

PROCEEDINGS OF GOVERNMENT OF KARNATAKA

Subject: Guidelines for operation of funds in Banks by State Government Departments, Local bodies or Authorities, Boards, Corporations, Societies, Universities and other State autonomous bodies.

- Read :**
1. Letter No. FD / 367 / SAD / 2015 dated 9/11/2015
 2. Letter No. SAD / 24 / EWP / 2014 Part 2 dated 23/6/2016

Preamble:

Convo. S. 1. 2017
2/2/17

1. Government finances in Karnataka are managed through Treasuries which receive and disburse moneys on behalf of the Government. Nevertheless, government departments are permitted to operate funds through banks under special circumstances. Boards, Corporations, Societies, Universities and other State autonomous bodies, also manage their funds in bank accounts. In both these instances, public finances are managed outside the treasury system. It has been found that funds outside the Treasury system are susceptible to misuse and fraud as pointed out by the audit of reports of both C&AG and Karnataka State Audit & Accounts Department (KSA&AD).
2. A group of KSA&AD officers headed by the Principal Director, KSA&AD was constituted vide OM No. SAD / 24 / EWP / 2014 dated 20/11/2015 to examine the existing system of the non treasury management of funds and to come up with suggestions for strengthening the same. The group has submitted its recommendations for operation of funds in banks by Government Departments/organizations.
3. After several rounds of discussion with various stakeholders, it has been decided that guidelines have to be issued for strict adherence by Government departments, Boards, Corporations, Societies, Universities and other State autonomous bodies and also to conduct a survey of the existing bank accounts to check compliance with these guidelines.

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Hence the order.

Government Order No. FD 5 TAR 2017 dated: 30.1.2017

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1. Under the circumstances explained in the preamble, the Government is pleased to issue a set of guidelines and a survey plan with the objective of ensuring transparency and accountability in the management of funds/moneys through bank accounts.
2. All State Government Departments, Local bodies or Authorities (including Urban Local Bodies (ULBs) and Panchayat Raj Institutions (PRIs), Boards, Corporations, Societies, Universities and other State autonomous bodies shall follow the following guidelines given in PART A for opening and operating bank accounts. They shall also provide the necessary information and support to KSA&AD for the completion of the survey as in PART B.

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3. These guidelines will apply only to the bank accounts that are opened after the issue of this Government Order (GO). Existing bank accounts will remain unaffected till the completion of the KSA&AD survey of PART B. Thereafter, their continuation will depend on their level of adherence to these guidelines and as per recommendations made by Principal Director, KSA&AD in the survey report.

PART A : GUIDELINES

I. OPENING OF NEW BANK ACCOUNT

1. No bank account will be opened and operated by Government departments (including field offices), local bodies or authorities (including Urban Local Bodies (ULBs) and Panchayat Raj Institutions (PRIs), Boards, Corporations, Societies, Universities and other State autonomous bodies without the express sanction of the competent authority. The details of the competent authority for sanctioning of new bank accounts are given in Annexures A and B.
2. New bank accounts shall be permitted by the competent authority only after ascertaining that the existing system of fund disbursement is incapable of meeting specific requirements of the department/organisation.
3. Opening of new bank accounts with the purpose of diverting and parking funds, to avail loans and to avoid lapsing of funds, is henceforth, strictly prohibited.
4. **Only Sweep-in-Sweep-out deposit accounts must be considered for operation of funds in banks.** For all other kinds of bank accounts (Savings/Current account, etc) further sanction of the Administrative Department in the form of a GO is mandatory.

NOTE: If the scheme/project guidelines require maintaining funds in accounts other than Sweep-in-Sweep-out deposit accounts, then the Administrative department may permit the same.

5. While opening a bank account, the bank giving the best interest rates should be selected by the organisation. Quotations for the same must be called from all eligible banks which meet the following criteria:
 - a) The bank must be a Public sector Bank or Regional Rural Bank (RRB). However, when an organisation requires a specific banking solution for its operational convenience and the Public Sector Banks are unable to provide such service, Scheduled bank may be considered for opening of bank account if it provides some banking or transactional solution of value to the organisation. All such cases will require approval from the Administrative Department along with concurrence from Finance Department (FD).
 - b) Net worth of the bank, which shall not be less than the limits decided by FD.

