

in charge of the stores. Stores should always be verified in the presence of the officer responsible for the custody of the stores or of a responsible person deputed by him to watch the verification.

Note:— The following procedure should be observed for the audit of the accounts of furniture in the Raj Bhavan:-

An annual certificate of verification should be sent by the Military Secretary to the Governor so as to reach the Accountant-General, Kerala on or before the 31st July of each year stating that all furniture has been inspected and checked with the stock list maintained and that he is satisfied (i) that all new supplies up-to-date have been correctly brought on to the inventories, (ii) that the inventories are correct in all respects, (iii) that the articles in stock agree with the inventories, (iv) that sale proceeds have been properly accounted for, (v) that sanctions of competent authority exist for all articles written off the inventory, and also (vi) the articles of furniture are being properly maintained and are kept in serviceable order.

Unserviceable articles may be sold and written off the stock list at the discretion of the Governor, but no valuable articles should be sold unless they are certified to be worn out, or have become useless, independently of considerations of personal taste. The amount realised from the sale of unserviceable articles should be credited to State Revenues.

159. Apart from the periodical verification of stores by the Heads of Offices and other Government servants authorised in this behalf under the preceding article, surplus check of stocks and stores should be undertaken by the superior officers in each Department at intervals at least once a year so as to ensure that stores are properly maintained and accounted for. It is necessary that the inspection should be a surprise one; but the check may be confined to important items. The results of such surprise checks should be reported to the Government in the concerned administrative department with the recommendation, if any, of the inspecting officer so as to enable the Government to take prompt and adequate action wherever necessary. The results of the surprise inspections and the orders, if any, passed should be communicated to the Accountant-General by Government in the Administrative Department.
160. Whenever an officer who is entrusted with the custody of stores in an office is transferred, the relieving officer should verify the stock of stores with the stock accounts certify on the stock accounts as to the correctness of the stock taken over and report the result of the verification to his immediate superior. For the purpose of this rule the Government servant entrusted with the custody of the stores is ordinarily the Head of the Office, but in a large office he may delegate this duty to a gazetted assistant, manager or recognised store-keeper. When he has done so, the verification prescribed in this Article need only be made, unless otherwise ordered in any case, when a Government servant to whom the duty has been delegated is transferred and the result of the verification should always be placed before the Head of the Office. In spite of any such delegation, the Head of the Office still will be responsible for furnishing the certificate prescribed at the foot of the various contingent bills, etc., stating that the articles billed for have been brought into account, and for exercising a general control so as to ensure that the stores are properly safeguarded and the stock accounts properly maintained.

Discrepancies found on verification of stores

161. A deficiency detected during a verification of stores may be due to:
 - (i) incorrect or careless accounting;
 - (ii) loss arising from fraud, theft or negligence; or
 - (iii) an unavoidable cause, e.g., wastage, shrinkage, spilling, etc., in the case of stores which are subject to them.

The Head of the Office or institution concerned should fully investigate the causes of any deficiency and send a full report on it to the controlling authority along with the

verification report. If he holds that any loss caused to the Government through a deficiency is due to misconduct or culpable negligence on the part of any Government servant concerned, he should add his recommendation as to how the loss should be made good by recoveries from him. The controlling authority should, after such examination and investigation as the importance of the case warrants, issue or obtain from the competent authority, an order to write off the deficiency from the stock accounts. On receipt of this order the deficiency should be charged in the stock accounts with a note quoting the authority. If any recovery is ordered, a note should be recorded in the stock accounts when each amount is actually recovered.

Any excess detected during stock-taking should, after investigation, be entered in the stock accounts at once as a receipt with the remark "excess found on stock verification". No special orders are necessary for this.

In the Annual Administration Report sent to Government the Head of the Department should furnish information as regards :

- (i) The condition in which stock registers are maintained in his office and the offices subordinate to him.
- (ii) Result of periodical verification of stock, and
- (iii) Action taken for the adjustment of deficiencies, excesses, etc., if any, noticed during stock-taking.

Audit of stores and stock accounts

162. The regulations and rules relating to the audit by the Accountant-General of the accounts of stores and stock kept in Government Departments are contained in Appendix 2.

amicable settlement. If they are unable to make any such joint recommendation, their report should at least clear the ground as far as possible, so that a stated case may be referred, if necessary, to an arbitrator or a legal authority. This investigation will be under taken at once and independently of any departmental or police enquiry.

Losses of cash due to acceptance of counterfeit coins

299. Losses of cash due to acceptance of counterfeit coins in State treasuries should not be debited to Government in any case without their specific approval.

