded to my Controlling / Chief Controlling Officer in my Memo No. dated”

.....
Subordinate Controlling Officer.

I certify that the statement of expenditure in Form K.F.C. 62-E/abstract of expenditure relating to the grants and appropriations under my control as also the certificate of reconciliation due from me for the third previous month under Article 346 - K.F.C. were furnished to the Accountant General in my Memo Nos..... dated

Chief Controlling Officer.

(9) Non-furnishing of the above certificate or the furnishing of a modified certificate in the pay and establishment bills of the kind referred to above will be considered as an omission on the part of the officers concerned and the bills returned by the Treasuries for supplying the omission. Where this certificate cannot be furnished for valid reasons, the bills may be encashed with the previous specific sanction of the immediate superior officer.

Note .- The certificate is prescribed in order that these returns may be sent systematically from month to month to the authorities concerned without giving room for reminders which cause unnecessary work and delay all round.

DEDUCTION FROM BILLS

347. (a) A register should be maintained in every office for noting the deductions on account of each fund;

(b) A proper record of personal advances (noted below drawn and repaid by non-gazetted Government servants should be kept in all offices in a register in the following form;

1. House Building advances.
2. Loan scholarship and other Educational advances.
3. Bicycle advances.
4. Other Advances.
5. Miscellaneous advances such as value of sites due.

Register of.....Advances
 Case No
 Designation of Appointment.....

No. and date of Government or other Order sanctioning the advances.....

Amount of advance taken

No. of instalments.....

Amount of each Instalment.....

Date from which recovery begins.....

PARTICULARS OF RECOVERY

Reference to Credit

Month from the bill for which amount is short drawn	Date of Credit in cash book in recovered in cash	Amount recovered	Remarks such as explanation for non-recovery in particular months reference to communication with which extract was sent on transfer of Government servants, reference, to communication with which acknowledgment for outstanding balance at close of each official year was received and returned to Accountant General.

Note.- A separate register for each kind of advance is not necessary but a separate sheet may be allotted in the register for each individual who has drawn any advance.

Whenever a Government servant is transferred to another office, an extract from the register relating to his advance account should be sent to the new office along with the Last Pay Certificate.

(c) Detailed statements of such deductions in the prescribed form, should also accompany each bill. As regards deductions on account of advances, the statement should contain the following particulars:

1. Month of original advance.
2. Treasury and Office where the advance was drawn and disbursed.
3. Amount of advance.
4. Amount recovered up to the end of previous month.
5. Amount recovered in the current month
6. Number of instalments.
7. Balance recoverable.

(d) In departments in which salaries are drawn by cheques on treasuries, a separate cheque will be drawn for the above deductions and sent to the treasury for transfer credit. The detailed statements referred to above should accompany each such cheque.

In the case of Commercial Undertakings which render each account, a separate cheque need not be drawn for the above deductions, the detailed accounts of which are maintained

by the Audit Office. The deductions including those on account of State Life Insurance and Provident Funds, House Building Advances, etc., should be taken as Contra receipts directly to the heads concerned through the cash account. Schedules giving particulars of names, advance, policy Nos., month of recovery, etc., should accompany the cash accounts in support of the credits.

348. (a) Any Government servant who is a member of a Co-operative Society registered under the Karnataka Co-operative Societies Act, 1959, may execute an agreement in favour of the Society providing that the officer disbursing his pay shall be competent to deduct from the salary payable to him by the Government such amounts as may be specified in the agreement and to pay the amount so deducted to the Society in satisfaction of any debt or other demand owing by the member to the Society. On the execution of such an agreement, the disbursing officer shall, if so required by the Society by a requisition in writing and so long as such demand or any part of it remains un-paid make the recoveries in accordance with the agreement and pay the amounts so recovered to the Society, at the earliest opportunity and in any case within fourteen days from the date of the deduction as required in Sections 34 and 109 of the Karnataka Co-operative Societies Act, 1959, after deducting the remittance charges, if any.

Note.- In the case of Gazetted Government servant the requisition from the Co-operative Society will be sent to the Treasury Officer through the Accountant General.

(b) Such recoveries are subject to the following conditions:

(i) that the Government servant is employed within the territorial jurisdiction of the State, and

(ii) that where the whole or a part of the attachable portion of the salary of the Government servant concerned is already under attachment, the recoveries on account of the demands from Co-operative Societies shall be made from that portion of his salary as is not liable to attachment under the provisions of the Code of Civil Procedure, 1908;

(c) The deductions will always be made in cash by the disbursing or the Treasury Officer. The amount thus recovered should be paid to the Co-operative Society concerned without undue delay after deducting the remittance charges, if any.

As regards the remittances of collections at the place of encashment, the societies themselves should arrange to receive them.

In case where the Government servant concerned intentionally allows his pay to remain undisbursed or undrawn, with a view to evading payment on account of the dues of a Co-operative Society, the procedure laid down in Article 92-A will apply *mutatis mutandis*.

The amount recovered shall be treated in the accounts in the same way as salary paid to the Government servant concerned, the particulars of the requisition received from the Co-operative Societies being cited in the pay bill or the acquittance roll, if one is separately maintained in accordance with Article 52 *ibid*, as authority for the charge. A brief note of the Society's receipt should also be kept in the Office copy of the Pay bill or the acquittance roll concerned and the societies actual receipt should be recorded separately in a Guard file. The acquittance from the payees shall be for the gross amount, that is for the amount including the dues of the Co-operative Society though only the net amount after recovering the dues is payable.

(d) (i) The recoveries from the salaries of the non-gazetted Government servants and the corresponding payments to the Societies should be shown on the receipt and payment sides of the cash book maintained by the heads of offices as the transactions occur;

(ii) The amounts recoverable from the salaries of the Gazetted Officers will be intimated by the Accountant General and on the basis of this intimation the Treasury Officers should effect the recovery. The amounts recovered by the Treasury Officers from the salaries of the Gazetted Government servants and others who draw their own bills, shall be, remitted to the Society by means of Postal Money Order less remittance charges. In the case of treasuries issuing cheques on Banks, the Treasury Officer should draw cheques in favour of the Co-operative Societies.

348-A. (i) Any person who is an employee of the State Government or a Local Body and who has been granted assistance by way of loan or hire purchase by the Housing Board under Low Income Group Housing Scheme or under any other approved schemes and any person who has been allotted any Board premises for rent, has to execute an agreement in favour of the State Government or Local Authority, as the case may be, under or by whom he is employed, authorising it to deduct in cash, from the salary or wages payable to him at the time of disbursement of the pay and allowances of the person such amount as may be, specified in the agreement and to remit the amount so deducted to the Karnataka Housing Board in satisfaction of instalments due by him to the Housing Board.

(ii) On the execution of such agreement, the State Government or Local Authority, as the case may be, shall if so required by the Board by requisition in writing, make the deduction of the amount

specified in the requisition from the salary or wages of the employee specification the requisition and remit the amount so recovered in cash to the board ;

(iii) In regard to accounting of such deductions, the procedure detailed in clause (c) of Article 348 should be followed.

CHAPTER - XXI
RESPONSIBILITIES FOR LOSSES OF PUBLIC
MONEY OR PROPERTY

LOSSES OF PUBLIC MONEYS OR PROPERTY

349. Government will hold a Government servant personally responsible for any loss sustained by Government through fraud or negligence on his part and also for any loss through fraud or negligence on the part of any other Government servant to the extent to which it may be shown that he contributed to the loss by his own action or negligence. (See Article 2).

