

## **PROCEEDINGS OF GOVERNMENT OF KARNATAKA**

**Sub:** Revision of Karnataka Financial Code and Manual of Contingent Expenditure – regarding.

**Read:** E-Mail dated 17 November 2003 from Ms Paramita Dasgupta, Economist, World Bank Office, New Delhi to Secretary, Expenditure, Finance Department.

- ii) Govt Notification No. FD 71 FC-3 2004 dated 13 February 2004.
- iii) Govt letter No. PWD 146 SO/FC 2003 dated 30.04.2003 to M/s SG Associates, Bangalore.
- iv) Letter dated 21.10.2004 addressed to Secretary, Expenditure, Finance Department by M/s SG Associates, Bangalore.

### **Preamble :**

In its Country Procurement Assessment Report (CPAR) given to the State Government by the World Bank, for procurement reforms, it has been recommended that the old codes and manuals – such as the Karnataka Financial Code (KFC), the Manual of Contingent Expenditure (MCE) etc., may be revised.

Standing Committee appointed by Government for looking into the implementation aspects of CPAR has decided that Working Groups may be constituted for Review of KFC, MCE etc.

In the Notification read at no. (ii) above, the Govt. notified that provisions of the Karnataka Transparency in Public Procurements Act shall not apply for engaging consultancy services in connection with Review of KFC by the FD.

Government in its letter read at no. (iii) above, requested M/s SG Associates, (S. Gopalswami and Associates), Bangalore to consider taking up the work on consultancy basis, as this firm has persons with adequate expertise and experience for taking up the task. M/s. S.G. Associates conveyed their confirmation for the same in their letter read at no. (iv) above. Suggestion was also made for including the revision of the Manual of Contingent Expenditure (MCE) along with KFC. After examining all aspects in the matter, following orders are issued.

### **ORDER NO. PWD 146 SO/FC 2003, Bangalore**

**DATED 27<sup>th</sup> December 2004**

Government is pleased to appoint M/s. S.G. Associates (S. Gopalswami and Associates), Banashankari III stage, Bangalore-85 as Consultants for a period of six months with immediate effect for taking up the revision of Karnataka Financial Code (KFC) Volumes-I & II and the Manual of Contingent Expenditure (MCE).

2. The consultants shall complete the work in 6 months from the date of this Order.

3. In Finance Department there shall be a Working Group to review the completed revised draft chapters of the Codes and Manuals and suggest improvements/changes, if any. The Deputy Secretary-III, Finance Department shall be the Member-Secretary of the Group.

4. The Consultants shall take into consideration all the necessary and appropriate actions for the said revision as per the Terms of Reference (TOR) attached to this Order and the guidance from the Working Group from time to time.

5. The consultants shall submit eight copies of the draft chapters as and when they are ready for review by the Working Group. The Working Group shall furnish their comments on the draft chapters within 10 days time. The consultants shall arrange to furnish the chapters keeping in view the overall time limit of 6 months.

6. The Consultants shall submit to the Government the finally approved chapters of the KFC Volumes-I & II and the MCE in book form in six hard copies and a soft copy (CD).

7. The Consultants shall be paid a total sum of Rs.6.60 lakhs (Rs. Six lakhs and sixty thousand only) as consultation fee to be paid in installments as per the following arrangement:

- i) 20% as advance for commencing the work;
- ii) 30% after all the chapters of KFC Volume –I are revised, approved for printing;
- iii) 20% after completion of review of Volume-II of KFC, approval for printing;
- iv) 20% after completion of review of MCE, approval for printing;
- v) 10% final payment after submission of the final copies.

8. The consultant shall undertake to enter into an agreement to take up the review of KFC & MCE as per the TOR (in Annexure) on a stamp paper of Rs.100/-. 20% advance shall be given to the consultants after the agreement is furnished. Draft agreement shall be got approved from the Finance Department.

9. Expenditure on account of this matter may be debited to the provision "2052-00-090-0-07-FD – Library, Research Cell and Other charges-051-General Expenses" under Non Plan.

This order issues under the powers delegated to the Secretary to Government, Finance Department under FD 1 TFP 96 dated 10.07.1996 and FD 1 TFP 2003 dated 12.06.2003.

By Order and in the name of the  
Governor of Karnataka

**(Ashok S. Jivaragi)**

Under Secretary to Government, PWD FC,  
Finance Department.