Write off Losses

300. * [Write off is the relinquishment of claims after exhausting all possible means of recovery. Irrecoverable losses of stores and removal of the value of obsolete stores and stock from the accounts are also finally disposed of through write off (See Articles 81 and 82 of the Kerala Account Code Vol.I). The power to write off irrecoverable value of stores delegated to certain Heads of Departments is subject to the condition that the loss does not disclose a defect of system, the amendment of which requires the orders of Government. The order of the competent authority should also be obtained for writing off from any relevant value of commercial accounts that are maintained, any irrecoverable amount relating to a loss connected with a building, land or equipment or to unprofitable outlay on a work. The Government have empowered the authorities mentioned in the Book of Financial Powers to sanction such writes off subject to the limits and conditions mentioned therein.

*Every Head of Department should submit annually on or before the first of June to the Accountant General, a statement showing all the amounts written off which were sanctioned by himself or any other competent authority under his control during the preceding financial year. The statement should show the total amount written off under each class and should include a brief explanation of the circumstances leading to the write off].

Note:— In general losses sustained by the Central Government in State treasuries through the negligence or culpability of the staff paid for by a Government in any State 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 State Transactions.

In cases where recoveries are made in cash, e.g., by deductions from pay or otherwise, 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

301. All losses in respect of stores should be duly recorded in the stock accounts and the formal sanction of the 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 of market prices;
- (2). fair wear and tear ;
- (3). lack of foresight in regulating purchases, or
- (4). neglect after purchase.

Losses not due to depreciation should be grouped and recorded under the following heads:—

Substitution
[C.S.No.1/81
G.O.(P)
184/81/Fin. dated
27-3-1981].

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

The provisions of Article 297 apply to all losses mentioned in this Article except items (1) and (2) under losses due to depreciation. The rules regarding the disposal of obsolete, surplus and unserviceable stores are contained in Articles 153 to 157.

Note:- When a contractor or a departmental employee fails to return any Government tools, their value, including the appropriate centage charges, should be recovered from him.

Damage to immovable Government property

302. When a loss occurs by way of damage to any immovable property belonging to the Government (including buildings, communications and irrigation works) 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 the 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 and at the same time an abstract of it in Form 47 to Accountant General. The Head of the Department should send a final detailed report to the Government when he proposes that the Government should write off the loss, recommends that the Government should take disciplinary action or applies for funds to be specially provided to meet the cost of restoration of the property.

When a petty loss not exceeding Rs. 300 does not appear to involve any 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.

In cases of loss by way of damage to any immovable property belonging to the Government, the value of the damaged portion need not be written off the accounts, if the restoration of the damaged portion is commenced within the period of two years from the date of damage.

All river conservancy works are treated as repair works and consequently losses by way of damage to such works will not reduce the capital value of any Government property and so need not be formally written off the accounts. The preliminary and final reports prescribed in this Article should, however, be sent in respect of any such loss when it exceeds Rs. 1000. Any such loss not exceeding Rs. 1000 need only be reported to the authority competent to sanction the restoration of the damaged work.

General principles and procedure for fixing and enforcing

responsibility for losses

- 303A. The following general principles should be followed in enforcing the personal responsibility of the Government servant or servants concerned for a loss sustained by the Government through fraud or negligence on his part or on the part of any other Government servant to the extent he contributed to the loss by his own action or negligence and of any person for a loss sustained by the Government on account of a criminal offence committed by him:—

- (1). Whenever there is reason to suspect that the 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 full without avoidable delay. In order to avoid the relevant documents being tampered with by the time an enquiry is instituted, the Head of the Office, should take immediate

steps to ensure the safety, of those documents. 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 the Government and request them to obtain the services of an audit officer to assist in the investigation. If the Government depute an audit officer for the purpose, the administrative authority and the audit officer will be personally responsible, within their respective spheres, for completing the investigation expeditiously.

- (2). Whenever it appears likely that recourse may be had to judicial proceedings in connection with a loss sustained by the Government, the administrative authority should take competent legal advice at once. If there is a reasonable suspicion that a loss sustained by the Government is due to the commission of a criminal offence, the procedure prescribed in Articles 304 and 305 should be followed.
- (3). (a) Whenever an administrative authority holds that a Government servant is responsible for a loss sustained by the 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 circumstances of the loss but also the Government servant's financial position, since the penalty should not be such as to impair his future efficiency.
- (b) Whenever a loss is 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 responsibility in the matter, e.g., by recovering from him in money a suitable proportion of the loss, or by stopping his increments or reducing the pay.
- (c) 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 police-man's rifle, a factory motor, lorry or an Engineer's instruments), the appropriate administrative authority should always consider whether the amount of the loss sustained by the Government should not be recovered in full up to the limit of the Government servant's capacity to pay.