350. The cardinal principle governing the assessment of responsibility for such losses is that every Government servant should exercise the same vigilance and care in respect of all expenditure from public funds under his control as a person of ordinary prudence would exercise in respect of the expenditure of his own money. (Vide Canons of Financial Propriety-See Article 15).

351. A Government servant who has to arrange for public moneys to be carried from one place to another by a messenger should take all reasonable precautions to prevent any loss in transit due to misappropriation of the moneys by the messenger or any other cause. He should pay due regard to all relevant factors including the status of the messenger employed and the distance over which the money has to be carried. For this purpose he should use only permanent Government servants whom he knows to be reliable. When the amount to be carried is considerable, he should not entrust it to a single low paid subordinate.

352. One important method by which Government endeavor to minimise the risk of losses and ensure that it shall be possible to recover the amount of any loss that may be sustained is the taking of adequate security from certain Government servants who are entrusted with the custody of handling of Government cash or stores and from contractors who supply stores or execute works for Government. The following Articles contain the rules relating to (i) security deposits and (ii) the action to be taken when any loss of public moneys or property occurs.

Security Deposits

353. Every Cashier, Store-keeper, Sub-keeper and any other subordinate who is entrusted, whether permanently or temporarily with the custody of Government cash or stores, should ordinarily be required to furnish security and to execute a security bond in Form No. 68 setting forth the conditions under which Government hold the security, and may ultimately refund or appropriate it. A reference to each such bond should be recorded in the Register of Security Deposits. This register should be in Form 64 except when some other form is specially prescribed in the rules or orders applicable to any department. The amount of security to be furnished by each such Government servant should be fixed with due regard to circumstances and local conditions in accordance with the rules contained in the departmental Code or Manual concerned and the relevant special orders of Government, if any. If a case arises which does not fall clearly within the provision of any existing rule or order, the head of the office should report the circumstances in full and obtain the specific orders of the Head of the Department or other prescribed authority as to whether security should be taken and if so for what amount.

Note 1.- Drivers of Government motor vehicles should furnish security deposit amounting to Rs. 200 each and recoveries may be permitted to be made in monthly instalments of not less than Rs. 4 This does not apply to the drivers of the police and Fire Force Department.

Note 2.- The total amount of undisbursed pay and allowance with the cashier at any time, should not be disproportionate to the amount of security furnished by him.

Note 3.- The cashiers should be well conversant with the rules contained in the Financial Code.

Exception 1.- In the Department of Public Instruction, teachers collecting fees from students or holding charge of stores, libraries, science laboratories, sports articles, etc., wardens dealing with stores and cash belonging to the hostels, clerks and managers in institutions dealing with cash, stores, libraries, etc., are exempt from furnishing security. In all such cases, the heads of institutions shall be entirely responsible for the safety of cash or other Government property.

Exception 2.- The Commercial Tax Inspectors of the Commercial Taxes Department are exempted from furnishing Security Deposit and Executing Security Bonds provided that the Department ensures that collections made by them are promptly remitted to the Treasury on the same day of their collections or taken to the custody of the head of Office in case of non-remittance on the same day.

354. When a Government servant who has furnished security takes leave other than casual leave or is deputed to other duty, the Government servant who is appointed to officiate for him should be required to furnish the full amount of security prescribed for the post unless competent authority has authorised

a relaxation of the rules regarding security applicable to his case.

Note .- The Heads of Departments shall be competent to authorise a relaxation in such cases, if the circumstances warrant provided (i) they are satisfied that there is no risk involved (ii) such relaxation is authorised only in the case of permanent or quasi-permanent Government servants, and (iii) the period of officiating arrangement does not exceed four months in any case.

FORMS AND CONDITIONS OF SECURITY

355. The security taken from a Government servant or a contractor should be in one of the following forms subject to the following conditions:

<i>Forms</i>	<i>Conditions</i>
1. Cash	Government will pay no interest on any deposit held by them in the form of cash. (See rule 3 infra).
2. Government securities, Securities or Debenture Bonds of Local Bodies and of the Land Mortgage Bank in the State and the bonds or debenture issued by the State Financial Corporations guaranteed by Government.	(a) These securities should be accepted at 5 per cent below the market price or at the face value, whichever is less and should be duly endorsed in favour of the Controller, State Accounts in accordance with the rules in the Government Securities Manual.

Note .- In the case of such securities the Government servant concerned should, watch for the annual list published by the Controller of the notes in his custody and bring to notice any omission or error in which he is concerned.

- (b) A clause should be inserted in the Security Bonds to the effect that any cost that may be incurred on account of the safe custody or renewal of the securities lodged by the officers should be borne by them.
- (c) Departmental Officers should, at least once in a year, see that the mark value of Government paper which their subordinates have furnished as security is sufficient to cover the amount of security required. The valuation should be made with reference to the price prevailing on the 1st April

last. It will be necessary to readjust the amount of Government paper only if;

- (i) The securities have appreciated so considerably that notes of the face value of Rs.100 or more may be withdrawn still leaving a balance, the market value of which is sufficient to cover the amount of securities, plus 5 per cent to provide against fluctuations, or
- (ii) The value of Government paper has to be depreciated that additional security of the face value of not less than Rs.100 should be deposited to bring the total market value up to the amount of deposit required, plus 5 per cent.

Any re-adjustment under clause (i) need be made only if the depositor himself desires it, while in the case of clause (ii)

readjustments should be made irrespective of the depositors' wishes.

3. Government Savings Deposits.

The Savings Bank Deposits should be in the name of the depositor who should, however, sign a letter of agreement to the Treasury binding himself not to draw the money without the sanction of the Government servant to whom the security is pledged and authorising the Treasury to pay the money to that Government servant, if required. The pass book should be kept in the safe custody of the Government servant to whom they pledged.

Alternatively, the Government servant or contractor, who furnishes security in cash should be required to invest it in the Government Savings Bank in accordance with the Savings Bank Rules.

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| 4. The Government of India Savings Certificates, and National Plan Bonds. | The certificate should be formally transferred to the pledge with the sanction of the Head Post Master in accordance with the Rules and should be accepted at their surrender value at the time of tender. |
| 4-A. The Government of India Ten-Years Treasury Savings Deposits Certificates | The certificate should be formally transferred to the pledge by endorsement and should be accepted at their surrender value at the time of tender |
| 4-B. The Government of India 12 years National Defence Certificates and 10 years Defence Deposit Certificates. | The certificates should be formally transferred to the pledge by endorsement and should be accepted at their surrender value at the time of tender. |
- Note .- These Certificates, which are not held in the name of the officer or contractor furnishing security should not be accepted as security deposit.
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| 5. Deposit receipts of approved Co-operative Societies like the mysore Provincial Co-operative | (i) The deposit receipt should be made out in the name of the pledgee or if it is made out in the name of |
|--|---|

- Bank, the Central Co-operative Bank, the Bangalore City Co-operative Bank, the Bangalore City Co-operative Housing Society Ltd., etc.
- (i) the pledger, the Society should certify on it that the deposit can be withdrawn only on demand or with the sanction of the pledgee.
- (ii) The depositor should agree in writing to undertake any risks involved in the investment.
6. Fidelity Bonds of Insurance Companies approved by Government for this purpose.
- (i) Fidelity Bond may be accepted as security from a Government servant (but not from a contractor) provided that it is in Form 65.
- (ii) When a Government servant has furnished security in the form of a Fidelity Bond, the departmental authority receiving the bond should see that the Government servant pays the premia necessary to keep it alive on the due dates and continues to do so until a period of at least six

months has elapsed since he vacated his office. If the Government servant fails to deliver the premium receipt to the departmental authority in time, he should be removed from his post at once.

