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**DELAY IN REMITTANCES
OF COLLECTIONS BY
PUBLIC SECTOR BANKS**

**MINISTRY OF FINANCE
(DEPARTMENT OF ECONOMIC
AFFAIRS) (BANKING DIVISION)**

**PUBLIC ACCOUNTS
COMMITTEE
1990-91**

SIXTEENTH REPORT

NINTH LOK SABHA



**LOK SABHA SECRETARIAT
NEW DELHI**

SIXTEENTH REPORT
PUBLIC ACCOUNTS COMMITTEE
(1990-91)

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DELAY IN REMITTANCES OF COLLECTIONS
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MINISTRY OF FINANCE
(DEPARTMENT OF ECONOMIC AFFAIRS)
(BANKING DIVISION)

[Action Taken on the 28th Report of Public Accounts
Committee (8th Lok Sabha)]



Presented to Lok Sabha on 6-9-1990
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PUBLIC ACCOUNTS COMMITTEE
(1990-91)

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1. Shri G.L. Batra—*Joint Secretary*
2. Shri G.S. Bhasin—*Deputy Secretary*

INTRODUCTION

I, the Chairman of the Public Accounts Committee, as authorised by the Committee, do present on their behalf this Sixteenth Report on action taken by Government on the recommendations of the Public Accounts Committee contained in their 28th Report (Eighth Lok Sabha) on delay in remittances of collections by Public Sector Banks.

2. In this Report, while referring to the large arrears in the reconciliation of inter-branch accounts the Committee have observed that the figures of 138.02 lakh entries involving a sum of Rs. 1,40,694.11 crores remaining outstanding are stupendous considering the total deposits in the banking system in the country as a whole. According to the Committee, such huge amounts of un-adjusted/outstanding entries only reflect on the poor state of affairs in the banking system. The Committee have desired that the work relating to clearance of outstanding entries should be carefully monitored at appropriate level and a time bound programme should be laid down for clearing the backlog.

3. The Report was considered and adopted by the Public Accounts Committee at their sitting held on 24 August, 1990. Minutes of the sitting form Part II of the Report.

4. For facility of reference and convenience, the recommendations of the Committee have been printed in thick type in the body of the Report and have also been reproduced in a consolidated form in the Appendix I to the Report.

5. The Committee place on record their appreciation of the assistance rendered to them in the matter by the Office of the Comptroller and Auditor General of India.

NEW DELHI;
August 24, 1990
Bhadra 2, 1912 (Saka)

SONTOSH MOHAN DEV,
Chairman,
Public Accounts Committee.

CHAPTER-I

REPORT

This Report of the Public Accounts Committee deals with the action taken by Government on the recommendations/observations of the Committee contained in their Twenty Eighth Report (Eighth Lok Sabha) on paragraph 33 of the Report of the Comptroller and Auditor General of India for the year 1981-82, Union Government (Civil) regarding delay in remittances of collections by Public Sector Banks.

2. The Twenty Eighth Report of the Committee was presented to Lok Sabha on 21 March, 1986 and contained 23 recommendations/observations.

3. A scrutiny of the Action Taken Notes furnished by the Ministry revealed that the action taken on a large number of recommendations of the Committee was perfunctory. The replies received were incomplete and failed to give a clear picture as to what precise action had been taken in pursuance of the various recommendations/observations of the Committee. The Committee, therefore, decided to record fresh evidence of the representatives of the Ministry etc. Consequently the representatives of the Ministry of Finance etc. appeared before the Committee on 23.9.1989. In the light of the position emerging during evidence, the Committee directed that revised Action Taken notes might be furnished.

4. The revised Action Taken note in respect of all the recommendations/observations have since been received from Government. These have been categorised as follows:

- (i) Recommendations and observations that have been accepted by Government:
Sl. Nos. 1-6, 9-23.
- (ii) Recommendations and observations which the Committee do not desire to pursue in the light of the replies received from Government:
Sl. Nos. Nil.
- (iii) Recommendations and observations replies to which have not been accepted by the Committee and which require reiteration:
Sl. Nos. Nil.
- (iv) Recommendations and observations in respect of which Government have furnished interim replies:
Sl. No. 7, 8.