Note:— Interest at 5 ½ per cent or at such rate as fixed by Government from time to time should be charged after the liabilities are determined and from the time a written demand is made, on the amount of liability fixed against delinquent officers involved in defalcation cases; the interest so charged being not lower than 5 per cent in any event.

- (4). (a) In cases where a competent authority holds that a Government servant is responsible for a loss sustained by the Government and orders that any amount should be recovered from him and he is about to retire from service, the amount should be recovered as far as possible by deduction from the last pay and allowances or leave salary due to him. If the amount due to Government exceeds the amount payable to the Government servant, the excess shall be recovered from his claim for death-cum-retirement-gratuity after giving the officer a reasonable opportunity to explain. If the amount proposed to be recovered exceeds the death-cum-retirement-gratuity, the excess over death-cum-retirement-gratuity can be recovered from the arrears of pension, if any, due to the officer if written consent is obtained from him as pension (as distinct from death-cum-retirement-gratuity) enjoys the protection of the 'Pension Act'. A written consent is valid only to the extent it covers the amount of pension earned

by him till the date of such written consent.

- (b) If, however, the liabilities could not be finalised but could be estimated at the time of retirement, either the estimated amount of the outstanding dues plus 25 per cent thereof should be withheld from death-cum-retirement-gratuity or a surety bond or cash deposit not exceeding the estimated amount of the outstanding dues plus 25 per cent thereof should be accepted before releasing pension and death-cum-retirement gratuity.
- (c) If disciplinary proceedings are being continued against an officer under the Service Rules on the date of retirement, only a provisional pension should be sanctioned to him withholding however, the entire death-cum-retirement-gratuity due to him.
- (d) In cases where the liabilities could not be estimated the pension and death-cum-retirement-gratuity will be released provisionally after withholding from the death-cum-retirement gratuity the amount noted below:

(1) Officers in charge of cash or stores	The full amount of death-cum-retirement gratuity.
(2) Gazetted Officers other than those in (1) above	10 per cent of the death-cum-retirement gratuity or Rs. 2,000 whichever is higher.
(3) Non-Gazetted Officers other than (1)	10 per cent of the death-cum-retirement gratuity or Rs. 600 whichever is higher.

In all cases where the liabilities could not be assessed and fixed before retirement of the Government servants, efforts should be made to assess and adjust the recoverable dues within a period of one year from the date of retirement of the Government servant concerned. If in any case, the liability could not be assessed and adjusted within one year, the amount withheld from the death-cum-retirement gratuity or the surety bond or cash deposit accepted under paragraph (c) or (d) above will be released. Disciplinary action shall be taken against the officers responsible for the failure to assess and adjust the liabilities within the prescribed period.

- (e) If in any case the amount withheld from the death-cum-retirement gratuity or the cash deposit, or the surety bond taken from the officer is not adequate to cover the liabilities finally fixed, action should be taken against him under the Service Rules to make up the loss by withholding, withdrawing or effecting recoveries from the pensions sanctioned. If action under the Service Rules is not possible due to the expiry of the time limit prescribed for such action or due to any other reason, the retired officer will be proceeded against through a Civil Court for recovering the pecuniary loss caused to Government.
- (f) When a retired Government servant whose pension has already been sanctioned is held to have caused a loss to the Government by fraud or negligence while in service and it appears likely that the amount could be recovered by bringing a suit against him, the matter should be reported to the 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 the Government on account of any fraud or negligence found to have been committed by him while 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. Similarly, the fact that it is not possible to fix responsibility on the officials who initiated or acquiesced in the initiation of any irregularity resulting in loss to Government will not exonerate those who subsequently acquiesced in the continuation of the irregularity. It is the duty of all Government officials to look after the

financial interests of Government and Government will hold their officers responsible for such irregularities, not only those who originated them but also those who subsequently permitted their continuance.

303B. The following general principles should be followed in fixing monetary liabilities so far as the Government servants are concerned :

- (i) It should be carefully noted that personal monetary liability would arise only when pecuniary loss is sustained by Government. Irregularities in the maintenance of accounts or in the sanction of expenditure would not involve monetary liability as long as no loss to Government is caused. Distinction should be drawn between objections involving loss to Government and other objections in an audit report. The latter will not constitute monetary liability and will call for other forms of disciplinary action wherever justified.
- (ii) For the purpose of fixing liability, losses may be grouped under the following categories:—
 - (a) Personal dues e.g., excess pay and allowance drawn, arrears of house rent payable, balance of advances repayable such as Motor Car Advance, House Building Advance, Mosquito Net Advance, etc.
 - (b) Physical loss of cash or stores.
 - (c) Loss or extra expenditure arising out of administrative lapses e.g., payment of demurrage charges, payment of surcharge (Final) on electricity bills and Radio Licence fees, expenditure incurred in excess of one's powers not ratified by the competent authority, purchases effected in violation of Stores Purchase Rules resulting in extra expenditure, printing charges to private firms in excess of approved rates, sanctioning posts in schools in excess of the limits prescribed, irregular grant of fee concessions, stipends, etc., loss of revenue due to wrong assessment of claims becoming time-barred, etc.