(7) Guarantee bonds executed by or Fixed Deposit Receipts, Cash Certificate and such other similar instruments representing any special classes of deposits tendered by scheduled banks on behalf of their clients as security.

(i) (a) Scheduled Banks (including the State Bank of India) ¹[XXX] in this behalf shall be eligible to issue guarantees or tender Fixed Deposits Receipts, Cash Certificate and such other similar instruments representing any special classes of deposits up to certain specified limits without being required to lodge securities as cover.

²[(ii) Bank guarantee shall be invoked only when there is a specific breach on the part of the contractor of the terms and conditions of the relevant agreement and the Bank Guarantee Board. Such decision to invoke the guarantee should be taken as far as possible, by an officer higher in rank than the officer who accepted the guarantee.

(iii) Any additional clauses or alterations in the form of guarantee shall be introduced in agreement with the guaranteeing Bank-

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1. Deleted by No.FD 22 TFC 81 (I) dt. 28-5-1984 (w.e.f. 31-12-1982)
 2. Substituted by No. FD 22 TFC 81 (1)dt. 28-5-1984 (w.e.f. 31-12-82)

(iv) All claims under the guarantee bond should be made and lodged with the guaranteeing Bank within the period specified in the relevant Bond.

(v) Government Departments should take appropriate action in advance of the date of expiry of Bank Guarantee bond or get it renewed or the period of its validity extended by the contractor(s) / Supplier(s) concerned.

(vi) The period of guarantee should not be indefinite or unduly long.

(vii) The expired guarantees should be returned within a reasonable period (viz. 3 months) after the fulfilment of the contracts or expiry of the guarantee period;]

(viii) (a) If a scheduled Bank desires to lodge cash or Government securities to cover its guarantee or Fixed Deposit Receipt, etc., with the Government departments concerned, it may be permitted to do so, the amount of securities with a margin of 5 per cent on the market price being sufficient to cover the full amount of the guarantee or fixed deposit receipt. etc.

(b) The fixed Deposit Receipt should be made out in the name of the pledge or if it is made out in the name of the pledger, the Bank should certify on it that the deposit can be withdrawn only on the demand or with the sanction of the pledge.

The depositor should agree in writing to undertake any risks involved in the investment.

(c) Cash certificates and other similar instruments, representing any special classes of deposits, issued by scheduled Banks in favour of the Government departments on behalf of

their constituents may be accepted as security for due implementation of Government contracts subject to the principles mentioned above for fixed deposit receipts ¹[XXX].

(d) If guarantees by Banks not operating in India are offered, they should be accepted only after counter signature by a scheduled Bank. ¹[XXX] Such guarantees of foreign banks may also be accepted if the Banks concerned deposit with Government department a corresponding amount of cash or Government securities to cover the guaranteed amount.

(ix) The letter of deposit, ¹[etc.] and guarantee bond should be in ¹[Form Nos. 66 and Revised Form 67 respectively.]

(x) In each case of guarantee accepted, the period after which the Government shall have no rights under the bond will have to be inserted by the department taking the guarantee. With a view to safeguarding Government interest great care should be exercised by the department concerned in deciding this period. The period in each case will have to be determined by the department taking the guarantee, due allowance being made for the time necessary for the department to proceed to enforce the guarantee in the event of the contractor defaulting the agreement.

8. Deposit -at-call Receipts
of all the Schedule Banks

Deposit-at-call Receipts may
be accepted by the authorities
of the Public Works
Department from contractors
in lieu of cash as Earnest
Money provided the receipt is
made out in favour of the

1. Amended by No. FD 22 TFC 81 (1) dt. 28-5-1984 (w.e.f. 31-12-1982)

concerned Public Works
Department authorities in Form
No.71 or substantially in that
form.

Note 1.- Security in the shape of immovable property may also be accepted. If the acceptance of such form of security is authorised under any Act and rules made thereunder.

A proper examination of the title deeds should be made by the Head of the Department concerned who should also take action to, get the property hypothecated to Government, properly valued and should satisfy himself about the sufficiency of the security, etc., before recommending such cases to Government for sanction.

356. Ordinarily, Government servants who are required to furnish security against loss through dishonesty, negligence or disregard of rules should deposit the whole amount of Security within one month after the date of appointment. In the case of securities of Rs. 1,000 or less, however, they may be allowed the option of binding themselves by two responsible sureties for the whole amount and agreeing to deposit the same by monthly deductions at ten per cent of their pay.

Note .- The surety bond referred to in this Article should be in Form No. K.F.C. 72.

357. The form of the Security Bond to be executed by a Government servant at the time of furnishing security will vary according to the form of security furnished. If a Government servant is specially permitted to furnish security partly in one and partly in another of the forms of security specified in Article 353 he should execute two bonds, one for each kind of security.

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

Exception.- In special cases of security deposits belonging to deceased Government servants, the gazetted Government servants accepted the security may permit the return of the security within six months, on the personal responsibility of the head of the office and on a certificate from him to the effect that there are no dues to Government from the deceased.

359. The security deposits of the servants attached to the Travellers' Bungalows may be refunded to them soon after their discharge from service, after deducting from the security amount the value of shortages, amounts due to Government, etc., on the certificates of the Sub-Divisional Officer in charge that all articles have been duly handed over to the new incumbent and that the Sub-Divisional Officer will be personally responsible for any shortages and short recoveries of bungalow fees, etc., subsequently found as due from them. In cases, however, where the liability of the servants is not definitely known, the refund of security deposit should not be made until necessary investigation is made and the amount actually due from them becomes known.

CUSTODY OF VALUABLE DOCUMENTS

360. The several documents to be dealt with may be broadly classed under the following heads:-

(a) Securities deposited with a Government servant ex-officio.

(b) Those which relate to some permanent arrangement affecting Government interests, to which Government is a party, such as, deeds of buildings purchased by Government and bonds executed by persons making permanently endowments.

(c) Those which relate to arrangements of a temporary nature, such as agreements executed by Excise contractors, agreements for house building advances and mutchalikas in acquisition cases.

(d) Documents presented by parties for particular purposes, viz., registration or in the course of judicial or other proceedings, before Government servants and all other classes of valuable documents not specifically referred to above.

Note.- Where no special arrangements are prescribed, cheques, remittance transfer receipts and demand drafts, etc., issued in favour of supplies and other, but remaining in the custody of departmental officers pending final delivery or despatch should be treated as valuables and passed through the Register prescribed under Article 367 of the Karnataka Financial Code.

361. As regards Securities in Trust [Article 360 (a)], securities or debentures whether of the Government of India, the Karnataka State or Municipalities or Local Boards which have been deposited with a Government servant ex-officio, should be endorsed in favour of the Controller, State Accounts Department, Karnataka and forwarded uncut, in registered covers, for custody to him and with a covering letter stating the purpose of deposit and whether interest is to be remitted or not and in the former case to whom and where interest is to be made payable.

362. Receipts granted for fixed deposits in Banks and Societies endowed for charitable purpose, should be held by the Controller, State Accounts Department and not by any other departmental officer. The rules relating to the receipt and custody of Government Securities in trust will apply *mutatis mutandis* to these Fixed Deposit Receipts.

363. Documents in the possession of the Head of an Office coming under Article 360 (b) should be sent to the nearest District Treasury for safe custody as soon as practicable after the order for record is passed on them by the proper authority, an office copy thereof being retained, if necessary, for reference.

364. Documents comprised under Article 360 (c) will ordinarily have to be retained by the respective Heads of Departments or Deputy Commissioners or other Government servants representing Government in the transactions till they are finally disposed of.

