

## **CHAPTER 23**

### **BANKING ARRANGEMENTS**

#### **23.1 INTRODUCTION**

23.1.1 Under the provisions of Section 21 of the Reserve Bank of India Act, 1934 and the agreement entered into by the Central Government with Reserve Bank of India, general banking business consisting of receipts, collections, payments and remittances on behalf of Central Government is carried on by Reserve Bank of India as their Banker.

In the earlier stages when the scheme of separation of Accounts from Audit was introduced on experimental basis in the year 1955 in respect of the Ministries of Agriculture, Food, Supply, Rehabilitation and the then Works and Housing (now the Ministry of Urban Development) under the charge of the then Chief Pay and Accounts Officer, the Receipts and Payments of the above mentioned Ministries were handled by the Reserve Bank of India. At places where the branches of Reserve Bank of India did not exist, the Banking business of these Ministries was handled by the State Bank of India as an Agent of Reserve Bank of India.

In other words Reserve Bank of India, Central Accounts Section, Nagpur maintains General Ledger of the Union Government's Cash balances. In addition it also maintains Proforma Accounts for Union Government Civil Ministries/Departments and also the Proforma Accounts of Non-Civil Ministries/Departments like Railways, Defence, Posts and Telecommunications on year to year basis. These Proforma Balances at the end of the Financial year are merged under Union Government Civil Balances.

23.1.2 As a sequel to the departmentalization of Accounts in the year 1976 in three phases, Reserve Bank of India in consultation with the Ministry of Finance authorized all the Nationalised Public Sector Banks to handle Government business of the Central Civil Ministries as their agents on turn over commission basis to cope up with the heavy rush of transactions of Government business. The then Ministry of Works and Housing (presently the Ministry of Urban Development and Poverty Alleviation) was allowed to continue its Government banking business with the Reserve Bank of India and the State Bank of India in places where the branches of Reserve Bank of India did not exist. This system remained in vogue till 31<sup>st</sup> March 2005.

#### **23.2 CHANGE IN THE BANKING ARRANGEMENTS**

23.2.1 Consequent upon the decision taken by the Reserve Bank of India to delink itself from the retail banking business of some of the Central Ministires/Departments including that of the Ministry of Urban Development and Poverty Alleviation and also authorizing three Private Sector Banks viz., ICICI Bank Ltd, UTI Bank Ltd and HDFC Bank Ltd to handle Central Government business on their behalf as their agents on the same terms and conditions as applicable to the Public Sector Bank (except that these banks have been allowed permissible period of 3 days, including holidays, for remitting government money

into Government Account with RBI,CAS). The following banking arrangements have been made for various Departments of the Ministry of Urban Affairs & Poverty Alleviation and Ministry of Urban Development w.e.f. 1.4.2005:-

- (i) State Bank of India throughout the country will be the accredited Bank of Central Public Works Department (CPWD) w.e.f 01-04-2005.
- (ii) UTI Bank Ltd will be the accredited Bank for handling Government transactions of the Secretariat, Directorate of Estates, Other attached and Subordinate offices including Land and Development Office (L&DO)w.e.f 01-02-2005.
- (iii) IDBI Bank Ltd will be the accredited Bank for various offices of the Departments of Printing, Stationery and Publications under the Directorate of Printing and Stationery w.e.f 01-02-2005.

23.2.2 The above mentioned Banking arrangements have been necessitated as a sequel to the decision taken by the Reserve Bank of India to gradually move away from the retail banking business of the Central Government Ministries/Departments which have been handling their Government transactions with the Reserve Bank of India as their accredited Bank.

### **23.3DRAWING ACCOUNT AND ASSIGNMENT ACCOUNT (LETTER OF CREDIT)**

23.3.1 Pay and Accounts Officers of the Divisions of CPWD have drawing account in their accredited Bank meaning thereby that the PAO of the Division can draw any amount subject to the annual ceiling of Budgetary allocation in the Consolidated Fund of India and the availability of Funds/Deposits etc. in the Public Account of India on the basis of Expenditure Sanction issued by the competent authority.

23.3.2 Divisional officers of the CPWD have been vested with cheque drawing powers to draw funds from the local branches of the State Bank of India accredited to their Divisions against the Letter of Credit assigned to them for arranging payment of salary and allowances of the officers and the staff including work charged staff and other expenses as enunciated in para 3.1.1 of "Civil Accounts Manual" besides execution of works and purchases connected with the activities of CPWD. They shall however not be allowed to make payments of Long Term Advances like House Building Advance/Motorcar Advances etc. to their employees. All long term advances, Pensions and other Retirement benefits and Final Payments of Provident Funds like General Provident Funds to Group "A", "B" and "C" officers will be payable by the Pay and Accounts Officers of their Divisions.

23.3.3 Since the functioning of the Cheque Drawing and Disbursing Officers of the Divisions of CPWD is quite different from that of other Cheque Drawing and Disbursing Officers, special arrangements for the issue of Letter of Credit as stipulated in para 6.2.1(b) of CPWA Code deviating from the Quarterly assignment of Funds have been

made by the competent authority, which are to be followed scrupulously by all concerned.