Recovery in cash is called for in respect of categories (a) and (b). In regard to category (c), cash recovery should ordinarily arise only if mala fides are proved. The term "mala fides" may be defined in this context as a state of mind where the Officer may be deemed to have acted with the intention to be benefited directly or indirectly by such action. In other cases falling under category (c), it should be seen whether the types of irregularities previously pointed out have been repeated. If the irregularities have been repeated or are of a serious nature or magnitude, the question of taking other forms of disciplinary action if the officer concerned is still in service or of reducing pension under the Service Rules if already retired, should be considered.

- (iii) In cases of loss/infructuous expenditure, where more than one person is involved e.g., in the case of loss of stores, apart from the direct responsibility of the store-keeper the question of responsibility of the supervising officer/officers having control over stores will also arise. In such cases the degree/extent of personal responsibility of each individual should first be fixed strictly with reference to his duties and responsibilities and the extent to which he neglected them. The fact that a Government servant has been misled or deceived by a subordinate will, in no way mitigate his personal responsibility since every government servant should be familiar with the financial rules laid down by the Government and exercise a specially strict and close control over his subordinates in regard to the use of Public Funds and the maintenance of proper accounts. Having fixed the personal responsibility of each individual in the above manner, cash recovery/other forms of disciplinary action should be ordered with reference to such responsibility. In ordering cash recovery, the Government servant's financial position should also be taken into consideration. In cases where it is not possible to recover the share so fixed from one or more individuals due to their death or for other reasons the question may be taken up for obtaining sanction from the competent

authority for the loss to be written off. It should however, be ensured that the necessity for a write off should not arise for want of timely and adequate action to fix personal responsibility and the amount to be recovered from each individual.

Departmental enquiries regarding frauds, etc., in which

Government servants are involved

304. The general rule is that departmental proceedings should be instituted at the earliest possible moment against all the Government servants involved in any loss sustained by the Government on account of fraud, embezzlement or any similar offence, and conducted with strict adherence to the rules upto the point at which prosecution of any one of them begins. At that stage it should be specifically considered whether it is practicable to carry on the departmental proceedings against any of the others any further without waiting for the result of the prosecution; if it is, they should be carried as far as possible but not, as a rule, to the stage of finding and sentence in the criminal proceedings. If the accused is convicted, the departmental proceedings against him should be resumed and formally completed. If the accused is not convicted, the departmental proceedings against him should be dropped unless the authority competent to take disciplinary action is of the opinion that the facts of the case disclose adequate ground for taking departmental action against him. In either case, the proceedings against the remaining delinquents should be resumed and completed as soon as possible after the termination of the proceedings in court.

The departmental proceedings contemplated in the preceding paragraph are those regulated by the Kerala Civil Services (Classification, Control and Appeal) Rules, 1960. When action is taken under the Kerala Public Servants (Inquiries) Act, 1963 (Act 31 of 1963), this ordinarily takes the place of a criminal prosecution as regards the person or persons accused, but the procedure as regards other persons involved against whom the Act is not employed should be in accordance with the instructions given in the preceding paragraph.

Notwithstanding anything contained in Article 301 to 303 and in the foregoing paragraphs, recovery proceedings as contemplated in the Kerala Public Accountants Act, 1963 (Act 37 of 1963) should invariably be taken against the persons involved in any loss sustained by Government on account of fraud, embezzlement or any similar offence and conducted with strict adherence to rules till the loss involved is realised completely.

Prosecution for embezzlements of public moneys or property

305. (a) Whenever 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 properties belonging to Government or institutions under the control of the Government (including moneys or properties of co-operative societies), he should as a general rule report the matter at once to the Police and simultaneously inform the District Collector and Additional District Magistrate and the Head of his department that he has laid an information before the Police.

However, in cases, of defalcation/embezzlement of public money or properties in which Government servants or public servants are involved and where the amount or the value of the properties involved is Rs. 5,000 (Rupees five thousand only) or more belonging to State Government (including moneys or properties of co-operative societies) they should be reported immediately to the Local X-Branch Vigilance Division instead of to the ordinary Police.

The Police/Local X-Branch Vigilance Division should then keep the Government servant who laid the information and the District Collector and Additional District Magistrate informed of the action taken in the matter.