365. Securities and such other valuable documents shall be kept in the safe custody of the departmental authority authorised to accept them for safe custody. The procedure regarding paper falling under Article 360 (d) is to be governed by statutory rules or departmental orders. Where no such rules or orders exist, all such valuable documents shall be held in safe custody of the departmental authorities referred to under Article 364.

366. The Controller, State Accounts Department arranges to realise the interest on these securities and remit them to the concerned offices or individuals.

A commission of one per cent on the gross amount of interest realised is leviable, in all such cases. This commission is inclusive of the charges, if any, levied by the Bank.

Note 1.- Security Deposits of Government servants are exempt from the above commission.

Note 2.- For the purchase or sale of such securities a commission of 1/4 per cent of the face value is leviable.

367. In all offices, a register of valuable documents in the form given below should be maintained and the receipts and disposal noted therein under the initials of a responsible Government servant. The documents should be preserved in safes or other receptacles intended to keep valuables coming into possession of the Government servants concerned and where no such facilities exist, the procedure in Article 7 should be followed.

Register of valuables received in the office of

.....

Sl. No.	Name dt. of letter with which received	From whom received	Particulars	Initials of Gazetted Government servants	Govt. servant to whom made over	Initials of the Government servants	How disposed of

368. In conducting the half-yearly inspections of offices, the inspecting officers should scrutinise the register of valuable documents and satisfy themselves that the entries therein are correct and up-to-date and the rules regarding the safe custody of such documents are observed.

REPORT OF LOSSES

369. When any facts indicating that a defalcation or loss of public moneys, stamps, opium, stores or other property has occurred or that A serious account irregularity has been committed, come to the notice of any Government servant, he should inform the head of the office immediately. If it appears to the head of the office prima facie that there has been any such occurrence which concerns his office or in which a Government servant subordinate to him is involved, he should send a preliminary report immediately to the Accountant General and through the proper channel to the Head of the Department. On receipt of information, the Head of the Department should report the matter to Government in the Administrative Department without delay. A copy of the report should simultaneously be sent to the Finance Department. These reports should be sent even when the person responsible for a loss has made it good. Reports regarding a loss by way of damage to immovable property belonging to Government should be sent in accordance with the special provisions of Article 381 *infra*.

370. The preliminary report to the Accountant General may be either a copy of the report to the Head of the Department or relevant extracts from it showing the exact nature of the defalcation or loss and the circumstances which made it possible.

371. After sending the preliminary reports, the head of the office should investigate the matter fully without delay and take all necessary further action. As soon as the investigation is completed, he should send a complete and detailed final report to the Accountant General and through the proper channel to the Head of the Department describing the nature and extent of loss or account irregularities and the circumstances (including any breach or neglect of an existing rule) which made it possible,

and stating whether any amount lost has been recovered and if not, whether it is possible to recover it in any way. The report should also state what disciplinary action has been taken or is recommended against the Government servants responsible and what steps have been taken or are recommended with a view to prevent the recurrence of such loss or account irregularity. The Head of the Department should also submit a final report to Government giving full information on all these points as and when necessary, making his recommendations.

Note.- Such reports should be sent to the Controller, State Accounts Department in cases of losses of money, stores, etc., relating to Local Bodies, etc., whose accounts are subject to audit by him.

372. When a petty loss not exceeding Rs.50 does not appear to involve an embezzlement, a serious account irregularity or any other important feature requiring detailed investigation and consideration, the preliminary and final reports prescribed in this Article need only be sent to the authority competent to write off the loss or deal with it otherwise. Misappropriation of collections by a village officer or loss of money while in his custody need not be reported to Government, provided the amount involved does not exceed Rs.500.

373. Heads of Departments and Deputy Commissioners of Districts will report to Government only losses exceeding Rs.25 in value on account of fire, theft or other unusual causes and in other cases no report need be made to Government unless the value of stores lost or written off is Rs.250 and above.

374. The above rule regulates the submission of cases to Government relating to loss of stores on account of fire, theft

or other unusual causes. As regards power to write off losses that occur in the usual course of business, such as, writes off an unserviceable stores or writes off of account of breakage, wastage, scale errors, etc., which come under normal causes existing powers vested in the several Government servants will continue to remain unaffected.

375. An individual report of misappropriation of collections by a village officer or loss of money while in his custody which does not exceed Rs. 500 need not also be sent to the Accountant General unless there are important features or defects of system which merit consideration. A half-yearly statement of cases of embezzlements or losses of money involving amounts not exceeding Rs.500 should however be sent to Government showing the amount, place with district, name of the Government servants responsible, disciplinary action taken, if any, in each case, the amount recovered or the amount written off.

376. Defalcations of losses of departmental revenues or receipts which have not been paid into a Government treasury, petty defalcations, or misappropriations committed by village officers or losses due to accidents or thefts in village officers houses, or while money is in transit to the Treasury, need not be reported to the Accountant General but his opinion or advice may be obtained, it is likely to be of use preventing their occurrence in future. This Article is applicable only to those revenues or receipts, the accounts of which are not subject to audit (either Central or Local) by the Accountant General.

EXHIBITION OF LOSSES OF GOVERNMENT MONEY

377. (i) If a claim to revenue is relinquished, it should not be recorded on the expenditure side as a specific loss.

(ii) If money due to Government has actually reached a Government servant or a person duly authorised to receive money on behalf of Government and is then embezzled, stolen or lost, even though it may not have reached the treasury and thus have passed into the Consolidated Fund or the Public Account, it should be brought as a receipt into the Consolidated Fund or as the case may be, into the Public Account and then shown on the expenditure side by record under a separate head as a loss.

Note.-The repayment of loans and advances collected by the authorised persons and subsequently misappropriated should be debited to the contingencies of the department concerned initially and recoveries effected on a latter date, should be adjusted in accordance with Note-3 below this Article. No such loss should be written off by debit to “71 - Miscellaneous-Irrecoverable Temporary loans and Advances written off.”

To facilitate the exhibition in the accounts of such loss, the preliminary reports envisaged in Article 370 of Karnataka Financial Code should invariably be accompanied by an order issued by the Head of Department indicating the major head under which the amount is to be debited to the contingencies and the loan head of account to which credit should be afforded. Such orders should be issued even in respect of cases for which the preliminary report is not required to be sent to the Audit Office under Article 175 of Karnataka Financial Code.

Only cases where dues are found to be irrecoverable should be written off by debit to “71 - Miscellaneous Irrecoverable temporary loans and advances written off.”

(iii) When pay, allowance, etc., drawn are stolen, lost or embezzled before disbursement and consequently the amount is redrawn and disbursed to the payees, the second drawl should be debited to “Special Advances” sub-ordinate to the Major head “Departmental Advances” in section “T-Deposits and Advances Part-III-Advances not bearing interest” under specific orders of the Government.

The amount subsequently recovered should be credited to the above advance head. The amount if any written off under orders of Government or the competent authority may be credited to the above head by debit to Departmental head under contingencies or “71-Miscellaneous” as the case may be.

(iv) All other losses of cash including deficiencies in Civil Departments which are written off under the orders of the competent authority should be debited to the contingencies of the Department concerned, no distinction being made between the losses affecting service heads and those affecting Debt and Remittances heads, except the losses on special remittances, which should be debited to ‘71-Miscellaneous.’

Note 1.- The acceptance of counterfeit coins or notes should be regarded as a loss of cash.