23.3.4 The letters of credit indicating Major Headwise allocation of funds as printed on the cheque leaf shall be issued by the Accounts Officer of L.O.C. Cell of the Principal Accounts Office at Head Quarters, authorizing the paying branch of the Bank to make payment on the cheques drawn from time to time by the concerned Cheque Drawing and Disbursing Officers with clear instructions not to exceed the limit of headwise allocation authorized by the AO, LOC(Cell) in any case. While communicating the assignment for the second and subsequent Letters of Credit (LOC), AO of the LOC(Cell) will indicate not only the assignment for the subsequent LOC but also the progressive total of the assignment upto the end of subsequent LOC. Unspent balance for the last LOC shall not be carried forward to next Financial Year but the cheques encashed in the subsequent year in settlement of claims pertaining to the last LOC shall be adjusted and accounted for against the assignment of the last LOC of previous Financial year.

23.3.5 Accounts Officer of the LOC Cell shall ensure that the letter of credit authorizing Major Head wise allocation is correctly addressed to the Divisional Officers and the accredited Bank branches are also intimated regarding the ceiling of amount assigned to them. Copy of the LOC should also be endorsed to the Pay and Accounts Officer of the Division concerned. Arrangements have been made for the communication of Letter of Credit to the accredited bank branches of the Divisions through the Centralised Branch of the State Bank of India, Nirman Bhawan, New Delhi so that mandate reaches the branches immediately. With a view to reducing the time taken in dispatch/postal process, mandate is to be communicated electronically after proper authentication by the Centralised branch of the State Bank of India, Nirman Bhawan, New Delhi.

23.3.6 Divisional Officers must ensure that no funds are diverted from one head to another head in any case. Any deviation of Funds will be the personal responsibility of the Divisional officer concerned.

23.3.7 Similarly accredited branches of the Bank must ensure that the headwise assignment of amount intimated through the Letter of Credit does not exceed in any case.

## **23.4 REVISED PROCEDURE**

23.4.1 Consequent upon the switch over from the Reserve Bank of India to the State Bank of India with effect from 1<sup>st</sup> April 2005, all the receipts and payment transactions pertaining to the Divisions including that of the Pay and Accounts Officer of the Division will now henceforth be handled by the accredited branches of the State Bank of India throughout the country. The Dealing branches will report day-to-day Receipts and Payments transactions of the Divisions including the transactions of their Pay and Accounts Offices to their designated Focal Point Branches who in turn will transmit the same duly verified by the respective Pay and Accounts Officers to the State Bank of India's Government Accounts Department (GAD), Mumbai for final settlement of reimbursement from the Reserve Bank of India, Central Accounts Office, Nagpur.

23.4.2 The role of Dealing branches, Focal Point branches, Government Accounts Department of State Bank of India, Mumbai, Reserve Bank of India, Central Accounts Office, Nagpur, Pay and Accounts officers of the Division, Divisional Officers of the CPWD and the action in the Principal Accounts Officer, Ministry of Urban Development and Poverty Alleviation has been explained step by step in the following paras.

23.4.3 Under the revised banking arrangements, Focal point bank State Bank of India will be responsible for reconciliation of figures with Pay and Accounts Officers/Divisional Officers.

### **23.5 ROLE OF DEALING BRANCHES OF THE STATE BANK OF INDIA**

23.5.1 As a sequel to the decision taken by the Reserve Bank of India to move away from the retail banking business of the Ministry of Urban Development and Ministry of Urban Employment & Poverty Alleviation with effect from 1.4.2005, State Bank of India all over the country has been nominated as the accredited Bank of the Central Public Works Department.

23.5.2 According to the revised procedure of reporting, accounting and reconciliation introduced from 1<sup>st</sup> April 2005, all the receipts and payments transactions of CPWD will hence forth be handled by the Dealing Branches of the State Bank of India throughout the country. The dealing branch of each Central Public Works Division including its Pay and Accounts Office will report day-to-day transactions of CPWD to Focal Point Branch of the State Bank of India by preparing daily sub-head wise Payment and Receipt Scrolls in Quadruplicate separately for each Account holder viz the Divisional Office and the PAO. Each day's scroll will be given a running serial number for the accounting year from 1<sup>st</sup> April to 31<sup>st</sup> March, separate serial numbers being given to scrolls of each account. These serial numbers on the scrolls will bear prefix "DMA(E) for Payment and DMA(R) for Receipts". DMA means Daily Memorandum of Advice. The Serial number of the entry in the scroll will be recorded on the corresponding cheques/challans for purpose of identification. After the books of the branch have been balanced with reference to the total of day's scrolls, two copies of the scrolls alongwith the relative challans/paid cheques will be sent by them to the designated "Focal Point Branch" and not to the PAO with a Forwarding Memo (Annexure 5 as contemplated in Civil Accounts Manual i.e., GAD 5 of State Bank of India) on a day-to-day basis. One copy of the scroll will be sent directly by them to the concerned DDO. The fourth copy of the scroll will be retained by the Branch for its own record.

### **23.6 ROLE OF FOCAL POINT BRANCH OF THE STATE BANK OF INDIA**

23.6.1 The Focal Point Branch, in addition to acting as a dealing Branch, will be responsible for prompt and accurate accounting of the transactions reported to it daily by all the dealing branches linked to it.

23.6.2 (a) Preparation and submission of Main Scroll together with related challans/paid cheques to Pay and Accounts Officer.