### **Terms of Reference for Revision of Karnataka Financial Code and Manual of Contingent Expenditure**

The Karnataka Financial Code was compiled and issued shortly after the present State of Karnataka was formed in 1956 on the re-organization of States. After the issue of the compilation several changes have taken place in the State's financial and accounting set-up. The changes relate to areas such as the arrangements for receipt and custody of Government revenues, Withdrawal and disbursement of funds. accounting thereof, the role of audit and the relations of departments with audit, the duties and responsibilities of Government servants etc., Many of these changes have been effected as response to the emerging requirements in dealing with the finances of the State which have arisen both by expansion of Governmental activities and by increasing complexity in transactions, Although corrections to the Code consequent to these changes have been issued from time to time. there is a need to review the provisions of the Code to make it cater adequately to the needs, as they exist now. It is therefore felt necessary to review the Code in its entirety and to modify it suitably in a manner that would ensure that it serves the purpose fully in the present day context.

Similarly the manual of Contingent Expenditure also needs revision. Government proposes to entrust the task of revising the Code and the Manual and suggesting modifications to these to a team of consultants who are well versed with the financial rules and procedures of Government.

#### **Scope of the work:**

The scope of the work shall include Revision of Volume-I of the Karnataka Financial Code containing the main provisions as well as Volume-II containing forms and appendices and the Manual of Contingent Expenditure.

The revised Code and the Manual should not only capture and present changes effected over the years but also be oriented to meet the future requirements.

#### **Obligations of Government:**

i) The Government shall nominate an officer to coordinate and monitor the work of Consultants. The nominated officer shall be responsible for liaising with the consultants and providing from the Government end, all assistance to them in their work.

ii) In addition, the Government shall constitute a small working group or consultative committee of a few selected senior officers to consider and give decisions on discussion papers, which may be presented by the consultants. The nominated officer mentioned above shall be the Member-Secretary of the group/committee. Depending on the topics that are slated for discussion, the nominated officer may invite representatives from the concerned departments to attend meetings of the group/committee.

iii) Government shall take steps to provide requisite material to the consultants to enable them to update the Code and the Manual with reference to all the correction slips and other Government orders, notifications, etc. issued subsequent to the last revision made to the Code and the Manual.

### **Obligations of the Consultants:**

The approach to the task and the plan of action to be followed for revising the Code and the Manual would be broadly as under;

i) The consultants shall update the Code and the Manual with reference to all the correction slips and other Government orders, notifications, etc., issued subsequent to the last revision made to the Code and the Manual. This activity may be taken up and completed independently without allowing it to be influenced by the pace at which the other activities progress.

ii) The consultants shall make a thorough review of the existing system of rules and procedures relevant to the task assigned to them. The procedures as laid down in the State rules as well as the Central rules will have to be Studied. A holistic approach to the task is required. The consultants shall, initially and from time to time thereafter, taken an overall look at the existing compilation with a view to identifying the areas that require substantial changes.

iii) The consultants shall suggest deletion of, or modifications to, all rules or provisions, which have become redundant or have outlived their purpose or utility.

iv) The consultants shall propose suitable changes in the rules, procedures, etc., in the light of new innovations and changes. In this exercise, it is not enough if the changes or innovations introduced already are considered. To the extent that they can be anticipated, changes and innovations that are likely to come through in the near future may also be considered. Some of the developments to be taken into account in this exercise may include receipt of moneys through collection kiosks or credit cards, ECS payments, etc., computerization of accounts at the treasury level, network linking of departments, transfer of responsibilities to local Government and autonomous institutions, requirement stipulated by the Central Government and external financing agencies, etc.

(v) Representatives of the relevant departments shall be associated in the discussions concerning changes applicable to particular departments,

vi) The Consultants may suggest rearrangement of subject matter including rearrangement of forms and appendices wherever required.

vii) The Consultants shall prepare a broad structure for the Code and the Manual before going to the chapters and the structure shall be discussed and cleared by the Working Group.

viii) As and when each Chapter is given a final shape, the contents thereof shall be discussed and cleared by the working group.

ix) As far as possible, the paragraphs may be made self-contained and the number of notes, footnotes and provisos, etc., minimized. A conscious attempt may be made to frame the provisions in simple and straightforward terms.

x) The consultants shall, after Government clears the changes and deletions, provide a set of six copies of the Revised Code and the Manual to Government for further action at Government level.

xi) The entire work shall be completed within a time frame of six months commencing from the date of entrustment of the assignment to the consultants.

xii) The consultants shall suggest the procedure and modalities of updating of the Karnataka Financial Code and the Manual of Contingent Expenditure also regularly, say once every three years.