KERALA FINANCIAL CODE

Kerala Financial Code deals with rules relating to all financial transactions of Government receipt, custody and disbursement of government money.

I Receipts (Article 4-8)

(a) All moneys received by on or behalf of government either as dues of government or deposit, remittance, or otherwise shall be brought into government account without undue delay.

(b) It is the duty of the Officer concerned to ensure that the dues of government are correctly and promptly assessed, collected, checked, remitted and accounted maintained.

(c) When money on behalf of government is collected, a receipt should be issued in TR 5. When a cheque is received a preliminary acknowledgement in TR 6 shall be given. A final receipt for the payment in TR5 shall be issued to the party only after the amount has been realized.

(d) Every officer receiving money on behalf of government should maintain a cash book in Form No. TR7A (Rule 92 a of KTC Volume I)

(e) When a government money is paid to the Treasury or the Bank the officer making payment should compare the treasury figures or bank receipt to satisfy himself that the amounts are actually credited into the government account,.

(f) Daily collection shall be remitted into the treasury the next working day itself. It is not possible it should be remitted periodically.

(g) All accounts and returns in the prescribed form shall be sent to the controlling officers promptly.

(h) Amount due to government shall not be left outstanding without sufficient reason. When such amount appear to be irrecoverable the orders of competent authority shall be obtained for write off.

Controlling Officer (Article 9-11)

A controlling officer shall be responsible to ensure that all sums due to government are regularly and properly assessed, realised and duly credited. He shall arrange to obtain from the subordinate officers monthly accounts and returns and should watch closely the progress of collection. Controlling officer on receipt the above details consolidate them month wise according to the head of account and compare the figures with Treasury figures and also the accounts received from the Accountant General and reconcile difference, if any. He shall inform Treasury or Accountant General of any wrong credit.

II Expenditure (Article 40-44)

No authority may incure any expenditure or enter into any liability involving expenditure or transfer money for investment or deposit from government account unless the expenditure have been sanctioned by competent authority and sufficient funds must have been provide for the expenditure in the Appropriation Act.

(1) Standards of financial propriety

a) Every officer is expected to exercise the same diligence and are in respect of expenditure incure from public money as a person of ordinary prudence would exercise in respect of expenditure of his own money. (Article 40 (b) KFC

b) Expenditure should not be prima facie more than what the occasion demands.

c) No authority should exercise his powers of sanctioning expenditure directly or indirectly his own advantage.

d) Expenditure from public money should not be incurred for the benefit of a particular person or section of the people unless;

   (i) claims for the mount could be enforced in a court of law.

(i) Expenditure in pursuance of a recognized policy or custom (the amount involved should be Rs.100/- or less)

e) Any allowance should not be used as a source of profit.

f) All sanction to expenditure should indicate the head of account to which the expenditure to be debited.

g) Inevitably payments, the payments which cannot be postponed, shall be paid. Money indisputably payable should not be left unpaid.

h) Money should not be kept out of account for a day longer than necessary.

i) As appropriation lapses at the lose of the financial year. No officer should transfer the head nor draw from the treasury and keep in cash chest any portion of any appropriation to prevent if from lapsing.

(2) Communication of sanction (Article 45-48)

(a) A copy of every other sanctioning expenditure should be communicated to the Accountant General and should be signed in ink.

(b) If the expenditure is sanctioned by government with the concurrence of Finance Department two copies of sanction should be forwarded to the Accountant Genera; one signed in ink and other is unsigned duplicate marked "duplicate" – not for payment. Sanction order should show the designation of officer on whose signature such sanction is issued. (Circular No.41/88/Fin dated 30-05-1988 and circular No.35/96/Fin dated 28-06-1996)

(c) Copies of sanction related to grant of advance to non-gazetted servant is issued, a copy of such order has to be communicated to the Accountant General.

(d) When order affecting the emoluments, posting, leave etc. of a gazetted servant is issued, a copy of such order has to be communicated to the Accountant General.

(e) Every order sanctioning a lease or assignment of land has to be communicated to the Accountant General.

(3) Lapse of sanction (Article 50)

A sanction for any fresh charge shall unless it is specifically renewed, lapses of no payment in whole or in part has been made during the period of 12 months from the date of issue of sanction provided:-

(i) when the period of currency of sanction is provided.

- (i) If there is a specific provision in the sanction order that the expenditure would be met from the budget provision of a specified financial year, it shall lapse at the close of that financial year.
- (ii) If the tenders have been accepted for the purchase of stores.