- d) Profitability for the preceding two consecutive years
 - e) Safety and security of money and data
 - f) Effective monitoring through online access, core banking and E- Banking which should include alerts, e-transfer and MIS reporting on real time basis.
6. The sanction order for opening the bank account must include details such as purpose of opening the account, name of the scheme, type of account with justification, operational guidelines like authorized signatories, etc.
 7. **In addition to the above guidelines, Government departments may refer to Annexure A for opening of new bank accounts.**
 8. **Local bodies or authorities, Boards, Corporations, Societies, Universities and other State autonomous bodies may refer to Annexure B for further details about opening new bank accounts.**

II. MANAGEMENT OF BANK ACCOUNTS

Bank transactions must be conducted in a way to safeguard the interests of the department/organisation. The following guidelines are applicable to all bank transactions of Government departments, Local authorities, Boards, Corporations, Societies, Universities and other State autonomous bodies:

1. All fund transfers from bank accounts shall be through the electronic mode (Bar coded RTGS, NEFT, IMPS, etc). Account Payee Cheques may be issued only in exceptional cases and all such payments shall be specially approved by the Head of the Department / Managing Director as payments made on Account Payee Cheques with reasons duly recorded in writing.
2. All Electronic fund transfer requests/Cheques must be jointly signed by two designated officers, one of whom must be the CFO/CAO/Head of Finance.
3. Drawing money on Self Cheques and transfer of scheme funds to personal accounts of the authorities/officers is strictly prohibited.
4. The Drawing and Disbursing Officer/CAO/CFO and the Controlling Officer/Head of Organisation must provide details of official e-mail IDs and registered mobile phone numbers to banks to activate alert services (SMS, e-mail, etc) about high value payments /investments and drawals on cheques. In such cases, the banks shall provide sufficient time to the concerned officer to stop payment if the alerted transaction is found to be fraudulent by him.
5. The Drawing and Disbursing Officer/CAO/CFO must reconcile the accounts after obtaining Monthly Balance Confirmation Certificate along with statement of transaction for each account from the bank as per KFC 329.

6. The Drawing and Disbursing Officer/CAO/CFO must submit a copy of the Bank Reconciliation Statement to the **Controlling Officer/Head of the Organisation** with the certificate that the accounts are reconciled with the bank statements. This must be completed by the 10th of the ensuing month.
7. A list of high value payments/investments made in a month must be submitted to the Controlling officer/Head of the Organisation by the Drawing and Disbursing Officer/CAO/CFO. **The ceiling for what constitutes high value may be fixed by Controlling Officer/Head of the Organisation.**

NOTE: Investment of surplus funds held by Local Bodies or authorities, Boards, Corporations, Societies, Universities and other State Autonomous Bodies is not covered by this GO. Investments by Public Sector Undertakings (PSUs) are governed by guidelines issued by Department of Public Enterprises. Similar guidelines for all other autonomous bodies will be issued shortly.

8. The Internal Financial Adviser (IFA) must confirm that all bank accounts being operated by Departments, Local Bodies or authorities, Boards, Corporations, Societies, Universities and other State autonomous bodies are compliant with these guidelines.

The IFA must ensure that:

- a. All existing bank accounts in the name of the departments, Local Bodies or authorities, Boards, Corporations, Societies, Universities and other State autonomous bodies are notified annually as per paragraph III (3) below.
- b. A copy of such notification is sent to the Principal Director, KSA&AD, Director, Department of Treasuries and the statutory auditors.
- c. UCs submitted by departments and other organisations are correct and complete in all aspects.

III.

The department may designate officers/personnel to assist the IFA in this regard.

9. **In addition to the above, the following guidelines shall govern the operation of funds that are released by Government to bank accounts of Departments/organisations for implementation of specific schemes:**
 - a) If the scheme guidelines provide for it, the office/organisation must enter into an MoU with the selected bank, A standard format of the MoU is given in **ANNEXURE C.**
 - b) Reconciliation of office accounts with Bank statements must be done by the DDO of concerned office / department on a monthly basis. This must be ensured by the CAO/CFO/Head of Finance section.
 - c) Controlling Officers must watch the progress of scheme expenditure as laid down in KFC 346.
 - d) Release of funds to bank accounts shall be made subject to utilisation of the earlier instalments as prescribed in the delegation of powers issued by FD from time to time. Utilisation of the grant should be supported by Bank statements.

- e) Individual Utilisation Certificates (UCs) must be submitted by the implementation authority to the fund releasing authority in the format given in **ANNEXURE D**. The UC must have annexures with details such as purpose of release, works sanctioned and executed, amount spent, cheque number with date, closing balances duly reconciled with books of accounts maintained in the office, etc.
- f) In addition to the implementation authority, the concerned controlling authority must certify the correctness of the information provided in the UC.
- g) In cases of funds disbursed to more than one DDO, the CAO of the department must consolidate all the individual UCs and send a consolidated UC to the IFA. This should be attached with the GIA bills before sending them to the treasury.
- h) In case of bank accounts with funds of more than one scheme, Schemewise Cash books and accounts must be maintained by the office/organisation to avoid mixing up of funds.
- i) Diversion of scheme funds is strictly prohibited and the administration should deal with such actions stringently.
- j) Unspent funds and the interest amount accumulated on such funds must be dealt with as per the guidelines issued by GoI/GoK in this regard.
- k) Funds, which are released by the government for the execution of schemes/programmes/works, shall strictly **NOT** be invested in Fixed deposits or other risky instruments.
- l) Bank Accounts opened for a specific scheme must be closed as soon as the scheme is wound up.