On receipt of two copies of the scrolls together with relative documents viz the Received Challans/Paid Cheques attached to original scroll from the Dealing Branch, the Focal Point Branch will separate the original and duplicate copies of the scrolls and subject them to careful scrutiny for accuracy. Focal Point Branch will consolidate the transactions of the various dealing branches including its own and prepare a "Main Scroll" in triplicate (Annexure 6) separately for each Account holder, giving the totals of all accounts separately for which scrolls have been received from each branch. Two copies of the Main Scroll along with the original copy of the scroll with the relative instruments received from various dealing branches will be forwarded to the concerned Pay and Accounts Officer on a day-to-day basis. The duplicate copy of the scrolls without any instrument received from the dealing branches will be stitched and retained by the Focal Point Branch for its record. Simultaneously the aggregate of the receipts and payments arrived at in the Main Scroll will be incorporated in a Daily Memo (Annexure 7) and the same will be reported to its Link Cell i.e., Government Account Department (GAD) at Mumbai for settlement of funds with Reserve Bank of India, Central Accounts Section, Nagpur on a day-to-day basis. The report will be sent through the fastest mode of communication if the net amount is Rupees one Lakh and above. A "Nil" advice should also be sent where there are no transactions to report. The Main Scroll submitted to PAO as well as the Memo/Nil advice to Link Cell should bear a serial number in consecutive order for the year from 1<sup>st</sup> April to 31<sup>st</sup> March.

The PAO, on receipt of copies of Main Scroll and supporting documents will certify and return the duplicate copy of the scroll within 24 hours to the "Focal Point" branch after verification. The "Focal Point" branch should keep a watch on the prompt receipt of the certified copy of the scroll from the PAO. The "Focal Point" branch should ensure that:

- (i) the mistakes/discrepancies pointed out by PAO are rectified after proper verification through "Error Scroll" in GAD 13 – Error-Adjustment Schedule where necessary, as per the procedure.
- (ii) Missing challans/Paid Cheques are submitted to PAO directly
- (iii) The copies of the Main Scrolls duly verified by the PAO are kept on its record.

Focal Point Branches are also required to furnish a certificate to the effect that necessary scrolls/paid cheques/challans etc have already been submitted to the concerned Pay and Accounts Office.

23.6.3 Since the Challans/Paid Cheques are important documents evidencing payments into/withdrawals from Government Accounts, utmost care has to be exercised by the Dealing Branch/Focal Point Branch to ensure that no challans/Paid Cheques are lost/misplaced while handling documents in transit. In case of any missing challan/Cheques, Focal Point Branch in consultation with the Dealing Branch should furnish requisite Certificates in lieu of the lost cheque/challan. On subsequent availability of lost documents, the same should be forwarded to the Pay and Accounts Officer quoting reference and date etc to enable the PAO to link the same at his end.

Efforts should be made by the designated Focal Point Branches to send “Error-free Scrolls” to the Pay and Accounts Officer for prompt and accurate settlement of all the Government transactions with utmost promptitude.

Based on the information furnished by the designated Focal Point Bank Branches, Government Account Department, Mumbai generates through its computer centre “Settlement Report” to be sent to Reserve Bank of India, Central Accounts Section, Nagpur. The report is then faxed to State Bank of India Government Accounts Link Office at Nagpur which in turn submits the same to Reserve Bank of India, Central Accounts Section, Nagpur. The settlement of funds takes place at Nagpur through State Bank of India’s local account maintained with RBI, C.A.S., Nagpur.

#### 23.6.4 Submission of Date-wise Monthly Statement (DMS).

The “Focal Point” branch after the close of the month will also prepare in quintuplicate, the Date-wise Monthly Statements (DMS) (Annexure 8) of the PAO of the Division and four copies thereof to the concerned PAOs for verification latest by the 3<sup>rd</sup> of the following month retaining fifth copy as office copy. Two copies of the monthly statement will be returned by the PAO duly verified to the “Focal Point” branch within 3 days of receipt thereof. Out of the two certified copies so received by the branch, one copy will be retained by the “Focal Point” branch and the other will be forwarded to its Link Cell GAD, Mumbai

### **23.7 ROLE OF STATE BANK OF INDIA, GOVERNMENT ACCOUNT DEPARTMENT (GAD), MUMBAI**

23.7.1 (a) On receipt of daily memorandums/telegrams in respect of transactions from various Focal Point Branches, the Government Accounts Department, Mumbai will consolidate the position and report the consolidated figures (receipt/payment separately) to RBI, Central Accounts Section, Nagpur for eventual settlement. SBI, GAD, Mumbai while reporting the consolidated figure to RBI, CAS, Nagpur will also furnish a certificate to the effect that relevant documents have been submitted by its focal point branches to the respective Government officials.

23.7.2 (b) SBI, GAD, Mumbai will prepare four copies of monthly settlement statement as per Annexure 11 and forward three copies thereof to the RBI, CAS, Nagpur for verification before 2nd of the succeeding month. RBI after verification will forward one copy (along with the monthly closing balance statement) to each Principal Accounts Office of the Ministry/Department, one copy to SBI, GAD, Mumbai and retain one copy for their record.

23.7.3 (c) SBI, GAD, Mumbai will also prepare four copies of monthly settlement statement PAO-wise showing transactions date-wise (Annexure-11) and forward original copy to respective Principal Accounts Office, duplicate/triplicate copy each to the respective PAO and Focal Point Branch(s) and retain the fourth copy for their record.

23.7.4 (d) SBI, GAD, Mumbai will also prepare monthly settlement statement in duplicate as per Annexure 12 and forward one copy thereof to respective Principal Accounts Office of the concerned Ministry/Department.

23.7.5 (e) SBI, GAD Mumbai will furnish to CAS, Nagpur daily the Ministry's transaction statement. At the end of the month SBI will furnish to CAS, Nagpur (PAO wise monthly statement of transactions and Ministrywise monthly statement of transactions to enable CAS, Nagpur to submit consolidated monthly statement to the Chief Controller of Accounts.