Exceptions to Article 50

a) Sanction conveyed by the order of a court of law in its judicial capacity.

b) Sanction to an advance or a non refundable advance from PF shall lapse on the expiry of three months.

(4) Contracts (Article 51)

The following principles should be observed when entering into a contract.

(1) No contract shall be made by an authority which has not been authorized or directed to do so.

(2) The terms of contract shall be precise and definite.

(3) Standard form of contract should be used.

(4) Contract shall be made so far as possible after openly inviting tenders

(5) Financial status of the firm or individual tendering must be taken into account.

(6) Provision should be made to protect the government property entrusted to the contractor.

(7) Financial and legal advice have to be taken before entering into a contract.

(8) There shall be provision for unconditional revocation of contract.

(9) The terms of contract once entered should not be materially altered.

(10) Government servants who enter into contract and his subordinate are responsible for strictly enforcing the terms of contract.

(5) Arrear claims (Article 53 (a))

A claim against government which is not preferred within two years of it being due is called an arrear claim. Such claims can only be sanctioned by he Head of the Department.

(6) Due Date of claim (Article 53 (b))

A claim will be due either on the date of accrual or on the date of sanction or on the date of counter signature whichever is later.

(6) TA (Article 53 (e))

TA claims should be presented within one month of the due date (due date is immediately after the close of month in which the journey is performed).

If the claim is not preferred within one month the controlling off9icer will pass payment only if there is sufficient reasons for the delay. TA shall be forfeited if no claim is preferred within one year of due date. However, Treasury should honour TA bills presented one year from the date of countersignature (Circular 83/88/Fin dated 01-11-1988.)

(7) Time barred claims (Article 56)

Period of limitation of various claims are given below and government sanction is necessary for payment of claims which exceeds the period of limitations.

Pay and allowance, leave salary	- 5 years
Travelling allowance	- 2 ’’
Pension	- 12 years
Gratuity	- 6 years
All other claims	- 3 years

(8) Audit objection (Article 63 (a)

Objection raised by Accountant General in exercise of auditing financial transactions of the Department of state is audit objection. Audit objection have to be replied within a fortnight.

(9) Audit objection Register (Article 63 (b)

An audit objection register for the whole office has to be maintained in every office. All the audit objections received from the Accountant General in a calendar year should be registered in the register, serially numbered. An objection shall be treated as closed when final reply is given to the Accountant General and entries rounded off in red ink.

III. Inspection Reports (Article 63)(c)

During the course of Inspection, the audit staff will issue memos calling for information on various points. This has to be furnished immediately. The head of the office should be available in the office during the course of inspection and audit Office will discuss with him serious irregularities. Certain objection can be properly answered there itself.

Recover Ordered (Article 65)

No representation received after three months on the recovery ordered by the Accountant General will be entertained by the authorities.

III. ESTABLISHMENTS

(1) supernumerary (Article 69 (c)

When a person is appointed substantially to a post over and above its sanctioned strength is called 'Supernumerary' appointment. Government alone is competent to sanction supernumerary appointments and it should be absorbed in the first regular vacancy that arise.

(2) Additional establishments, temporary establishments etc. (Article 69 to 73)

Government alone is competent to create additional establishments sanction for temporary appointments or establishments are also given by government. No temporary establishment shall be continued in anticipation of government sanction. The officers who do not dispense with temporary establishments on the date on which sanction expire will render themselves responsible for the expenditure incurred. (vide GO(P)453/92/Fin dated 14-7-1992. Government have withdrawn the powers of the Head of the Department to make temporary post permanent after 5 years.

(3) Part payment of salary (Article 75 (c)

Payment due to a part of month should be made at once without waiting till the end of the month.

(i) If the government servant is transferred involving charge of drawing and disbursing officer.

(i) If promoted to a gazetted post or reverted a non gazetted post.
(ii) If proceeding on deputation
(iii) If finally quits service.

(4) Leave salary advance (Article 75 (d)

A months leave salary will be paid in advance to government employee proceeding on leave if the leave with allowances is more than 30 days. It has to be restricted to leave salary for the first month of the leave after making all deductions and has to be adjusted in full in the first leave salary bill.

(5) Increment (Article 78)

Increment of pay for non-gazetted staff is automate and no separate sanction is necessary.