5. The Committee will now deal with action taken by Government on some of their recommendations.

Comparative study of the performance of SBI Branches vis-a-vis other authorised banks

Sl. No. 7 (Para 101)

6. Emphasising the need for minimising delays in credit transfers on Government account, the Committee in paragraph 101 of their 28th Report had made the following recommendation:

“The Committee note that the Reserve Bank of India has also instituted a system of inspection of branches of public sector banks with a view to educating their staff in the conduct of government business as well as to carry out a scrutiny of such transactions. The Reserve Bank of India is stated to have inspected a majority of the branches conducting government business on as many as three occasions. According to the Department of Economic Affairs (Banking Division) there has been improvement in the banks’ handling of Government work as a result of the inspections and trainings conducted by Reserve Bank of India. As a result of all these steps, some improvement has been achieved, and there has taken place a decline in the incidence of delayed credits routed through the branches of State Bank of India from about Rs. 1162 crores in 1980-81 to about Rs. 47 crores in the eleven months period ended February, 1983. These figures however, pertain only to the branches of the State Bank of India. The Committee suggest that an indepth comparative study of the performance of the State Bank of India branches vis-a-vis other authorised banks should be made to decide upon measures which are most likely to minimise delays in credit transfers”.

7. In their Action Taken Note the Ministry have stated as under:

“Reserve Bank of India has already initiated steps to implement the Committee’s suggestions to make an indepth comparative study of the performance of SBI branches and other banks. With a view to ensuring prompt credit of taxes to Government account and also to ensuring that banks follow the procedure prescribed by the Government in the conduct of Government work the RBI undertakes inspection of public sector banks conducting Government work. The RBI has so far inspected 19314 branches during the years 1983-84 to 1987-88. This has brought about commendable improvement in the functioning of bank branches. It has been noticed from the recent reports received from the offices that the irregularities in following the prescribed procedures under revenue collection schemes CBEC and CBDT have been considerably reduced while the delays in remittances/accounting have come down considerably.

The revised procedure introduced under CBEC scheme with effect from 1.4.1986 has been greatly successful in achieving the desired results, viz. prompt credit of revenue collection to Government account and expeditious reconciliation of accounts. The performance of the public sector banks during the first two years of the operation of the scheme i.e. 1.4.1986 to 31.3.1987 and 1.4.1987 to 31.3.1988 was recently reviewed. It is observed that the delayed remittances which were 11.07% of the total collections during the year ended 31.3.1987 came down to only 3.46% during the year ended 31.3.1988. The detailed comparative figures of delayed remittances during the year 1986-87 and 1987-88 in respect of Central Board of Excise and Customs, moth-wise is given in the enclosed statement. Delayed amounts have been reduced to almost 1% during the subsequent months.

In addition to inspections being undertaken by the RBI, CGA has also commenced inspections, on test check basis of banks with effect from November, 1987. So far, 65 bank branches of 17 Public Sector Banks including State Bank of India have been inspected. One hundred and one Inspection Reports have already been issued, pertaining to delays in remittances and other mistakes connected with Direct and Indirect taxes. These Inspection Reports are being pursued.

The results of the inspections of the Public Sector Banks handling Government transactions, by the CGA would be intimated to the Public Accounts Committee in due course”.

8. In their original report the Committee had *inter-alia* desired that an in-depth comparative study of the functioning of the State Bank of India Branches *vis-a-vis* other authorised banks may be made to decide upon measures which most likely to minimise delays in credit transfers. Some steps have reportedly been initiated by the Reserve Bank of India in implementation of the Committees suggestion. The Committee, have, however not been informed as to what actually has been done in this regard and whether any comparative study has been undertaken or not.

The Committee desire that, since significant improvement was achieved in reducing the incidence of delayed credits in the State Bank of India Branches as a result of specific measures taken, the efforts made in other public sector banks should also be evaluated systematically to assess the efficacy of these measures and for taking further remedial measures. The Committee would like to be apprised of the outcome of the comparative study within three months.