III. DISCLOSURE OF BANK ACCOUNTS

In order to ensure transparency and accountability in financial reporting and for effective audit thereafter, it is mandatory for all departments/organisations to disclose the following information:

1. The number and details of bank accounts being operated by the department/organisation must be disclosed in the Annual accounts/Annual reports along with a certificate by the Finance Officer / concerned officer dealing with Finance. The format of disclosure certificate is given in **ANNEXURE E**.
2. The annual audit reports issued by Chartered Accountants must include the list of all bank accounts pertaining to the organisation.
3. The Administrative Department must notify through a GO, all bank accounts, both old and new, that are being operated by the departments, field offices and autonomous/statutory institutions coming under its control by 31st July every year. The notification should also include the closing balance details of these accounts as on 31st March.

4. All Boards, Corporations, Societies, Universities and other State autonomous bodies must include the list of bank accounts as an agenda item for information in its monthly/annual general body meetings.
5. All departments must indicate the bank balances of schemes being operated in bank accounts by them and their field offices in MPIC meetings.

NOTE: The detailed roles and responsibilities pertaining to the various stakeholders with regard to the above tasks of **PART A** are given in **ANNEXURE F**.

PART B : SURVEY OF BANK ACCOUNTS

It is also felt that a survey plan has to be drawn to check compliance of existing bank accounts to these guidelines. The survey shall be conducted as follows:

1. All the existing bank accounts of Government departments, Boards, Corporations, Societies, Universities and other State autonomous bodies must be listed by the concerned Administrative Departments. This list should be furnished to Principal Director, KSA&AD to enable the survey of these accounts. This has to be done within **one month** of the issue of this GO.
2. Simultaneously, KSA&AD may obtain from the banks, information of all bank accounts being operated by Government offices, Boards, Corporations, Societies, Universities and other State autonomous bodies within **two months** of the issue of this GO. The SLBC may ensure that banks provide the necessary information to Principal Director, KSA&AD.
3. KSA&AD shall make an assessment of these bank accounts to check compliance with the above guidelines. This exercise must be completed with the help of Local Audit Circles/Vigilance Cell of KSA&AD within **six months** of the notification of these guidelines.
4. The findings of this survey must include information about the list of bank accounts, whether the bank accounts are compliant with the guidelines, whether the existing banks need to be continued or closed, details of balances in the accounts which are unspent or unreconciled, etc. A report along with recommendations of the survey shall be submitted to the concerned Administrative Department for corrective action.
5. Upon receipt of the KSA&AD Survey report, the administrative department shall conduct a detailed audit of the non compliant bank accounts as indicated in the survey report and take necessary corrective measures as below within **eight months** of the issue of this GO:
 - a) All existing bank accounts without proper sanction and all dormant accounts must be closed after thorough scrutiny of accounts, reconciliation of cheques issued and encashed/unencashed, etc. This operation should also include the Master account of ZPs.
 - b) Unspent Balances must be dealt with as per guidelines issued in this regard by GoI/GoK.

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The action taken report may be furnished to Principal Director, KSA&AD by the Administrative Departments.

6. Once the Administrative Department takes the above remedial action, it shall issue orders to its internal audit teams to conduct annual audits of the departments/organisations under its purview to ensure continued compliance to the above guidelines.
7. If internal audit detects cases of non adherence or violation of these guidelines by the field offices, such matters may be seriously dealt with by the Administrative Department.

PART C: GENERAL

The guidelines mentioned above necessitate amendments to some provisions contained in the Karnataka Financial Code, Karnataka Treasury Code and other Acts and rules. These would be carried out shortly and issued separately.

By order and in the name of the
Governor of Karnataka



(Arvind Shrivatsava)
Secretary to Government(B&R)
Finance Department

To,

The Compiler, Karnataka Gazette for publication in the next issue of Gazette.

Copy to:

1. The Principal Accountant General (A&E)/Principal Accountant General (G&SSA) and Principal Accountant General (E&RSA), Bangalore.
2. The Chief Secretary to Government, Vidhana Soudha, Bangalore.
3. The Additional Chief Secretary to Government, Vidhana Soudha, Bangalore.
4. The Additional Chief Secretary & Development Commissioner, Vidhana Soudha, Bangalore.
5. The Principal Secretaries/Secretaries to Government
6. The Heads of Departments.
7. The Deputy Commissioners of Districts
8. The Chief Executive Officers of Zilla Panchayats.
9. All Boards/ Corporations/ Universities/Authorities/Socities/autonomous bodies/local bodies through the concerned Administrative departments.
10. Secretary to Government, K-II and Ex-officio, Treasury Commissioner, 7th floor, Commercial tax Building, Gandhi nagar, Bengaluru-09.