2. When losses are met wholly or partly by non-issue of pay or pension and the Accounts Department authorisedly applies the un-issued amount to meet the public claim, the resultant balance of the claim alone, if any, should be treated as a loss, the pay or, as the case may be, the pension due, being debited to the pertinent head of account as if it had been drawn and used by the Government servant or pensioner in paying the public claim.

3. Any recovery made in the course of the year in which the losses are brought to account should be shown by deduction from the head under which the loss is recorded. Any recovery made after the accounts of the year are closed, should be shown as an item of receipt.

ADJUSTMENT OF LOSSES

378. In general, losses sustained by Central Government through the negligence or culpability of the staff paid for the State Government and vice versa, should be borne as they occur, i.e., by the Central Government, if the loss occurs in connection with Central transactions and by the State Government, if it is on account of a State transaction.

In cases where recoveries are made in cash, e.g., by deductions from pay or other-wise from the persons responsible for a loss, the entire amount recovered should be credited to the Government which under the above arrangement would bear the loss for this purpose. Recoveries made indirectly, e.g., by stoppage of increment or promotion as a measure of punishment, should not be treated as recoveries made in cash. Where the staff is paid for by one Government and the loss is borne by another Government, a copy of the orders regarding the action taken against the persons responsible for the loss should be communicated by the former to the latter.

LOSS OF STORES

379. All losses in respect of stores should be duly recorded in the stock accounts and the formal sanction of competent authority should be obtained for writing them off or dealing with them otherwise, even when no formal correction or adjustment in the accounts is necessary. Losses due to depreciation should be analysed and recorded under the following heads according as they are due to;

- (1) normal fluctuation or market prices.
- (2) fair wear and tear,
- (3) lack of foresight in regulating purchases,
- (4) neglect after purchase.

380. Dead losses not due to depreciation should be grouped and recorded under the following heads:

- (1) losses due to theft,
- (2) losses due to neglect, and
- (3) losses due to calamities, such as fire or flood.

381. When a loss occurs by way of damage to any immovable property belonging to Government due to any calamity, such as, fire or flood or to any cause other than fair wear and tear, the Government servant in immediate charge of the property should report the matter at once to his immediate superior and a preliminary report should be sent through the proper channel without delay to the Head of the Department, who will report the loss to Government. When the cause of the loss has been fully investigated and it has been decided whether or not the property should be restored, the Head of the Office concerned should send a final detailed report to the Head of the Department. The Head of the Department should send a final detailed report to Government when he proposes that Government should write off the loss, or recommends that Government should take disciplinary action or applies for funds to be specially provided to meet the cost of restoration of the property.

382. The following general principles should be followed in enforcing the personal responsibility of the Government

servant or servants concerned for a loss sustained by Government of the kind mentioned in Article 369 and of any person for a loss sustained by Government on account of a criminal offence committed by him.

383. Whenever there is reason to suspect that Government have sustained a loss on account of fraud or any other criminal offence on the part of any person or negligence (which includes a financial irregularity) on the part of any Government servant, the Head of the Office or other appropriate administrative authority should investigate the matter fully without avoidable delay. When necessary, the administrative authority may ask the Accountant General to furnish all vouchers and other documents in his possession that may be relevant to the investigation. If the investigation is so complex as to require the assistance of an expert, Audit Officer, the administrative authority should report the facts to Government and request them for the services of an audit officer to assist in the investigation. If the Government arrange for the deputation of an Audit Officer for the purpose, the administrative authority and the Audit Officer will each be personally responsible, within their respective spheres for completing the investigation expeditiously.

384. Whenever it appears likely that recourse may be had to judicial proceedings in connection with a loss sustained by Government, the administrative authority concerned should take competent legal advice at once. If there is a reasonable suspicion that a loss sustained by Government is due to the commission of the criminal offence, the procedure prescribed in Articles 393 and 395 should be followed.

385. Whenever an administrative authority holds that a Government servant is responsible for a loss sustained by

Government, it should always consider both whether the whole or any part of the loss should be recovered, from him in money and whether any other form of disciplinary action should be taken. In deciding the amount to be recovered, it should consider not only the circumstance of the loss but also the financial position of the Government servant since the penalty should not be such as to impair his future efficiency.

386. Whenever a loss held to be due to fraud on the part of a Government servant or servants, every endeavour should be made to recover the whole amount lost from the guilty persons. If the failure of a superior officer to exercise proper supervision and control has facilitated the fraud, he should be called strictly to account and suitably dealt with after carefully assessing his personal liability in the matter e.g., by recovering from him in money a suitable proportion of the loss or by stopping his increments or reducing his pay.

387. Whenever any Government property or equipment is lost, damaged or destroyed on account of the carelessness of a Government servant to whom it is entrusted, (e.g., a Policeman's rifle, a touring officer's tent, a factory motor lorry or an engineer's instruments), the appropriate administrative authority should always consider whether the amount of the loss sustained by Government should not be recovered in full up to the limit of the Government servant's capacity to pay.

RECOVERIES FROM PENSIONS OF GOVERNMENT SERVANTS

388. A retiring Government servant who is involved in any loss or irregularity and in whose case departmental or judicial proceeding is instituted under Rule 214 of the Karnataka Civil Services Rules or where departmental proceeding is continued

under clause (a) of the proviso thereto, should be sanctioned only a provisional pension until his responsibility in the matter has been finally determined.

Whenever any authority investigates any loss or irregularity, it should take special care to ascertain at once whether *prima facie* the investigation may affect any pensionable Government servant who is likely to retire within the next two years or has retired but has not been granted his pension, if so, it should immediately report the fact to the Accountant General and the authority competent to sanction the Government servant's pension and they should see that only provisional pension is sanctioned to the Government servant until the Government servant's responsibility in the matter has been finally determined unless the sanctioning authority decided that for special reasons, which should be recorded the result of the investigation need not be awaited.

389. Whenever a competent authority orders that any amount should be recovered from a Government servant, otherwise than by forfeiture of his security deposit, if any, on account of a loss sustained by Government through fraud or negligence on his part and he is about to retire from service, the amount should be recovered, as far as possible, by deduction from the last pay or leave salary due to him. If any amount still remains to be recovered, the Government servant should be asked to give his written consent to recovery of the remaining amount from his pension. If he gives his written consent, the authority which sanctions the pension should state the fact clearly in the order sanctioning his pension and should also indicate in it the number of instalments in which the amount is to be recovered, provided that such recovery is restricted to the amount of pension which has already become payable on the date of such agreement or

consent. If the Government servant declines to give his written consent to the recovery of the remaining amount from his pension, the recovery should be made directly from his pension, when that is permissible. When that is not permissible, the desirability of making a permanent reduction in the amount of his pension under the provision of Karnataka Civil Services Rules should be considered. The proof of a specific instance of fraud or negligence by the Government servant would justify decision that the service of the Government servant had not been thoroughly satisfactory. The pension papers in any case should be submitted for the orders of Government through the Accountant General with the recommendation of the Head of the Department.

Note.- Government reserve to themselves the right to order the recovery from the pension (and Compassionate Allowances) of a Government servant of any amount on account of losses found in judicial or departmental proceedings to have been caused to Government by the negligence or fraud of such officer during his service, provided that -

(a) such departmental proceedings, if not instituted while the officer was on duty,-

(i) shall not be instituted save with the sanction of the Government-,

(ii) shall be instituted before the officer's retirement from service or within one year from the date of retirement-,

(iii) shall be in respect of an event which took place not more than one year before the date on which the officer was last on duty, and

(iv) shall be conducted by such authority and in such places as Government may direct.

(b) Such judicial proceedings, if not instituted while the officer was on duty, shall have been instituted in accordance with sub-clause (ii) and (iii) of clause (a).