Reconciliation of Accounts

Sl. Nos. 10 and 11 (Para 104 & 105)

9. Taking note of the large arrears in the reconciliation of inter-branch accounts, the Committee had made the following recommendations:

“In regard to inter-branch accounts of the Public Sector Banks, the Committee on Papers laid on the Table of Rajya Sabha have in paras 28 to 31 of their Eighth Report on Nationalised Banks, expressed distress over the fact that a large number of items of accounts in respect of almost all the public sector banks had been left unreconciled, incomplete, unscrutinised and in arrears for several years. Some of the Public Sector Banks had not even been able to give the particulars of the number of branches or the amounts involved in the items in which reconciliations/adjustments were in arrears. The Committee find that discrepancies in the inter-branch accounting procedures have resulted in sizeable arrears in reconciliation of accounts between the receiving banks and link branches. Total number of outstanding entries in respect of all public sector banks stood at 323.35 lakhs amounting to Rs. 200169.05 crores in 1982 and 307.35 lakhs involving Rs. 168565.26 crores in 1983. The Committee consider that this reveals a grave situation.

Various reasons have been assigned by the Ministry for the present state of the inter-branch accounting of the Banks. The Committee have been informed in this connection that the Reserve Bank of India have issued a circular over this matter and reiterated the need for their reviewing the position from time to time. Reconciliation of inter-branch accounts, is of the greatest importance and the Government and the Reserve Bank of India should view the situation with much greater concern and urgency than they have done hitherto”.

10. In their Action Taken note the Ministry have stated as under:

“The Continuing arrears in the reconciliation of inter-branch accounts and follow up and adjustment of the outstanding entries has been a matter of concern to the Government as well as Reserve Bank of India. Under the present accounting system followed in banks, there is an inherent time lag ranging from three months to six months between the date of inter-branch transaction and its reconciliation. Government and Reserve Bank of India have been urging the banks from time to time to make effective and sustained efforts to keep this area of work up to date by streamlining their systems and procedures in this regard. The need for clearing the arrears within a timebound programme is also urged on the banks. Banks have been asked to take various special steps like posting of additional staff in critical areas, periodical monitoring of progress of reconciliation of outstanding entries at various levels, constitution of special teams to go into

specific areas, branches etc. Some banks have started using in-house computers for this purpose. Many banks entrust this work to outside computer agencies also, for speeding up the work. Accordingly the banks have been evolving suitable time bound programmes for this purpose and they also started introducing mechanisation and use of computers wherever feasible depending upon the volume of work and the constraints faced by them. In many cases the work of matching is being entrusted to external computer agencies. The progress made by the banks in complying with this time bound programme is being constantly watched by the Reserve Bank of India on the basis of periodical statement/notes received from the banks. The matter is also taken up with the banks at the highest level wherever it is observed that the progress made is tardy. Reserve Bank of India has also evolved a practice of having a dialogue with the Heads of Reconciliation Departments of banks in order to ascertain the real constraints faced by them in this regard. The progress made in this regard is also discussed by Governor, Reserve Bank of India during his discussion with the Chairman of the concerned bank while discussing the Annual Action Plans. The progress made by the banks is also reviewed in the quarterly meetings taken by Finance Minister with the Chief Executives of the banks.

As a result of the various steps taken by the banks at the instance of the Government and Reserve Bank of India, the banks are now fully conscious of the need for liquidating the arrears and by and large most of the banks have progressively reduced the outstanding entries especially those relating to the period upto 1980.

As per the latest information available with the Reserve Bank of India, the position of unadjusted/outstanding entries and amounts involved therein is as under:

	No. of entries (In lakhs)	Amount involved (Rs. in crores)
A. Position of entries upto 31.12.1986 and outstanding as on 31.12.1986	410.50	345751.63
B. Position of entries upto 31.12.1986 and outstanding as on 31.12.1987	138.02	140694.11

It may be seen from the above, that there has been a reduction to the extent of 66.4% in outstanding entries and 59.3% in the amount involved during the period of 1 year from 31st December, 1986 to 31st December, 1987. The special efforts taken by the

banks will continue so long as all the outstanding entries are cleared and the current work is not allowed to fall in arrears in future”.