11. The Director of Treasuries, Bangalore.
12. The Deputy Director, Treasury Network Management Centre, Khanija Bhavan, Race Course road, Bangalore.
13. The District Treasury Officers.
14. All Internal Financial Advisors.
15. All Sections in Finance Department.
16. Weekly Gazette/Monthly Volume/Annual Compendium/S.G.F./Spare copies.

Annexure A

(Para 7 of Part A (I) of GO No: FD 5 TAR 2017 dated:30.1.2017)

(Opening of bank accounts by Government Departments, Directorates and other departmental field offices)

Government Departments must conduct all their fund transactions through the treasuries. However, in exceptional cases, departments may operate bank accounts subject to following conditions:

1. Sanction of the Competent authority is mandatory for the opening of a new bank account. In the case of Government Department (or its field offices), the competent authority shall be the concerned Administrative Department in the Secretariat. The Administrative department shall issue a Government Order (GO) permitting a new bank account only after obtaining the Finance Department's concurrence for the same.

NOTE: The Administrative department is not permitted to sub delegate this power further to its subordinate authorities.

2. A new bank account can be opened by Government departments only under the following circumstances:
 - a. When the funding agency (GoI, World Bank, ADB, etc) provides for maintaining a separate bank account in the scheme/project guidelines.
 - b. When it is found by the Administrative Department that the existing fund disbursement system does not support a specific operational requirement of a scheme/project.
3. Field offices are prohibited to open bank accounts on their own. However, in cases when the actual expenditure on a scheme is by the Field offices, they can operate accounts that are linked by the core banking system to the Primary Bank Account held by the Department/Directorate/ Head Office as part of scheme/project requirement. The number of such field office accounts must be indicated in the GO authorizing the opening of the Primary Bank Account.

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Annexure B

(Para 8 of Part A (I) of GO No. FD 5 TAR 2017 dated:30.1.2017)

(Opening of Bank accounts by Local bodies or authorities (including Urban Local Bodies (ULBs) and Panchayat Raj Institutions (PRIs), Boards, Corporations, Societies, Universities and other State autonomous bodies)

1. The **Fund Account** or the **Primary Account** shall be opened by Local bodies or authorities (including Urban Local Bodies (ULBs) and Panchayat Raj Institutions (PRIs), Boards, Corporations, Societies, Universities and other State autonomous bodies as permitted by the governing Act/ Rules/ Bye laws/ Resolution of concerned governing body. **All funds, grants and receipts of the organisation must be compulsorily taken into this Fund account.**
 2. **An organisation cannot have more than one such Fund Account.**
 3. **Additional Scheme/Project bank accounts can be opened only when the fund releasing agency requires funds to be maintained in separate bank accounts.** Even in such cases, funds must be routed through the Fund account to these Scheme/project bank accounts. Permission for opening these additional bank accounts must be obtained from the concerned governing body (Syndicate of University/Governing Council/Board/Committee, etc) in the form of a Resolution.
- NOTE: Bank accounts of field units cannot be considered as additional bank accounts. These must be mandatorily linked to the organisation's Fund Account/Scheme account.**
4. For operational convenience, organisations may sometimes require specific banking solution which is not provided in its already existing accounts. In such cases, specific bank accounts can be opened only with the **Resolution of the concerned governing body (Syndicate of University/Governing Council/Board/Committee, etc) AND by a specific sanction from the concerned Administrative Department in the form of a Government Order which shall be issued after obtaining FD's concurrence.**
 5. **All receipts of the organisation must be routed through the Fund account and then to the respective project/scheme accounts, if required. Such transfers must be shown as shown as advance in the accounts of the Fund account.**
 6. The standard format of General Body Resolution for permitting new bank accounts is as follows:

Format of General Body /University Syndicate Resolution
[To be executed on official letterhead]

Certified copy of the resolution passed at the meeting of the Board of Directors/Syndicate of _____ (Name of Organisation/ University) held on _____ (Date) at its registered office _____(address).

A proposal to open a _____ (Type of account, preferably a Sweep in Sweep out Deposit account) with the _____ (Name of Bank with Address) was placed before the Board/Syndicate for _____ (Purpose of opening of account). After discussions, the Board unanimously:

RESOLVED THAT _____ (Type of account) in the name of _____ (Name of Organisation/ University) be opened with the _____ (Name of Bank with Address) for _____ (Purpose of opening of account).