## **23.8 ROLE OF RESERVE BANK OF INDIA, CENTRAL ACCOUNTS SECTION, NAGPUR**

23.8.1 Central Accounts office of Reserve Bank of India, Nagpur on receipt of the Report of Statements generated by Government Accounts Department, State Bank of India, Mumbai and transmitted through State Bank of India, Link Cell at Nagpur will carry out necessary adjustments in the accounts of the Ministry of Urban Development and Poverty Alleviation and also in the Bank Account of State Bank of India.

After carrying out necessary adjustments, RBI, CAS, Nagpur will generate Divisionwise/PAO-wise Receipts Put Through and Payments Put Through for onward transmission to the Principal Accounts Officer of the Ministry and all other concerned for further necessary action. Appendix "2" to chapter 1 of Civil Accounts Manual may also be referred to on the detailed instructions on banking and accounting arrangements in connection with the receipts and Payments of Government account by Public Sector Banks.

## **23.9 ROLE OF PAY AND ACCOUNTS OFFICER**

23.9.1 (i) PAO receives two types of Bank Scrolls viz., Receipt Scroll together with Receipted challans and Payment Scroll together with Paid cheques from the designated Focal Point Bank Branch. On receipt of these scrolls from the Bank, PAO is required to scrutinize the same with reference to the supporting challans/Paid cheques and discrepancy, if any, coming to notice is reported by him to the Focal Point Bank to rectify the same. Such discrepancies should be got rectified either by personal contact, if the Focal Point Bank Branch is near to the office of the PAO or by fastest mode of communication as may be considered necessary. The accepted/verified amount of Main Scroll should be noted in Form CAM 17 – Register of Public Sector Bank Suspense. On receipt of DMS (Date-wise Monthly Statement), PAO should ensure that the figures noted in Form CAM 17 tally with those indicated in DMS. In case of discrepancy, the same should be brought to the notice of the Focal Point Bank Branch for taking corrective measures to settle the discrepancy.

(ii) Besides, PAO has to ensure timely submission of Main Scroll/DMS by Focal Point Bank Branch and return of verified Statements within the stipulated time schedule.

Note: For adjustment of Bank Scrolls see para 23.16 regarding Adjustment of Bank Scrolls in CPWD System.

### **23.10 ROLE OF DIVISIONAL OFFICER**

Divisional officer will receive a copy of Receipts Scroll/Payment Scroll without supporting Receipted Challans/Paid Cheques from the Dealing Branch of the Bank. He will note these transactions in CPWA Form 51 to be sent along with Monthly Account to the PAO of the Division.

Note: For detailed procedure see para 23.16 regarding Adjustment of Bank Scrolls in CPWD System.

### **23.11 ROLE OF PRINCIPAL ACCOUNTS OFFICER**

On receipt of Statement DMA 1 together with PAO-wise/Date-wise break-up of Receipts and Payments transactions for the month from State Bank of India, Government Account Department, Mumbai and Statement DMA-2 showing PAO-wise summary of transactions for the month from Reserve Bank of India, Central Accounts Section, Nagpur. Principal Accounts office should exercise checks prescribed in Para 13.7 of Civil Accounts Manual on receipt of DMA-2 and CAS-122 statements. Thereafter Principal Accounts Office will proceed to clear the Minor Head "108 – Public Sector Bank Suspense" below the Major Head "8658 – Suspense Accounts" by operating contra entries under the Major/Minor/Sub-Head "8675 – Deposits with Reserve Bank", "101-Central (Civil)" "Reserve Bank (PSB)". As soon as the Head "108 – Public Sector Bank Suspense" is cleared, an intimation shall also be sent to the PAO of the Division to enable him to incorporate the figures in his Broadsheet and other connected records.

### **23.12 SELF MONITORING**

23.12.1 State Bank of India, GAD, Mumbai will also receive a copy of certified DMS from its Focal Point Branch latest by the 10<sup>th</sup> of the following month. On receipt, thereof, the GAD Cell should compare entries of receipts and payments in respect of each Division/PAO date-wise with reference to the amounts put through as shown in Annexure 8. In case it finds that the amount as shown in the DMS and as appearing in annexure 8 differs, it should adjust the difference in the daily advice for the next day showing corrections distinctly giving a reference to the date of each transaction. This will ensure settlement of accounts on self reconciliation basis. In doing so, it should keep a note of corrections in the DMS so that, if later, the same discrepancy is pointed out by the Focal Point Branch at the instance of the PAO, double adjustment is avoided.

### **23.13 MARCH RESIDUAL TRANSACTIONS**

**23.13.1** In order to ensure that the transactions pertaining to a financial year are adjusted to the extent possible in the same financial year, dealing branches of the

Banks are required to report the transactions handled by them on behalf of the Ministry/Department with which these have been accredited, to their Focal Point Branch with utmost promptitude to enable the Focal Point Branch to report the same to Reserve Bank of India, Central Accounts Section, Nagpur through their Link Cell/GAD, Bombay in case of State Bank of India. Transactions taking place from 15<sup>th</sup> March till the end of the month should be reported by the Focal Point Branch to Link Cell/GAD, Mumbai in the case of State Bank of India by Telex/Telegrams etc. In case of the residual March Transactions which could not be reported to Reserve Bank of India, Central Accounts Section, Nagpur during the concerned financial year for one reason or the other, the Focal Point Branch should segregate from 1<sup>st</sup> April all transactions pertaining to the previous Financial Year and for current Financial Year for preparing separate Main Scrolls for the residual transactions effected at the dealing branch in March or earlier period of previous Financial Year and for the correct transactions effected in respect of the current Financial Year from 1<sup>st</sup> April onwards. As the accounts of the Reserve Bank of India CAS, Nagpur remain open upto 15<sup>th</sup> April to accommodate residual transactions of previous financial year, the Focal Point Branch should report March residual transactions to the Link Cell/GAD, Mumbai as the case may be through separate Daily Memo for the adjustment with RBI, CAS, Nagpur. Monthly statement of March Residual Transactions must be sent to the PAO latest by 30<sup>th</sup> April for their accountal in the previous financial year.