11. The Committee note from the Ministry's action taken note that out of 410.5 lakhs entries involving an amount of Rs. 3,45,751.63 crores outstanding as on 31.12.86, 138.02 lakh entries involving a sum of Rs. 140694.11 crores remained outstanding even after a year on 31.12.87. The Committee consider this reply evasive as these figures do not give an idea about the net reduction effected in the outstanding entries.

The Committee observe that the figures of 138.02 lakh entries involving a sum of Rs. 1,40,694.11 crores are stupendous considering the total deposits in the banking system in the country as a whole. Such a huge amount of un-adjusted/outstanding entries only reflect on the poor state of affairs in the banking system. The Committee desire that the work relating to clearance of outstanding entries should be carefully monitored at appropriate level and time-bound programme should be laid down for clearing the backlog.

The Committee also desire that the entire question of continuing arrears in the work relating to reconciliation of inter-branch accounts of the public sector banks may be remitted to a High Powered Committee for making suitable recommendations for clearing the backlog as also for ensuring that there is always concurrent adjustments so that the accumulation of outstanding entries would not arise. The precise action taken in this regard may be intimated to the Committee within three months.

The continuation of the old practices makes a mockery of the very concept of accounting which is not complete upto 100% in any Nationalised bank, let alone the State Bank of India. Some methods must therefore be evolved to complete the work relating to reconciliation of accounts in all banks and in all branches within a time-bound programme.

Reconciliation of PSB Suspense Accounts

Sl. No. 16 (Para 110)

12. There is considerable time lag between the deposits made by the assesseees in Banks and their final adjustment in Government accounts maintained by the various Pay and Accounts Offices. In this connection, the Committee had made the following recommendations:

“The Committee feel that there is considerable time lag between the deposits made by assesseees in banks and their eventual credit in Reserve Bank of India/Government Accounts and final adjustments in Pay and Accounts Office. Huge accumulations in the Suspense Head Means delay in accounting of Government dues, and is defraught with possibilities of irregularities, frauds etc. The Committee would, therefore, like to emphasise the need to ensure the crediting of the amount collected at the earliest possible moment and to maintain the balance at the minimum level under this head. To achieve this end, Government should devise necessary measures for

ensuring timely credit of Government dues by Public Sector Banks to Reserve Bank of India, the prompt submission of credit advices by Reserve Bank of India to Pay and Accounts Office; and the speedy reconciliation of the balances/dues under the head PSB Suspense at the Ministry's end. There can be no excuse whatsoever for the failure to reconcile accounts between various Public Sector Banks and the Government in regard to Government transactions promptly. As it is they have continuously been in arrears right from the inception of the scheme in 1976-77. Insofar as State Bank of India is concerned the respective number of items pertaining to the years 1976-77 and 1977-78 yet to be reconciled are stated to be 7 and 97. The corresponding figures for the years 1978-79, 1979-80, and 1980-81, 1981-82 and 1982-83 are 3904, 4035, 7202, 4869, and 7011 respectively. The Department of Economic Affairs have stated in this connection that it had not been possible to identify the amounts involved in these cases. As regards other Public Sector Banks the number of items under reconciliation are not readily available with the Ministry. The Committee take a very serious view of the inability expressed by the Ministry even to give particulars of the number of items yet to be reconciled in respect of all the Public Sector Banks and the amount involved therein. Evidently the Ministry has not made any serious effort to monitor reconciliation of arrears. The Committee would like the arrears in reconciliation of the accounts between various Public Sector Banks and Government accounts to be correctly ascertained and cleared expeditiously under a time bound programme. They would also like to be apprised of the latest position in this regard. The Committee consider that a serious attempt should be made to fix responsibility for the existing most deplorable state of affairs in a matter of such financial significance".