The following Authorized Signatory/Signatories of the Organisation/ University are hereby authorized to open, to accept, sign, execute, deliver and complete all documentation, agreements, accounts opening forms and accept and abide by the modifications and / or variations in any or all the terms and conditions from time to time and, in order to apply for and avail and operate the said account.

JOINTLY

Name of the person(s) authorized with designation

1. Shri/Smt	Designation
2. Shri/Smt	Designation
3. Shri/Smt	Chief Financial Officer (CFO)

All cheques/payment advices shall be jointly signed by the CFO and one officer from the above list.

Any change in the above mandate shall be by a fresh resolution passed by Organisation University's Board/Syndicate and by intimating the same to Bank

AND

1. THAT the said Bank be instructed to accept and act upon any instructions relating to the account kept in the name of the Organisation/ University or relating to any transactions of the Organisation/ University with the Bank, provided the instructions are signed by the authorized signatory(ies) of the Organisation/ University in the manner mentioned as above.

2. THAT the said Bank be instructed to accept receipts for money, deeds, securities or other documents or papers or property or any indemnities given on behalf of the Organisation/ University provided they are signed by the authorized signatory(ies) of the Organisation/ University in the manner as mentioned above.

3. THAT the bank be furnished with a list of the names of Officers of the Organisation/ University and a copy of the Memorandum & Articles of Association and be from time to time be informed by notice in writing under the hand of the Officers/Authorized Signatories of the Organisation/ University of any changes which may take place therein and be entitled to act upon any such notice until the receipt of further notice under the hand of any Officers/ Authorized Signatory.

4. THAT the resolution be communicated to the Bank and remain in force until duly rescinded and notice thereof in writing be given to the Bank by any of the Officers of the Organisation/ University."

"RESOLVED FURTHER THAT the aforesaid power entrusted to the said official shall be valid and effective unless revoked earlier by the Board/Syndicate or shall be exercisable by him so long as he is concerned to the Organisation/ University."

"RESOLVED FURTHER THAT all acts, deeds, things, matters, etc. as aforesaid shall be deemed to be valid and enforceable only if they are consistent with the instant resolution as may be relevant in this case and that the Board/Syndicate shall not be responsible for any acts beyond the scope of the aforesaid powers done by _____ (Name of the authorized person(s) and such invalid, illegal acts, and acts done beyond the scope of powers granted in this Resolution shall not bind the Organisation/ University against any third parties or before any authorities in any manner and that the Board/Syndicate shall not be answerable in that behalf."

"RESOLVED FURTHER THAT a certified copy of the resolution be given to anyone concerned or interested in the matter."

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Annexure C

(Para 9 (a) of Part A (II) of GO No: FD 5 TAR 2017 dated:30.1.2017)

Standardized format of MoU with Banks in respect of scheme accounts only

MEMORANDUM OF UNDERSTANDING

(Hereinafter referred to as MoU made and executed on
(DATE))

For

(Describe the project/ scheme/purpose of opening the account in the bank)

Between

The name of Department/organisation and Represented by (Name of the authorized person with designation details)

AND

The name of the bank with details of branch and represented by (Name of the authorized bank representative)

1. PREAMBLE:

1.1 (Provide here the details of the project along with need and justification for opening the accounts)

1.2 Hence, this Memorandum of Understanding (MoU) made at (Place of office) on day of month year between,

Name of the department/organisation represented by name of authorized officer with designation details having its office at Location of the department/organisation who is authorized to sign the MoU and herein after referred to as "abbreviated form for the department/organisation" which expression shall unless repugnant to the context or meaning thereof, be deemed to mean and include its successors and permitted assigns) of the First Part.

AND

Name of bank with details of address represented by its name of authorized bank representative (hereinafter referred to as "abbreviated form for the bank, if any" having its Head office at _____ and its corporate office at _____ represented by its authorised representative Shri/Smt _____ at _____ which expression shall unless repugnant to the context or meaning thereof, be deemed to mean and include the bank, its nominees, representatives, successors in interest and permitted assigns) of the Second Part.

WHEREAS "State the department's/organisation's purpose of opening the bank account"

AND WHEREAS "State the kind of service being provided by the bank".

AND WHEREAS "the department/organisation" and "Bank" have agreed to provide services subject to the terms and conditions mentioned for the above purpose.

NOW, THEREFORE, in consideration of the premises, covenants and conditions herein contained and the mutual benefits to be derived from the MoU, IT IS HEREBY AGREED between the parties as follows:

DEFINITIONS, if any, may be listed like "Agreed Time Frame", "Beneficiary", "Beneficiary Accounts", "Electronic Funds Transfer", "Nodal Bank", etc

2. SCOPE OF SERVICES:

As the Nodal Bank for the *Name of project/department*, *Name of bank* will offer the following services:

(List the required services with details. The details may include transaction Reference Nos., Unique Identification for Government offices accounts, frequency of reports, list of high value transactions to the HoD, action regarding unsuccessful/ delayed payments, reconciliation statements, inter and intra bank transaction time frame, customized reports from the database, automated message generation for high value payments to one account with one TIN/PAN, transaction charges, security and back up for data, etc.)