#### **23.14 AGENCY COMISSION/TURN OVER COMMISSION**

23.14.1 State Bank of India, GAD, Mumbai through its Link Cell of local SBI at Nagpur will arrange to submit claims for **agency Commission/** Turn over Commission in regard to the Government transactions settled with the Reserve Bank of India, Central Accounts Section, Nagpur to that office on quarterly basis. While admitting the claims of Turn over Commission preferred by the Link Cell of SBI, it has to be ensured that adjustments of discrepancies have been carried out in Accounts and there is no double claim of Turn over Commission on account of such adjustments. The revised rates of Turn over Commission/Agency Commission for handling Government transactions by the Public Sector Banks/ Other Nominated (Private Sector) banks would be Rs.45/-per transaction for Receipts, 9 paise per Rs.100/- turnover per transaction for Payments oher than pension and Rs.60/- per transaction for Pension w.e.f 01-07-2005.

Note: Excess amount shown in the Receipt Scrolls and Payment Scrolls should be adjusted by withdrawal ie., by Minus in the Receipt Scroll and Payment Scroll on the date in which such corrections have been carried out to avoid double claim of Turn over Commission. In no case the excess amounts wrongly entered in the Bank Scroll should be corrected by Contra Debit or Credit, as the case may be. For wrong scrolling no Agency Commission/Turn over Commission shall be payable by the Reserve Bank of India.

#### **23.15 RECOVERY OF INTEREST FROM BANKS ON DELAYED REMITTANCES OF GOVERNMENT RECEIPTS INTO GOVERNMENT ACCOUNT AND EXCESS/DOUBLE REIMBURSEMENT OF CLAIMS**

### **23.15.1 1. Permissible period for remittance of Government Revenues**

a) **Local Transactions** – Wherever the collecting branch and the focal point branch are in the same city/agglomeration, the settlement of transaction with RBI will have to be completed within T+3 working days (where T is the day when money is available to the Branch). For calculating the working days, the RBI calendar will be followed. This has been implemented from 01.5.2005.

b) **Outstation Transactions** - Wherever the collecting branch and the focal point branch are in different city/agglomeration, the settlement of transaction with RBI will have to be completed within T+5 working days (where T is the day when money is available to the Branch). For calculating the working days, the RBI calendar will be followed. This has been implemented from 01.5.2005.

c) Cases for relaxation of the permissible period in respect of difficult areas/or due to matters beyond control of the banks will be forwarded on a case-to-case basis to the Office of CGA through the Ministry for approval.

### **23.15.2 2) Provision of charging interest on delayed remittance i.e., ‘Delayed Period Interest’.**

a) Total amount, which has not been remitted in time and the penalty due alongwith the details of the individual cases will be intimated by the Ministry to the Headquarters of the Bank concerned on a quarterly basis by the 15<sup>th</sup> of the following month. The period of delay for this purpose will be counted from the date of receipt of the collection at the receiving branch (actual realization of money in the bank) till they are reported to RBI, CAS, Nagpur for credit to Government Account through the bank’s link cell at Nagpur.

The present system of charging penalty at Bank rate + 2% (Bank rate will be as notified by RBI on 1<sup>st</sup> May and 1<sup>st</sup> November every year) will continue. The charges shall be known henceforth as ‘Delayed Period Interest’.

b) Delayed period interest will be recoverable from the Bank regardless of the amount involved.

23.15.3 Interest on delayed remittances and double/excess reimbursement shall be charged @ 8% i.e, Bank Rate 6% plus 2% with effect from 1<sup>st</sup> May 2005.

Note – The above procedure will not be applicable to Private Sector Banks(Authority: CGA’s OM No.S-11012/3/P.Int/CGA/RBD/2003-04/396 dated 31.3.2005 read with CGA’s OM No.S-11012/3/2003-04/Pt.III/RBD/466 dated 16.5.2005)

23.15.4 Interest on delayed remittances and on double/excess re-imburement shall be credited to sub-head “Interest from Banks on delayed remittances and excess/double reimbursement” under the Minor Head “800 – Other Receipts” below the Major Head “0075 – Miscellaneous General Services”.

### **23.16 ADJUSTMENT OF BANK SCROLLS IN CPWD SYSTEM**

23.16.1 In CPWD System, all the receipts and payments arising in a Division are accounted for under the final heads concerned *ab-initio* by the Divisional Officer by

passing necessary entries in the Books of accounts maintained in his office. As and when the receipts are realized or received in cash or by cheque or Bank Draft, the same are credited under the proper receipt head of account and in case of refund minus Debited to the Expenditure head of Account flowing from the Consolidated Fund of India e.g. refund of LTC advance in cash by a Divisional Accountant of Public Works Division shall be Minus Debited to Major/Sub-Major/Minor-Head “2059 – Public Works” – “80-General” “001 – Direction and Administration” – Refund of LTC Advance.