(6) Charge Report (Article 81)

It is a report made by a gazetted officer in form No.7 when they are relieved on leave retirement or transfer. It should be signed by both the relieved and relieving officer. Cash book imprest account etc. has to be closed o the day of transfer and a note recorded in it over the signature of oth relieving and relieved officers. In case of an emergency next senior officer present will take charge.

(7) Pay due to the deceased officer (Article 83 (a)

The payments due to a deceased government servant including the day of death (hour of death does not matter) may be paid without the production of a usual legal authority if the gross amount dies not exceed Rs.5,000/-. If it exceeds Rs.5,000/- government sanction and indemnity bond is necessary.

(8) TA bills counter signature (Article 85 (a)

TA bills of a gazetted officer require the counter signature of the controlling officer before payment (few exceptions to this rule are given in Article 85 (a). The counter signing authority shall keep a separate Check Register in order to avoid double payments.

(9) TA advance (Article 88)

When satisfied it is necessary the competent authority may grant an advance not exceeding 75% of the TA towards travelling expenses to the officer. If the advance is not utilised fully an interest of 12.5% per annum will be charged on the uutilized portion from the date of drawal to the date of refund. If the adjusted bill is not submitted before the close of the next month it has to be recovered in lumpsum with 12.5% interest and credited to the Receipt Head.

(10) Provident Fund (Article 89)

As soon as the Government servant is admitted to the PF, the account number should be noted in the Service Book. When the officer is transferred to the new office, the head of the new office should verify the GPF No. of the employee shown in the LPC and Service Book. a complete list o subscribers should be kept in the office. In case of transfer, death etc. the full particulars should be entered in the list. It is from this the list of the monthly PF schedule appended to the bills is to be prepared.

IV. Contingent Charges

Contingent charges are incidental expenditure necessary to run an office. Eg. Furniture, electric and water charges etc. They are generally non recurring exception-electric charges, current charges, taxes to local bodies etc. The Head of the office is empowered to incur contingent expenditure,. But he will not depart from the general and special rules prescribed. The total expenditure shall not exceed the budget allotment.

(1) NGO can incur expenditure (Article 92 b)

In unavoidable circumstances the Had of office can allow an NGO to incure contingent expenditure.

(2) Personal communications (Article 92-b)

Government officers are not entitled to send communications regarding their leave transfer etc. at the expense of the government.

(3) Permanent Advance (Article 94)

Government servant is only permitted to draw money from Treasury on presenting a proper voucher and as a general rule no money can be drawn if it is not for immediate disbursement. The PA system is an exception. It is a fixed amount sanctioned by Government to each office from which urgent or unforseen expenditure can be met. PA to the Head of the Department is sanctioned by Government.

The holder of PA must at all time be ready to produce the total amount of money in voucher or in cash. On 15th of April of every year or whenever there is change of the holder of the PA. The officer should forward an acknowledgement of PA to the Accountant General. A certificate to the effect has to be given in the pay bill of the officer every year in April.

The recoupment of the PA is allowed at the end of each calendar month. When a transfer of charge takes place or if it is found necessary to raw fund for contingent expenditure recoupment is permitted.

(4) Contingent Register (Article 104)

It is a register maintained in each office for recording every item of contingent expenditure. The unit of this register is the major Head of Account and general arrangement should be in Form No.10.

Whenever the cashier makes a payment under the head contingencies, he should enter in the proper columns. When a contingent chare exceeding Rs.1,000/- is payable to a private party separate contingent bill shall be ordinarily e prepared for the amount and endorse for payment through bank draft.

Every government servant who incurs contingent expenditure should take special care to see that he gets the best possible value for the money spent. He shall not spend more than the amount placed at his disposal for the financial year (Article 113).

V. STORES.

Stores includes all articles and materials which cam into possession of the government servant to use in public service (Article 120)

At end of each financial year each department should realistically assess the requirement during the next financial year and prepare a list of the articles required. As soon as the indent is prepared the required administrative sanction should be obtained in accordance with the delegation of powers (Article 122-123) Store Purchase Rules are given separately).

The officer authorised to receive stores should himself verify the articles received and take them to stock soon after they are received. If any article is not new, damaged or defective it should not be accepted.
The stores should be taken delivery soon after its arrival to avoid demurrage charges. Any damages or shortages should be reported immediately and necessary claim for losses have to be preferred immediately.

The officer who maintain the Stock Register should receive the stores. Payment shall be made only after the stores are taken into stock. The bills for payment shall be forwarded to the officer keeping the Stock Register. He should certify on the office copy of the bill that the purchase in question has been duly taken on the stock account.