3. TERM:

The term is w.e.f. *indicate start and end period of MoU* and all terms of operational guidelines effected from time to time shall be applicable to this MoU. Any amendments warranted due to changes as directed by the Government shall apply with mutual consent in writing by both the parties to MoU.

4. OBLIGATIONS:

Facility Standards:

The two parties agree that they shall-

- 4.1 Make their best efforts to maintain the Facility in operation during the working hours on all their working days.
- 4.2 Make their best efforts to provide the facility in a secure manner that prevents/blocks information transmitted from (A) unauthorized interception, (B) undetected unauthorized modification or alteration after its origin, (C) undetected initiation by persons posing as other persons or entities. (D) Unauthorized replication (E) Unauthorized omission and deletion of any data.

5. LIMITATIONS:

The bank's obligations under this agreement are subject to the limitations that the bank shall have no liability for any failure or delay in providing the facility if the failure or delay is caused by any of the following reasons:

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- a) Is caused by any act or omission by the department/organization
 - b) Results from actions taken by Bank in the interest of this agreement to avoid violation of a law, rule or regulation of any Government authority; or
 - c) Is caused by circumstances beyond Bank's control, including vandalism, theft, extreme or severe weather conditions or any other causes like fire, riot, civil commotion or disruptions of similar nature or in the nature of "ACT OF GOD", lying beyond the reasonable control of and not brought about at the instance of the party claiming to be affected by such event(s).

6. USE OF THE FACILITIES:

In using the facility both the parties agree to make best endeavors not to use the facility in any manner, or perform any activity, which constitutes a violation of any law or regulation or which may cause both or either of the parties to be subject to investigation, prosecution or legal action for such violation of law or regulation.

7. CATEGORIES OF TRANSACTIONS:

Mode of Transfers:

The categories of transactions to be covered by the transactions under this Agreement are detailed hereunder and both parties may agree to introduce other categories of transactions from time to time as per the terms mutually agreed upon.

7.1 Transfer through branches of bank:

Transfer under this mode is by 'Internal transfer' facility to transfer the amount to bank accounts maintained with other branches of bank.

7.2. Transfer through Group Banking

7.3. NEFT/RTGS: Transfer under this mode are sent using 'National Electronic Funds Transfer (NEFT)' as per the guidelines laid down by the RBI to the other branches of Nationalized Banks/Scheduled Commercial Banks who are members of RBI NEFT System.

8. INSPECTION OF RECORDS AND AUDIT:

Bank shall maintain all records necessary as per the Bank's Banking practice, laws and any other laws as applicable. Bank shall allow inspection of records of payment of monies under this MoU by officers of department/organization/Audit departments or its authorized representatives as may be required.

9. AUTHORITY

Each signatory of this MoU represents and warrants that he/she is duly authorized by the Party and on whose behalf he/she is signing this MoU to execute the same in a manner binding upon said party and that all necessary

approvals and procedures for vesting such authority in him/her have been duly complied with.

10. COMMERCIAL TERMS

All the parties to the MoU shall keep the detail records of the experiences/suggestions for improvements and share the same in a transparent manner for review and appropriate actions.

11. INDEMNIFICATION

11.1.0 Indemnification by Bank:

Bank shall indemnify, defend and hold harmless the department/organization against all loss, damages or the expenses of any kind, arising from claims of third party including claims, assertions, as well as investigations of a government agency, which claims arise in whole or part from:

- a. The negligence or willful misconduct of the employees of the Bank or its agent in respect of obligation undertaken under this MoU.
- b. A breach of an obligation of Bank to department/organization under this Agreement, or
- c. Any loss or liability arising to the department/organization in respect of the services, in connection with the facility being offered, under this Agreement, provided that in no event shall Bank be liable for any special, indirect, incidental or consequential damages arising out of or in connection with this Agreement.

11.2 Indemnification by department/organization:

11.2.1 Department/organization shall indemnify, defend and hold the bank harmless against all losses, damages or expenses of any kind arising from claims of a third party including claims, assertions as well as investigation of a government agency, which arise in whole or part from the negligence or wilful misconduct of the employee of department/organization and/or its application service provider in respect of obligation undertaken under this MoU.

11.2.2 A breach of an obligation of Department/organization to Bank under this Agreement, or any loss or liability arising to Bank in respect of the services, in connection with the facility being offered under this agreement, provided that in no event shall department/organization be liable for any special, indirect, incidental or consequential damages arising out of or in connection with this Agreement.