23.16.2 After adjusting the receipts received in cash or by cheque/Demand Draft under the proper receipt or refund heads of account, the cash or cheque or Demand Draft shall be sent to Bank for realization by Debiting Sub-Head “Remittances into Bank” under the Minor Head “102 – Public Works Remittances” below the Major Head “8782 – Cash Remittances etc”.

23.16.3 Similarly the Payments made either from the Consolidated Fund of India or from Public Account of India shall be debited under the concerned functional Major/Sub-Major/Minor Heads of Account per Contra Credit to Sub-Head “Public Works Cheques” under the Minor Head “102 – Public Works Remittances” below the Major Head “8782 – Cash Remittances etc”

23.16.4 Refund of Revenue falling under Sector B – Non-Tax Revenue shall be classified under the Minor Head “900 – Deduct-Refunds” below the concerned Major/Sub-Major Heads of Account in terms of General Direction 2.2 to the List of Major and Minor Heads of Account per contra Credit to Sub-head “Public Works Cheques” under the Minor Head “102-Public Works Remittances” below the Major Head “8782-Cash Remittances etc”

### **23.17 ADJUSTMENT OF RECEIPTS SCROLL/PAYMENTS SCROLL IN THE DIVISION**

23.17.1 Subsequently on receipt of the copy of Receipts Scroll and Payments Scroll without Receipted Challans/Paid Cheques from the dealing branch of the accredited Bank, Divisional officer will enter the transactions of Receipts Scroll and Payments Scroll in Part I “Cash Remitted and Acknowledged” and Part II Cheques issued and Paid respectively in Form 51 to be sent along with the Monthly Account to the PAO of his Division for reconciliation purposes.

### **23.18 ADJUSTMENT OF RECEIPTS SCROLL AND PAYMENTS SCROLL BY THE PAO OF THE DIVISION**

23.18.1 On receipt of Receipts Scroll with Receipted Challans and Payments Scroll with Paid Cheques from the Focal Point Branch of the accredited Bank, PAO of the Division will adjust the same as under:-

For the adjustment of the Receipts Scroll, PAO of the Division after proper verification thereof will Debit Minor Head “108 – Public Sector Bank Suspense” below

the Major Head “8658 – Suspense Accounts” per Contra Minus Debit to Sub-head “Remittances into Bank” under the Minor Head “102 – Public Works Remittances” below the Major Head “8782 – Cash Remittances etc”.

23.18.2 Original Debit appearing under the Sub-head “Remittances” into Bank in the Books of Division gets cleared by Minus Debit to the same Sub-head as per the above mentioned entry made by the PAO of the Division.

23.18.3 For the adjustment of Payments Scroll, PAO of the Division after proper verification shall afford Minus Credit to Sub-head “Public Works Cheques” under the Minor Head “102-Public Works Remittances” below the Major Head “8782 – Cash Remittances” etc per contra credit to Minor Head “108 – Public Sector Bank Suspense” below the Major Head “8658 – Suspense Accounts” Minus credit to Sub-head “Public works cheques” in the books of the PAO of the Division would clear the original credit under the same sub-head appearing in the books of the Divisional Officer at the time of issue of the cheque.

### **23.19 CLEARANCE OF MINOR HEAD “108-PUBLIC SECTOR BANK SUSPENSE” BELOW THE MAJOR HEAD “8658 – SUSPENSE ACCOUNTS” BY PRINCIPAL ACCOUNTS OFFICE**

23.19.1 Principal Accounts Officer of the Ministry of Urban Development and Poverty Alleviation, on receipt of “Put Through Statements” from the Reserve Bank of India will clear the Receipts Put Through by preparing a Transfer Entry affording Debit to Major/Minor/Sub-head “8675 – Deposits with Reserve Bank” “101 – Central (Civil)”, “Reserve Bank (PSB)” and Minus Debit to Minor Head “108-Public Sector Bank Suspense” below the Major Head “8658 – Suspense Accounts”.

23.19.2 Similarly Payment Put Through Statement shall be adjusted through Transfer Entry by Minus Credit to Minor Head “108-Public Sector Bank suspense” below the Major Head “8658 – Suspense Accounts” and Credit to Major/Minor/Sub-head “8675 – Deposits with Reserve Bank” “101-Central (Civil)” “Reserve Bank (PSB)”. The above mentioned adjustments made by the Principal Accounts Officer will be intimated to the PAO of the Division to keep a suitable note against the original entries appearing under the Minor Head “108 – Public Sector Bank Suspense” below the Major Head “8658 – Suspense Accounts” in the Broadsheet of Public Sector Bank Suspense.

### **23.20 PROCEDURE FOR BANK RECONCILIATION**

23.20.1 Bank reconciliation is conducted in the following four stages in the CPWD System of Accounts:-

1. Reconciliation between Bank Scrolls and Datewise Monthly Statement i.e., between Pay and Accounts Office and the Focal Point Bank Branch.
2. Reconciliation between Datewise Monthly Statement and Put Through Statement i.e., between Reserve Bank of India, Central Accounts Section,

- Nagpur and the Principal Accounts Office of the Ministry of Urban Development and Poverty Alleviation.
3. Reconciliation between Controller General of Accounts/Chief Controllers of Accounts and the Reserve Bank of India, Central Accounts Section, Nagpur.
  4. Reconciliation between the cheques issued and remittances made by the Division on one hand and the cheques encashed and remittances accounted for by the Bank