13. In their Action Taken Note the Ministry have stated as under:

"Prior to departmentalisation of accounts, the SBI was the only Public Sector Bank handling Government transactions on behalf of the Reserve Bank of India, and Accountant Generals were discharging the dual functions of maintaining the accounts of the Government of India and audit thereof. All the transactions handled by the various branches of the SBI and reported to the Accountant Generals (through treasury schedules) were directly taken to the head "875—Deposit with R.B." and eventually transferred to the Head "899—Cash balance" without reference to the amount actually settled with the Reserve Bank of India. In the new accounting procedure introduced at the time of departmentalisation of accounts, this drawback was sought to be removed by the introduction of the Suspense Head "PSB—Suspense". Replacement of the traditional treasury system of payments by entrusting the work entirely to the SBI and other 14 Public Sector Banks was a major decision involving a

revolutionary change in the field of Government Accounting. No capsule formula or readymade accounting procedure was then available. A procedure was evolved by taking all relevant factors into consideration. This procedure has been streamlined by removing the defects and lacunae through continuous review and constant monitoring. All these officers who were associated from time to time in evolving a workable accounting procedure had tried their best to make it fool-proof and simplified. Need for fixing individual responsibility is, therefore, not considered.

A time bound programme has been drawn up by the CGA in consultation with the SBI for bringing the reconciliation upto date. The reconciliation upto 1981-82 is to be completed by the end of 1986-87. The account for the first four years are almost reconciled except in case of revenue transactions. Receipts on account of direct and indirect taxes pass through focal point branches of Reserve Bank of India and State Bank of India and as such so far as the revenue receipts are concerned, these appear in the outstanding reconciliation with the SBI only. In case of other Government transactions reconciliation of accounts with the other banks is being closely monitored by the CGA.

The latest position of reconciliation of PSB Suspense in respect of revenue accounts of CDBT/CBEC as intimated by the State Bank of India is as under:—

Period of transaction	Position			Remarks
	Reconciled			
1976-77				
1977-78	Total No. of A/cs	No. of A/cs reconciled	No. of A/cs yet to be reconciled	
1	2	3	4	5
CBEC	10,088	4652	5436	Upto March, 1978 SBI, Umalo was handling both revenue and expenditure accounts of CDBT and CBEC.
CBDT	5,460	3028	2432	

(Amount in crores)

April 1978 to August 1981	Net amount settled	Feed back received for	Amount reconciled	% of reconcilia- tion to feed back received	
CBEC	15,273	5634	4938	87.65%	Reconciliation is done on the basis of feed back received.
CBDT	3,477	1272	1012	79.56%	
September, 1981 to March 1986	Net amount settled		Amount reconciled	% of reconcilia- tion	
CBEC	36,843		28,483	77.31	Reconciliation is done on the basis of automa- tic put through
CBDT	8,049		7,356	91.39	
Upto May 1989					

Total reconciliation of the amounts pertaining to CBEC revenue account in respect of SBI as well as other Public Sector Banks has been done in so far as the period from 1.4.1986 is concerned.

Under the revised system of reporting/accounting and reconciliation of revenue receipts of CDBT by public sector banks introduced from 1.10.1988 the reconciliation of PSB Suspense is being done on monthly basis regularly. Every effort is also being made to clear "PSB Suspense" in the same month. If there are still discrepancy left then they are also settled through personal contacts with the nodal Bank branch in the following month. All transaction of CDBT Revenue account in the Public Sector Banks (other than SBI) have been fully reconciled with the amounts remitted by them to RBI, C.A.S., Nagpur from 1.10.1988 to 30.6.1989".

14. The Committee are deeply concerned to note that even by 1989, the reconciliation has been completed only upto the year 1976-77 and that thousands of accounts for the years 1977-78 onwards are yet to be reconciled. It is needless to point out that progress in reconciliation of accounts of the CBEC and CDBT is tardy and slow. The Committee cannot but emphasise that there is urgent need for taking steps to ensure that the work relating to reconciliation of accounts is brought upto date. There is also need for evolving procedures so that the monthly reconciliation work is not

allowed to accumulate and create future problems. The Committee would like to be apprised of the precise action taken in this behalf within three months.