12. SETTLEMENT OF DISPUTES & ARBITRATION:

The differences between the parties shall be first informed in writing to the other party, which shall be discussed so as to settle amicably. If it cannot be resolved

amicably within 30 days, the matter has to be resolved by referring the matter to arbitration as per the directions issued in this regard by the Department of Financial Services, Ministry of Finance, Government of India.

13. TERMINATION OF MoU:

This MoU is valid till *ending date* and it shall be extended for a further period mutually agreeable to both the parties. However prior termination may arise due to any one of the following:

13.1. Termination for Breach:

In addition to any other termination rights granted by this Agreement, any of the parties may terminate this Agreement on thirty days' written notice for material breach by the other party of any of its obligations hereunder, unless such breach is cured within such thirty days of the receipt of the prior notice of the subject material breach.

13.2. Termination on own volition:

In case any party desires to terminate this Agreement on its own volition, it may do so on serving a thirty days' written notice.

13.3. The expiration or termination of this agreement shall be without prejudice to the accrued rights and obligation of the parties and all such accrued rights and obligations shall remain in full force and effect be enforceable not withstanding such expiry or termination.

14. GENERAL PROVISIONS:

14.1 Relationship between Parties:

Parties to this MoU are independent parties and nothing in this MoU shall make them joint venture, partners, employee, agents or other representatives of any party hereto, and none of the parties shall make any representation that implies otherwise.

14.2 Non-exclusivity:

Nothing in this agreement shall restrain the department/organization from entering into any agreement with other Banks and agencies. Similarly, nothing in this agreement shall restrain Bank from entering into any such similar agreement with regard to receipt of wages/fees, dues and other payments with other authorities, entities, persons.

14.3 Modification:

Any modification, amendment, supplement, or other change to this Agreement must be in writing and signed by duly authorized officers of the respective parties. Failure to object to any term or condition in any written or oral communication from any party, whether delivered before or after the date

hereof, shall not constitute an acceptance thereof or a waiver of any terms or condition hereof.

14.4 Rights and Remedies:

All rights and remedies hereunder shall be cumulative and may be exercised singularly or concurrently. If a party fails to perform its obligations under any provision of this agreement and any of the other parties does not enforce such provisions, failure to enforce on that occasion shall not prevent enforcement on later occasion.

14.5 Jurisdiction and Governing law:

Subject to the settlement of disputes and arbitration at Clause 12 of this agreement, as applicable, the parties agree to submit to the exclusive jurisdiction of the Courts/ Tribunals in Bangalore, India as regards any claims or matters arising under or in relation to these terms and conditions. The Indian law shall govern this agreement.

14.6 Heading and sub-headings:

The heading and sub-headings in this Agreement are for convenience only and do not affect the meaning of the relative clauses.

14.7 Notice:

Unless otherwise provided herein, all notices, directions or instructions given under this MoU shall be in writing and delivered hand, post, cable, e-mail, facsimile or telex. Any such notice or other communications will be deemed to be effective if sent by personal delivery, when delivered, if sent by post, two days after being deposited in the post, and if sent by courier, one day after being deposited with the courier, and if sent by facsimile/e-mail when sent (on receipt of a confirmation to the correct facsimile number/e-mail).

14.8 Counterparts:

This agreement has been signed in duplicate, each of which shall be deemed to be an original.

IN WITNESS WHEREOF the parties hereto set their hands on the *Day and date* at Bangalore.

Signature:
Authorized Representative
For and on behalf of
department/organization

Signature:
Authorized Representative
For and on behalf of Bank

Witness:

Witness:

Annexure D

(Para 9 (e) of Part A (II) of GO No: FD 5 TAR 2017 dated:30.1.2017)

Standardized Utilisation Certificate (UC) formats for utilisation of Scheme funds by Government departments, Local bodies or authorities, Boards, Corporations, Societies, Universities and other State autonomous bodies

Sl. No	Particulars	Date	Amount Released (Rs)
1.	Unspent balance (o / b)	-----	
2.	Fund release Letter / GO Number		
3.	Fund release Letter / GO Number		
4.	Fund release Letter / GO Number		
Total			

1. Certified that out of a total sum of Rs. (grant-in-aid sanctioned during the year as per details above and unspent balance of the previous year), a sum of Rs..... has been utilised for the purpose of for which it was sanctioned.

The balance remaining unutilised is Rs. has been surrendered to Government (vide cheque No. dated) duly supported by reconciled bank statements.

OR

The unutilised balance of Rs.....will be adjusted towards the grants-in-aid payable during the next year

2. Certified that the BANK RECONCILIATION STATEMENT (BRS) has been completed up to period (mention date and attach a copy of the BRS).