### **23.20.2 FIRST STAGE OF RECONCILIATION**

In the Public Works System of Accounts, the original Receipts and Payments transactions arising in a Public Works Division are initially accounted for under the proper Receipts, Refunds and Payments Heads of Accounts in the books of Accounts maintained by the Divisional Officer concerned. Bank Draft concerning the receipt of the Division are remitted into Bank for collection by debiting Sub-Head “Remittances into Bank” under the Minor Head “102 – Public Works Remittances” below the Major Head 8782 – Cash Remittances and adjustments between Officers rendering accounts to the same Accounts Officer. The Payments made by the Divisional Officer are debited to the final functional Major/Sub-Major/Minor/Sub-Head/Detailed Head/Object Head concerned per contra credit to Sub-Head “Public Works Cheques” under the above mentioned Major and Minor Heads. However, the Receipts Scrolls together with Receipted Challans and Paid Cheques together with Paid Cheques are sent directly to the Pay and Accounts Officer of the Division by the designated Focal Point Bank Branch of the State Bank of India for adjustment of the Cash balance under the Minor Head “108 – Public Sector Bank Suspense” below the Major Head “8658 – Suspense Accounts”.

On receipt of the above mentioned Receipts Scroll and Payment Scroll, PAO of the Division scrutinizes the figures with reference to the enclosed Receipted Challans and the amount of Paid Cheques reported by the Focal Point Bank Branch. In this connection checks to be exercised by the PAO as prescribed in Para 13.6 of Civil Accounts Manual, may be referred. Discrepancy, if any, coming to notice is reported to Focal Point Bank Branch for taking remedial measures to set right the discrepancy through “Error Scroll”. Such discrepancies as far as possible should be got rectified by personal collaboration, if the Focal Point Bank Branch is near the office of the Pay and Accounts Officer of the Division or alternately by the fastest mode of communication.

The accepted/verified figures of Main Scroll should be noted in the Register of Public Sector Bank Suspense in CAM Form 17. On receipt of DMS, the entries should be checked with reference to the transactions booked in CAM Form 17. The total of DMS must tally with the total of CAM Form 17. Any discrepancy coming to notice be reported to the Focal Point Bank Branch for taking corrective measures.

### **23.20.3 SECOND STAGE OF RECONCILIATION**

Put Through Statement received from the Reserve Bank of India, Central Accounts Section, Nagpur should be compared with DMS. The transactions settled in the same month should be ticked off in the DMS and the remaining transactions not included in the Put Through Statement should be watched/pursued for expeditious settlement of cash balance under the Major Head “8675 – Deposits with Reserve Bank”.

#### **23.20.4 THIRD STAGE OF RECONCILIATION**

Third stage of Bank reconciliation between the Controller General of Accounts, Chief Controllers of Accounts and the Reserve Bank of India, Central Accounts Section, Nagpur is conducted through Reserve Bank Deposit (R.B.D.) Section of the Controller General of Accounts in regard to the Cash balance position of the Government of India, as a whole.

#### **23.20.5 FOURTH STAGE OF BANK RECONCILIATION**

As has already been explained in the first stage of Reconciliation that the Focal Point Bank Branch sends Receipts Scroll alongwith Receipted Challans and Payments Scroll together with Paid Cheques to the PAO of the Division for clearing the cheque head whether operated for Remittances into Bank or for issue of the cheque, the Dealing Branch of the accredited Bank sends a copy of the Scrolls without supporting Receipted Challans and Paid Cheques to Divisional Officer of the Division concerned. On receipt of the copy of daily Receipt Scroll and Payment Scroll, the Divisional Officer effects a reconciliation in CPWA Form 51 indicating the difference between the cheques issued and remittances made but not accounted for during the month as well as cheques issued and remittances made during the previous months accounted for in the Bank Scrolls during the month on hand. This Schedule of Reconciliation of Cheques drawn and Remittances in CPWA Form 51 is sent alongwith Monthly Account of the Division to the PAO of the Division for reconciliation purposes.

#### **23.21 RECONCILIATION OF GOVERNMENT TRANSACTIONS UNDER GAD SYSTEM**

23.21.1 In GAD System there are two types of reconciliation i.e. Internal and External.

##### 23.21.2 INTERNAL RECONCILIATION

23.21.2 (i)(a) Between Dealing Branch and Focal Point Branch.

(i) The dealing Branches are required to maintain a Register which is called GAD – 2 Register. The summary of the day’s transactions i.e. Receipts and Payments are to be entered in this Register date-wise. At the end of the month the duplicate copy of the day’s summary is required to be sent to Focal Point Branch. The Focal Point Branch on receipt of GAD-2 from Dealing Branch will scrutinize the statement to ensure that all the

Government transactions handled by Dealing Branch have been accounted for by Focal Point Branch.

(ii) Similarly, the Focal Point Branches are required to maintain a Register called GAD-3 i.e. Dealing Branch-wise Ledger of RBGG (Receiving Branches Government General Accounts) to be prepared in triplicate for the purpose of accounting and reconciliation to be submitted Monthly to the Controller of the Dealing Branch and Focal Point Branch. All the transactions reported by Dealing Branches are entered in this Register date-wise. At the end of the month a copy of GAD-3 Register will be sent by Focal Point Branch to Dealing Branch which in turn is required to verify that the transactions reported by Dealing Branches have been accounted for by Focal Point Branch.

(iii) The above exercise ensures that all the transactions handled by Dealing Branch have been accounted for at Focal Point Branch.