(The above provisions shall be deemed to have come into force with effect from 31st May 1954.)

390. When a retired Government servant whose pension has already been sanctioned is held to have caused a loss to Government by his fraud or negligence whilst in service and it appears likely that the amount could be recovered by bringing a suit against him, the matter should be reported to Government for orders. If, in any particular case, it is not found feasible to take action against a retired Government servant in regard to a loss sustained by Government on account of any fraud or negligence found to have been committed by him when in service, this should not be made an excuse for absolving any other Government servants who are also responsible for the loss and are still in service.

391. The general rules that departmental proceedings should be instituted at the earliest possible moment against all the Government servants involved in any loss sustained by Government on account of fraud, embezzlement or any similar offence. The detailed procedure to be followed in conducting departmental proceedings in cases of alleged criminal misconduct of Government servants is contained in para 20 of the procedural instructions regarding the holding of Departmental Enquiries under the Karnataka Civil Services (Classification, Control and Appeal) Rules, 1957, which are extracted below :

(a) As soon as sufficient evidence is available for the purpose in the course of investigation in cases of misconduct, whether such investigation is conducted departmentally, through the Anti-corruption

Department or through the Police, action should be taken under the Karnataka Civil Service (Classification, Control and Appeal) Rules, 1957, or other appropriate disciplinary rules, and disciplinary proceedings should be initiated forthwith. Such Departmental proceedings need not interfere with the police investigation, which may be continued, where necessary. After the departmental proceedings are concluded and the penalty, if any, imposed as a result thereof, the question of prosecution should be considered in the light of such material as may have become available as a result of the investigation;

(b) In suitable cases, criminal proceedings should thereafter be initiated. Before initiating such proceedings, advice on the evidence should be obtained from Government's legal advisers, including in sufficiently important cases from the Advocate General, where the conduct of a Government servant discloses a grave offence of a criminal nature, criminal prosecution should be the rule and not the exception. Where the competent authority is satisfied that there is no criminal prosecution, which can be reasonably sustained, against such an officer, prosecution should not, of course, be resorted to but prosecution should not be avoided merely on the ground that the case might lead to an acquittal.

(c) Should the decision of the trial court or the appellate court, as the case may be, lead to the acquittal of the accused, it may be necessary to review the decision taken earlier as a result of the departmental proceedings. A point to be taken into account in such review would be whether the legal proceedings and the departmental proceedings covered precisely the same ground.

If they did not, and the legal proceedings related only to one or two charges, i.e., not the entire field of departmental proceedings, it may not be found necessary to alter the decision already taken. Moreover, it should be remembered that while the court may have held that the facts of the case did not amount to an offence under law, it may well be that the competent authority in the departmental proceedings might hold that the Government servant was guilty of a departmental misdemeanour and he had not behaved in the manner in which a person of his position was expected to behave.

CRIMINAL OFFENCE IN RESPECT OF PUBLIC MONEYS OR PROPERTY

392. Wherever the head of an office finds that there is a reasonable suspicion that a criminal offence has been committed in respect of any public moneys or property he should, as a general rule, report the matter at once to the police and simultaneously inform the District Magistrate and the Head of his Department that he has laid an information before the police. The police should then keep the Government servant who laid the information and the District Magistrate informed as to the action they take in the matter.

393. When the case is heard by the court, the head of the Office concerned should see that all witnesses serving in his department and all documentary evidence in the control of his department are punctually produced. He should appoint a Government servant of the Department to attend the proceedings in court and assist the prosecuting staff.

394. If prosecution for an offence of this kind results in the discharge or acquittal of any person or in the imposition of any sentence which appears to be inadequate, the head of the office

concerned should at once send a full statement of the facts of the case to the District Magistrate. If the District Magistrate considers that further proceedings should be taken in revision or appeal, he should proceed as he would in any other case and should keep the head of the office concerned informed regarding the further proceedings. A special order of Government is necessary for filing an appeal against an acquittal.

The head of the office concerned should submit in addition to the reports prescribed above, prompt reports to Government through the proper channel at each stage regarding:

1. The commencement of the police investigation.
2. The decision to prosecute in any particular case.
3. The result of any prosecution.
4. The decision to proceed further investigation or appeal in any case, and
5. The result of any proceedings in revision or appeal.

395. Notwithstanding anything contained in the preceding Articles the head of the office concerned may, when he considers it to be desirable, refer any matter through the proper channel for the orders of Government before taking action.

CHAPTER - XXII**MISCELLANEOUS SUBJECTS STAMPED RECEIPTS**

396. Receipts for all sums exceeding ¹[Rs.500] must be stamped; but the following are exempt :

The limit of ¹[Rs.500] up to which a receipt is not required to be stamped, should be applied to the net amount payable on a bill and not the gross claim preferred therein:

²[Note 1.- According to the provisions of Section 30 of the Karnataka Stamp Act, any supplier who receives money from Government for supplies made by him is under legal obligation to give a stamped receipt and in default, he is liable to be punished with fines, which may extend up to Rs.100 according to the provisions of Section 65 *ibid*. All the drawing Officers and disbursing officers should therefore apprise the suppliers of the legal position in regard to the grant of stamped receipts. In exceptional cases where the disbursing officers are unable to produce stamped receipts, the provisions of Article 50(b) should be followed. But these cases should be only very exceptional and the officers concerned should explain reasons for not obtaining stamped receipts as required by Law, and rules in the Account Code.

Note 2.- When a pre-receipted voucher duly stamped has been furnished alongwith the claim, the final acknowledgement for the receipt of money need not be stamped again.]

(a) Receipts given by, or on behalf of Government:

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1. Substituted by No. FD 15 TFC 91 dt.20-7-1995.
 2. Inserted by No. FD 8 CFC 78 dt. 2-12-1978 (w.e.f. 2-12-1978).

- (b) Receipts for interest on Government securities;
- (c) Receipts for withdrawals from Government Savings Bank;
- (d) Receipts for any payment of money without consideration, such as receipts for Grant-in-aid bills;
- (e) Receipts granted by Local Bodies to Government departments.

Note.- This exemption applies to receipts granted to Government departments only. Local Bodies should conform to the provisions of the Stamp Regulation and pass stamped receipts in all cases where stamps should be used.

- (f) Receipts of payees outside Karnataka territory when stamped with Indian stamps.

Note .- Receipts for payments made outside India should be obtained from the payees and stamped in accordance with the local laws, if any, governing the stamping of such receipts.

- (g) Receipts for prizes in cash distributed at a Convocation or a Public Prize Distribution. Prizes exceeding ¹[Rs.500] not so given should be supported by a stamped receipt in each case.

²[XXX]

- (h) Cheques and demand drafts are not subject to any stamp duty.

- (i) Interest bills of endowment accounts drawn by the Government Officers and presented to the Treasury for drawing periodical interest.

²[XXX]

1. Substituted by No. FD 15 TFC 91 dt.20-7-1995.

2. Deleted by, No. FD 8 CFC 78 dt. 2-12-1978 (w.e.f. 212-1978).

- (j) Refunds of Sales-Tax are exempted from stamp duty;
- (k) Receipts executed by or on behalf of any Society registered under the Karnataka Co-operative Societies Act, 1959;
- (l) Receipts for cash doles paid to migrants in camps are exempted from stamp duty,

397. The following documents do not come under any of the exemptions mentioned above, but are chargeable with stamp duty under the general rules:-

- (a) Receipts drawn on account of Funds in cases other than those referred to in Article 396 supra.
- (b) Receipts for advances taken by Government servants.
- (c) Receipts for refund or payment of deposits.
- (d) Receipts on acquittance rolls of establishment.
- (e) Receipts drawn by the Controller, State Accounts on account of Charitable Trust Funds or Charitable Endowments in his custody.
- (f) Interest payments on loans floated by Local Bodies unless such interest is drawn by a Government servant in his Official Capacity.
- (g) interest payments on the Debentures of the Karnataka Central Co-operative Land Mortgage Bank Ltd., and similar bodies.