3. Certified that that the conditions on which the grant-in-aid was sanctioned have been duly fulfilled and the money has been actually utilised for the purpose for which it was sanctioned.

Date

Sign of implementing officer,
Designation

Certification by the Countersigning Authority

4. Certified that I have satisfied myself that the conditions on which the grants-in-aid was sanctioned have been duly fulfilled and that I have exercised the following checks to see that the money was actually utilised for the purpose for which it was sanctioned.

Kinds of Checks exercised:

1. Verified the reconciled bank statements as per the data above
2. Verified the closing balance of funds
3. Verified that the unspent balances is not invested in FDs/other instruments/ transferred to any other account.
4. Verified that no amounts have been drawn on Self cheques.
5. Verified that the vouchers for having utilized the money have been maintained in the office.
6. Any other checks

Date

Signature

Designation

ANNEXURE E

(Para 1 of Part A (III) of GO NoFD 5 TAR 2017 dated:30.1.2017)

FORMAT FOR ANNUAL DISCLOSURE OF THE EXISTING BANK ACCOUNTS OF GOVERNMENT DEPARTMENTS/ OTHER BODIES

(in Rs.)

Sl. No	Account Number	Name of Bank	Type of Account	Purpose of opening account	O/B on 1 st April)	Receipts	Expenditure	Balance on 31 st March
1.								
2.								

CERTIFICATE

I hereby declare that the details furnished above are true and correct to the best of my knowledge and belief and I undertake to inform the Government of any changes therein, immediately. In case, any of the above information is found to be false or untrue or misleading or misrepresenting, I am aware that I may be held liable for it.

Chief Finance Officer/Chief Accounts Officer

**ANNEXURE F
(NOTE of Part A (III) of GO NoFD 5 TAR 2017 dated:30.1.2017)**

TASKS	DIRECTORATE/ INSTITUTION/ SUB OFFICE	ADMINISTRATIVE DEPARTMENT	BANK	TREASURY
<p>Opening of new bank account</p>	<p>1. Government Departments should submit proposal to Administrative department for permission to open bank account along with justification. 2. If Fund account is to be opened by other organisations, they should submit proposal to Governing Body. 3. Proposals for opening Scheme/ Project Accounts of organisations should be submitted to Governing Council and Government for permission to open bank account as per para 4 of Annexure B</p>	<p>1. Verify if selection of bank is as per criteria in the guidelines. 2. Issue a GO after ascertaining the necessity of a new account and after obtaining concurrence of FD.</p>	<p>1. Insist on the copy of the GO for Govt. departments and GO & the Governing Body Resolution for other organisations.</p>	<p>1. Verify if there is GO for Payee receipt transaction by insisting on an attested copy of the GO. The GOs will also be available online with the Khajane II system. 2. Verify the bank account is in the notified list published by AD by insisting on the DDO to enclose the notification issued by their Administrative Department for each bill. 3. Cheques can be issued to the banks itself directing to credit the concerned accounts. However, in Khajane-II the funds will be transferred to the account of the pre-registered recipient.</p>
<p>Management of bank accounts (releases from Treasury)</p>	<p>1. UCs for previous drawals must be certified by CAO and submitted along with GIA bills for countersignature. 2. UCs should contain details of purpose/works sanctioned, executed and spent with cheque numbers/dates and bank closing balances duly reconciled with books of accounts maintained in the office</p>	<p>1. Verify if UCs are complete in all respects. 2. GO must be issued for all funds drawn on payee receipts. The GO could also indicate the bank account to which funds are to be deposited.</p>	<p>-----</p>	<p>-----</p>

3)	Management of bank accounts (Transactions of funds from banks)	1. All bank transactions must be conducted as per provisions of this GO.	-----	1. Banks must send alerts about high value transactions to the Drawing & Disbursing Officer and Controlling authority.	-----
4)	Management of bank accounts (Reconciliation of accounts)	1. Monthly Reconciliation of Bank accounts with office accounts should be done. 2. List of high value transactions to be submitted to the Controlling authority/Head of organisation 3. Reconciliation report should be submitted to Controlling authority/Head of organisation and IFA.	1. The IFA must obtain the closing balance details as on 31 st March in bank accounts by 30 th April to enable the AD for annual notification of accounts.	1. Banks must send Monthly statements of transactions to the DDO and the Controlling authority/HoD.	-----
5)	Disclosure of bank accounts	1. The number of bank accounts being operated by the institution must be disclosed in the Annual accounts/ report in the prescribed format. 2. Provide the status of existing bank accounts at all Board meetings and monthly MPIC and KDP meetings	1. Take steps to notify all bank accounts (along with year end closing balance details) operated by its sub offices and autonomous/statutory institutions by 31 st July every year.	-----	-----