(iv) In case of any discrepancy in GAD-2 and GAD-3 Register, both the branches i.e. Dealing Branch and Focal Point Branch are required to act promptly to rectify the discrepancy.

#### 23.21.2(ii)(b) Between Focal Point Branch and GAD

(i) The Focal Point Branches are required to confirm the messages sent by fastest mode of communication i.e. PC Modem/Fax/Telex/e-mail etc to GAD for fund settlement purposes. This is done by the Daily Memo. If any discrepancy is found between earlier settlements and figures reported in Daily Memo, amendments is proposed treating Daily Memo as correct. The Branches are also required to send Daily Statement GAD-4 (i.e., Government General Account Daily Statement prepared only after balancing of clear Cash Book for the purpose of reporting Central Government Transactions to be submitted to GAD, Navi Mumbai through Zonal Office and Local Head Office to reach within seven days.) which lists system-wise transactions. The processing of GAD-4 is done at the computer centre and settlement entries are matched with Statement entries as reflected in GAD-4. Once these entries are matched, the transactions are treated as reconciled.

(ii) The entries which are not reconciled and where amendments are proposed by branches on account of mistakes detected subsequently, they are referred to branches for seeking clarification/supporting documents through Enquiry Memoranda on receipt of replies from concerned branches, GAD, Central Office proposes necessary amendments to Reserve Bank of India, Central Accounts Section, Nagpur and entries are reconciled.

The above procedure is a part of Internal reconciliation which ensures that all the Government transactions handled by Dealing/Focal Point Branches are correctly accounted for and settled with Reserve Bank of India, CAS Nagpur.

### **23.22 EXTERNAL RECONCILIATION**

23.22.1 The reconciliation of Government transactions as reflected in the Books with those maintained by the office of the Chief Controller of Accounts is vital. To this end, the Focal Point sbranches prepare Datewise Monthly Statement (DMS) of transactions handled at Focal Point Branch and submit it to PAO concerned which in turn verifies the same as per their records and return two copies thereof to the Focal Point branch, one of which is sent to GAD, Central Office, Mumbai. Verified Date-wise Monthly Statement (VDMS) is termed as mutually accepted document between Bank and the accounting authority of the office of the Chief Controller of Accounts, Ministry of Urban Development and Poverty Alleviation and as such is the final document for reconciliation. The VDMS when received at GAD, Central Office, Mumbai is compared with the settlement already made and for the differences, if any, amendments are proposed to complete the exercise of reconciliation. This is turned as External Reconciliation with the Government Accounting Authority i.e., the Chief Controller of Accounts of the Ministry of Urban Development and Poverty Alleviation.

### **23.23 PROBLEM AREAS**

23.23.1 Even though the existing Banking arrangements are fool-proof yet still there are some grey areas where the Divisional Officers and the Pay and Accounts Officers of the Divisions are required to take extra precaution to ameliorate the problems.

Problematic areas with their direct impact on the Cash Balances of the Government of India in general and the Ministry of Urban Development in particular are discussed in brief as under:-

23.23.2 Late transmission of Bank Scrolls by Dealing Branch to Focal Point Branch and by Focal Point Branch to the Pay and Accounts Officer.

Late transmission of Bank Scrolls to the Pay and Accounts Officer through proper channel of Bank branches results in non-accountal or late accountal of Receipts/Refunds. It adds the number and amounts of outstanding cheques. It presents a distorted picture of Cash Balance position of the Ministry and increases the number of time barred cheques. It also hampers Bank Reconciliation.

23.23.3 Wrong Scrolling

23.23.3(i) Deviation between the figures of supporting challans/cheques and the figures scrolled in Bank Scroll, say the receipt of Rs.540/- wrongly scrolled as Rs.5,040. It would result in a difference of Rs.4,500 which would create problem in balancing the Account.

(ii) Wrong inclusion of Challan or Cheque of other Ministry/Department will have its impact on the cash balance of the Ministry.

(iii) Deviation between Daily Memorandum of Advice i.e., DMA(R) or DMA(E) and Date-wise Monthly Statement (DMS) creates problem in reconciliation.

23.23.4 Excess or Double Put Through

- (i) Excess or Double Put Through results in depletion of cash balance of the Ministry. It also results in excess or double payment of turnover commission payable by Reserve Bank of India
- (ii) Creates problems in Bank reconciliation.

#### 23.23.5. Wrong adjustment of March Residual Transactions

The procedure for adjustment of March residual transaction has already been explained in Para 23.13 of this Chapter. The Accounts of Reserve Bank of India remain open upto 15<sup>th</sup> April or upto the date as may be extended on year to year basis by issue of necessary orders by the competent authority in this behalf of next financial year for carrying out adjustments of March Residual transactions for which separate scrolls after due segregation of March transactions from the April transactions are required to be sent for proper adjustment. But in practice it has been observed that Banks mix up the transactions of March with April transactions which are accounted for in next financial year. This mix up gives a horrible picture of Accounts.

#### 23.23.5 Other Factors

- (i) Missing supporting documents viz Missing Challans/Cheques and in the absence of missing documents the receipt or refund or clearance of cheque remain unadjusted.
- (ii) Wrong adjustment of differences by affording Debit or Credit to set off excess credit or debit instead of reducing the difference by affording minus debit or minus credit, results in double payment of Turnover commission payable to the accredited Banks by Reserve Bank of India.

23.23.6 All these problems could be avoided if the action is initiated by the concerned quarters right from the receipt of Bank Scrolls till their adjustment under the proper heads of account to facilitate Bank reconciliation at the end.