398. The mere fact that a document received in Karnataka is executed outside Karnataka does not by itself render it allowance to denote the duty thereon by a stamp of the country of execution. The substance or subject matter of the document

has also to be considered. If it relates to property situate, or any matter or things done or to be done in Karnataka then the duty must be denoted by a Karnataka Stamp.

DESTRUCTION OF ACCOUNT RECORDS

399. The destruction of records (including correspondence) connected with accounts is governed by the following rules and such other subsidiary rules consistent therewith as may be prescribed by Government with the concurrence of the Accountant General:-

(a) The following should on no account be destroyed:-

(1) Records connected with expenditure which is within the period of limitation fixed by law.

(2) Records connected with expenditure on Projects schemes or works not completed, although beyond the period of limitation.

(3) Records connected with claims to service and personal matters affecting persons in the service.

(4) Orders and sanctions of a permanent character until revised.

(b) The following should be preserved for not less than the periods specified against them:-

Description of Records	Period of preservation expressed in items of completed years
1. Annual establishment returns (Blocks of establishment)	40 Years

2. Acquittance Rolls for pay and other allowances	40 Years
2-A. Cash Book	20 Years
2-B. Classified Ledger, Store Register of furniture stores, etc., Treasury Remittance Book	10 Years
3. Register of Contingent Expenditure	5 Years
4. Detailed Budget Estimates of an Office	5 Years
5. Travelling Allowance Bills	5 Years
5-A. Bill Register	5 Years
6. (a) Service Book of Government Servant who has resigned	5 Years from the date of resignation in the event of his death within the period of five years the Service Book should be retained for a period of six months only from the date of his death.
(b) Service Book of Government servant who has been retrenched / removed / dismissed	(i) 5 Years if no case is pending in any Court. (ii) 3 Years after final judgement under the normal

course of Law i.e., the last judgement or judgement of the highest Court as established by law where the Court has upheld the Government decision to retrench / remove / dismiss the Government servant.

- (c) Service Book of Government Servant who retired from / dies while in service 25 Years from the date of retirement / death
- (d) Family Pension Papers after the introduction of the New Family Pension Scheme. 25 Years from the date of death of the Officer.

Note.- (i) In the case of Gratuities, Service Books need be preserved only till the claim for gratuity has been finally disposed of but in no case may the Service Books and Gratuity papers be destroyed till the gratuitant has attained 55 years of age.

(ii) The indemnity bonds relating to pension and Death-cum-retirement Gratuity claims shall be lodged in the Treasury in accordance with para 6 of the Appendix II to Karnataka Financial Code.

7. Statement of monthly progressive expenditure and correspondence relating to discrepancy in figures. 2 Years

¹[Note.- Although a minimum period of 2 years is prescribed, the Heads of Departments shall ensure that the expenditure statements in their own and subordinate offices are preserved in all cases beyond this period until the process of reconciliation is finally completed. In the case of expenditure statements on State Plan Schemes and Centrally assisted non-plan and Plan Schemes, the expenditure statements should be preserved until the reconciled figures are communicated to the Finance Department and accepted by the latter.]

- | | |
|---|---------|
| 8. Statement of monthly progressive receipts and correspondence relating to discrepancy in figures. | 2 Years |
| 9. Pay Bills (not containing acquittances). | 6 Years |

Note .- These should be preserved for such time as may be considered necessary, and beyond this period the acquittance rolls of the period are not forthcoming.

- | | |
|---|---------|
| 10. Counterfoil of Receipt Books | 6 Years |
| 11. Treasury Challans (Treasury receipts for remittances to the Treasury) | 6 Years |

1. Inserted by No. FD 23 TFC 81 dt. 28-4-1982 (w.e.f. 7-8 -1981)

12. Service Stamp Account	3 Years
13. Register of Personal and other Advances	10 Years
14. Sub-Vouchers not sent to the Audit Office	3 Years
15. Leave Accounts of Non-gazetted Government Servants	Three years after the date of retirement.
16. Counterfoils of cheque books	Five years after the year of drawal.

Note.- The documents relating to contracts / agreements etc., should be preserved for a period of at least 5 years after the contract / agreement is fulfilled or terminated. In case where audit objections have been raised, however, the relevant files and documents should not be destroyed under any circumstances, till such time that the objections have been cleared to the satisfaction of the audit authorities or have been reviewed by the Public Accounts Committee.

400. Where a minimum period after which any record may be destroyed has been prescribed, Heads of Departments and Government servants duly authorised in this behalf may order in writing the destruction of such records in their own and subordinate offices.

(i) Heads of Departments are competent to sanction the destruction of such other records in their own and subordinate offices as may be considered useless, but a list of such records

as properly appertain to the accounts audited by the Audit Department should be forwarded to the Audit office for its concurrence in their destruction before the destruction is ordered by the Head of the Department.

(ii) Full details should be maintained permanently in each office of all records destroyed from time to time.

Note .- Heads of Departments may order the destruction of the time expired records after satisfying themselves that they will no longer be required, a reference being made to the Audit Office only in cases of doubt.

CONTRACTS ON BEHALF OF GOVERNMENT

401. The following are the fundamental principles for the guidance of authorities who have to enter into contracts or agreements and they will be carefully observed by all Government servants who have to enter into such contracts on behalf of Government:-

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

(2) As far as possible, legal and financial advice should be taken in the drafting of contracts before they are finally entered into.

(3) Standard forms of contracts should be adopted whenever possible, the terms being subjected to adequate prior scrutiny.

(4) The terms of a contract, once entered into, should not be materially varied without the previous consent of Government.

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

(6) Wherever practicable and advantageous, contracts should be placed only after tenders have been openly invited and, in cases where the lowest tender is not accepted, reasons should be recorded.

(7) In selecting the tender to be accepted, the financial status of the individuals and firms tendering must be taken into consideration in addition to all other relevant factors.

(8) Even in cases where a formal written contract is not made no order for supplies, etc., should be placed without at least a written agreement as to price.

(9) Provision must be made in contracts for safe guarding Government property entrusted to a contractor.

(10) No contracts may be entered into by Government servants who have not been empowered to do so. Contracts regarding which there are no definite rules, or orders of Government as to conditions, forms, etc., should be entered into, only after obtaining the sanction of Government who will take the necessary legal and financial advice in each case.

(11) (a) The Audit Department will bring to the notice of Government any cases where competitive tenders have not been sought, or where high tenders have been accepted or where other irregularities in procedure come to light.

(b) Copies of all rate and running contracts entered into by departmental officers and the Stores Purchase Department should be sent to the Accountant General for scrutiny.

In cases not falling under the above category, copies of contracts or agreements involving Rs.50,000 or more in each case should be sent to the Accountant General by the Stores Purchase Department or the departmental officers according as the contracts are entered into by the Stores Purchase Department or Departmental Officers.

When contracts entered into by the Stores Purchase Department affect more than one department, as many copies as the number of departments affected should be sent to the Accountant General.

The Accountant General has however discretion to call for copies of such contracts or agreements even when the amount involved is less than Rs.50,000.