Payment should be made in rupees in India. Payment in any other countries or in any other currency requires the sanction of government. Accountant General shall arrange such payment (Article 147 & 148)

Stock Account (Article 149 & 150)

Stock Account is the account maintained by the head of the office or the officer in chare of stores to make it possible to check the actual balance with the book balance and expenditure at any time. Separate account should be maintained for the following.

(1) Raw material s and expendible
(2) Office furniture
(3) Books forms and stationery.

Stores which become unserviceable have to be condemned. The loss to government by wear and tear has to be written off before passing such orders. If the loss is due to negligence, the loss to government has to be recovered in full form the officer before condemning it (Article 154 to 156)

Stores in stock for more than one year has to be treated as surplus. No sale of surplus stores shall be made until it is ascertained that no government department requires in (Article 157)

All stocks have to be verified once in a year. It should be entrusted to a responsible officer (Article 158 & 159)

V. Works

PWD is responsible for the execution of all works which the government have not specifically alloted to other to government departments which use or require the building (Article 165)

(i) work of petty construction maintenance, repairs, estimates of which does not exceed Rs.2,500/-
(ii) All works relating to the buildings constructed by the departments other than PWD.

All electrical works connected with government buildings are done by PWD. (Article 167 & 171)

VI. Miscellaneous Expenditure

(1) The Board of Revenue, District Collectors, RDOs and Tahasildas may incure expenditure at this discretion for contribution towards relief of poor people whose houses have been destroyed by fire, flood etc. as follows:-

B/R	=	Rs.5,000/-
DC	=	Rs.2,500/-
RDO	=	Rs.1,500/-
Tahasildar	=	Rs.250/-

(The relief should not exceed Rs.100/- per family) (Article 207).

(2) Grant-aid-(Article 208,209,211)

Instructions to be followed:-

(i)The order should specify the object of the grant

(ii) It should not exceed the expected expenditure for one year.

(iii) It should not be drawn in advance of requirement

(iv) Audited statement of the institution as to be obtained.

(v) It should be stipulated in every order a time limit of one year of utilisation of grant and 9 months for the submission of audited certificate.

(3) **Transportation of the dead body of a deceased government servant**.

An amount equal to what the employee would have received for his journey from the place of duty to the place of residence after retirement as per KSR may be paid to the family of the deceased government servant by the head of the office/department.

VIII Principles for fixing responsibility for loss of public money or property

The government servant will be personally responsible for any loss to government through fraud or negligence on his part. The officer who arrange public money to be carried from one place to another by messenger should take all reasonable precaution to prevent any loss I transit due to misappropriation or any other cause.

In cashing bills only persons of proved reliability shall be engaged. Peons may be allowed to arry amounts up to Rs.50,00/-. Above Rs.50,000/- upto Rs. 1 lakh a class III employees and a peon may be engaged. If the amount is above Rs. 1 lakh a supervisory officer and a peon may be engaged. In cash involving Rs.2 lakh and more departmental vehicle has to be engaged. (Article 284, 285).

If the disciplinary proceedings are continuing against the officer only provisional pension shall be sanctioned withholding DCRG.

If liability could not be estimated, the DCRG may be released provisionally after withholding:-

(i) Full amount of DCRG in case of officers holding charge eof cash or stores.

(ii) Gazetted officers other than above 10% of the DCRG or Rs.2,000/- whichever is higher.

(iii) No gazetted officer other than (1) above 10% of the DCRG or Rs.600/- whichever is higher.

For fixing liability loss may be grouped as follows:

(i) Personal dues
(ii) Physical loss of cash or stores
(iii) Loss of extra expenditure arising out of administrative lapses.

Recovery in cash is called for in respect of I & ii above. The recovery in case of iii above is called from only if malafides are proved. (Article 303 - read with executive orders)

Article 305 whenever the head of the Department finds that there is reasonable suspicion that a criminal officer has been committed in regard to any public money. He should report the matter at once to the police and inform District Collector, ADM and the head of the department. When the amount involved is Rs.50,000/- or more it should be reported to the Vigilance Division of Police.

Secret Service Expenditure (Appendix VI- KFC Vol. II)

The CS, DGP, IGP, DIG Commissioner of Police, SP, Assistant inspector General of Police, Director of Vigilance, Member, Board of Revenue, DPI, CCF, Secretary to Government. Industries Department are authorised to incur secret service expenditure. These officers will maintain contingent register and draw bill amount vouchers. The expenditure is liable only for administrative audit.

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