All bills in which payments relating to contracts or agreements are made, should invariably contain a reference to the relevant contract or agreement.

The above direction will not apply to the Public Works Department to which the rules in the Karnataka Public Works Account Code will apply.

AGREEMENT OF SERVICE

402. In the case of Government servants who have executed agreement of service or who have entered service on special conditions, a register in the following form should be maintained in the Audit Office, the Secretariat and the office of the Head of the Department concerned.

Sl. No.	Name and design of Govt. Servant	Date and purport of agreement for special conditions	No. and date of Govt. order sanctioning the appointment	Remarks

(1) The original agreements should be sent to the State Huzur Treasury for safe custody and copies thereof kept in the aforesaid three offices, together with a complete file of the orders relating to each case.

(2) A similar record should be maintained about holders of State Scholarships who have entered into agreement with Government.

¹[403. The following transactions of Government involving fractions of a rupee shall be brought to account by rounding off to the nearest rupee (fraction of 50 paise and above to be rounded off to the next higher rupee and fraction of less than 50 paise to be ignored)

(i) All Government transactions whether involving actual receipts / payments or book adjustments except petty cash (i.e., across the counter type transactions which are reflected in departmental cash books) should be in whole rupees.

(ii) Interest on loans / advances to an employee which is computed as a percentage of base amount and its recovery effected in instalments, shall be made in whole rupee.

1. Substituted by No. FD 7 TFC 91 dt. 10-8-1992 (w.e.f. 1-10-1990)

(iii) All entitlements due to an individual / employee by way of pay / travelling allowances / leave salary / pensionary benefit and all 'Inner Column deductions' from salary bills on account of postal life insurance, license fee, taxes etc., shall be rounded off in whole rupees.

(iv) All claims on Government by utility institutions like the Electricity Boards / Corporations etc., will have to be made in whole rupees. Since the State Government will discharge their liability on claims in whole rupees such service institutions are advised to change over the bills in whole rupees for all customers with a view to reduce work load in their own offices.

(v) All local bodies should restructure their tax claims etc., so that amount is realised in whole rupees.

(vi) Certain taxes such as Sales Tax being dependent upon the value of purchase will inevitably generate fractions, Sales Tax authorities will advise the assesseees who are responsible for remitting sales tax collected from customers to make the deposits to Government Accounts in whole rupees.

(vii) All transactions of the Treasuries / Banks through the cheques / challans shall be brought to account by rounding off to the nearest rupees.

(viii) In case of cash transactions for petty purchases met out of permanent cash imprest or petty sales which are reflected in a primary record like cash book, the accounting procedure to be followed is set out below:-

(a) Petty cash payments for local purchases are met out of permanent cash imprest available with the Head of Office and recoupment bill duly supported by sub-vouchers (where necessary) is required to be preferred periodically to the

Treasuries etc., for replenishment of the imprest. As far as possible suppliers should be persuaded to co-operate in rounding off the amount payable to them on each occasion to the nearest rupee. In exceptional cases where payment of paise cannot be avoided, the total of the sub vouchers sought to be recouped would include paise also. Nevertheless, the recoupment bill shall be submitted to the Treasuries for the whole rupee portion only. However, for the purpose of balancing the transactions in the main cash book as well as in the petty cash book, the officer concerned will (i) indicate the actual amount received in recoupment of the permanent advance; (ii) record therein the unrecouped paise as an item of “rounding off of transactions” and (iii) carry it over to be claimed through the subsequent recoupment bill by giving particulars of the bill in which this amount was short received. Illustrative examples are given in Annexure ‘A’ & ‘B’ for guidance.

(b) in the case of receipts arising out of sale of waste papers or old news papers, periodicals, condemned furniture etc., the amounts to be realised should be rounded to the nearest rupee and should not include paise in the sum of transactions with any party for which a single receipt is given so that the receipts are credited into Government account in whole rupees only.

(ix) Since almost all the petty purchases are made from co-operative institutions, the co-operative societies stores shall issue the cash bill on every occasion duly rounded off to the nearest rupee.

(x) Transaction which do not involve cash “Payment” shall also be rounded off to nearest rupee.

(xi) In the case of emoluments fixed by law amount which are in fraction of rupee shall also be rounded off to the nearest rupee.

(xii) Amounts converted into Indian Currency from sterling or other foreign currency shall also be rounded off to the nearest rupee.

(xiii) Reserve Bank remittance other than those of sums representing dues fixed by or under any law or under any contractual obligation of the Government. Sums representing dues fixed by or under any law shall always be rounded off to the nearest rupee.

(xiv) Deposits and receipts other than those which are fixed by or under any law or specially exempted by the Government from the operation of these rules.

Sums representing amount fixed by or under any law shall always be rounded off to the nearest rupee.

(xv) Transactions between one Government and another Government or between two departments of the same Government fractions of a rupee shall be brought to account by rounding off to the nearest rupee.

(xvi) The amount / value of each transaction / item in a contractor bill should be calculated on the basis of the rate etc., prescribed in the schedule of rate and rounding off to the nearest rupee shall be effected at the last stage of the bill.

ANNEXURE 'A' PETTY CASH BOOK

RECEIPTS

PAYMENTS

Amount received	Date	Sub - Voucher Cheque No.	Particulars	Amount paid	Conveyance	Pottage & Stmps	Misc	Remarks
1	2	3	4	5	6	7	8	9
500	1.4.86	Vr. No. 1	Permanent Cash					
	2.4.86	Vr. No. 2	Imprest	15.20	15.20			
	2.4.86	Vr. No. 3	Conveyance				25.80	
	2.4.86	Vr. No. 4	Purchase of Stationery	25.80				
			Conveyance	20.70	20.70			
			Total	61.70	35.70		25.80	
			Cash in hand	438.30				
			C/o					
500			Total at the end of the day	500.00				

1	2	3	4	5	6	7	8	9
438.30			Balance b/d (Cash in hand)					
61.00	10.4.86	Bill No. 10	Recoupment of permanent cash imprest Cash in hand c/o	499.30				0.70 Unre- couped
			Total at the end of the day	499.30				
499.30			Balance B/d (Cash in hand)					0.70 Unre- couped amount
	15.4.86	Vr. No. 20	Conveyance	16.25	16.25			
	15.4.86	Vr. No. 25	Local Purchase of Gum Bottles	18.05		18.05		includes Rs. 0.70 on
			Total	34.30	16.25	18.05		account of Bill No 10
*35.00	15.4.86	Bill No. 26	Recoupment of permanent cash imprest Cash in Hand	500.00				recouped Bill
534.30			Total at the end of the day	534.30				

EVIDENCE REGARDING DATE OF BIRTH

¹[404. Rules for the evidence regarding date of birth of Government servants are detailed in the Karnataka State servants (Determination of Age) Act, 1974.]

1. Substituted by No.FD 18 TFC 81 dt. 28-4-1982 (w.e.f. 18-6-1974)

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Serial number of correction	Date of correction	Rule affected	Date of receipt	Date of posting	Initials of post



GOVERNMENT OF KARNATAKA

**THE KARNATAKA
FINANCIAL CODE**

VOLUME - I

FINANCE DEPARTEMENT

2001

**THE KARNATAKA
FINANCIAL CODE**

PREFACE TO THE SIXTH EDITION

This is the Sixth reprint of the Karnataka Financial Code 1958, embodying amendments from 1 to 1061 issued upto 28-6-1996. If Information regarding the date of effect of any amendment is required Finance Department may be consulted.

C. Gopal Reddy

C. GOPAL REDDY

Bangalore
26-12-2000

Principal Secretary to
Government,
Finance Department.

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