Reconciliation between departmental figures and Accounts figures

(S. No. 18—Para 112)

15. Noting the inordinate delay in regard to reconciliation between departmental figures and accounts figures, the Committee had recommended in para 112 of 28th Report as follows:

“Insofar as the reconciliation between departmental figures and accounts figures are concerned, the Committee are informed that there is no unreconciled amount between departmental figures and account figures relating to the Central Board of Direct Taxes for the accounts upto 1981-82. However, the work of reconciliation in this respect in regard to the Central Board of Excise and Custom upto 1981-82, has not been completed in respect of 9 out of 25 collectorates. In fact, in one Collectorate, the work is stated to have been completed only upto March, 1979 and in another upto March, 1978 only. The yet another Collectorate, the work of reconciliation of Central Excise Revenue figures was yet to be taken up from 1977-78. The Committee are unhappy over the inordinate delay in completion of the reconciliation work between departmental figures and accounts figures. The Department of Economic Affairs have stated in this connection that the Collectorates have been directed by the Board to complete the reconciliation for the past period urgently. The Committee would like this work to be completed within a time frame. They would also like to be informed of the latest position in regard to reconciliation of work in respect of both Central Board of Direct Taxes and Central Board of Excise and Customs revenue figures”.

16. In their action taken note the Ministry have stated as under:

“On account of re-organisation of the Collectorates in the Central Excise and Customs Department, the number of collectorates have now become 32.

The latest position regarding the period upto which the departmental reconciliation had been done by the various Collectorates is indicated below:

No. of Collectorates	Period upto which reconciliation completed
1	2
1	Upto 8/88
1	Upto 7/88

1	2
6	Upto 62/88
10	Upto 5/88
1	Upto 4/88
7	Upto 3/88
1	Upto 10/87
1	Upto 8/87
1	Upto 7/87
1	Upto 6/87
1	Upto 3/85
	Reconciliation work taken up from 1.10.1984 (From 1.10.84 to 1986-87 reconciliation is under progress).

It would thus be seen that most of the collectorates have disposed of the arrears which otherwise were pending for many years, except two collectorates which are making efforts to complete the reconciliation work as early as possible."

17. The Committee note that reconciliation between departmental figures and Accounts figures has not been completed in most of the collectorates and the period upto which reconciliation has been completed varies from collectorate to collectorate. It is noted from the data produced by the Ministry that in one collectorate reconciliation has only been completed upto March 1985. In another collectorate the work from 1.10.84 to 1986-87 is under progress. In the Committee's view, this is not a satisfactory situation and concerted efforts are required to be made to complete the reconciliation work which is still pending. The Committee would like that the progress as on 31.3.1990 may be intimated to them.

CHAPTER-II

RECOMMENDATIONS AND OBSERVATIONS THAT HAVE BEEN ACCEPTED BY THE GOVERNMENT

Recommendation

The schemes for the receipt of Government dues on account of direct taxes and indirect taxes by nominated public sector banks in addition to Reserve Bank of India and State Bank of India, were introduced by the Government of India with effect from 1st April, 1976 and 1st April, 1977 respectively. In accordance with the Memorandum of Instructions issued by the Reserve Bank of India the branches of the nominated public sector banks receiving such dues are required to transfer their daily collections on this account to their designated link branches positively at the beginning of the next working day. After scrutiny, the designated link branch has in turn, to immediately transmit to the focal point bank (i.e. Reserve Bank or the branches of State Bank conducting Government treasury business, as the case may be) the daily scrolls and the challans, including its own, together with a cheque/draft for the total amount collected as indicated in the relevant scrolls for crediting to Government account within the prescribed time limit of 3 to 7 days. The Reserve Bank emphasised (June, 1981) that the day's collections at the receiving branches must reach the focal point bank through respective designated link branches within a maximum of 7 days from the date of collection.

[Sr. No. 1 (Para 95) of Appendix I to 28th Report of the Public Accounts Committee (8th Lok Sabha)]

Action Taken

-No comments-

[Ministry of Finance, Department of Economic Affairs, Banking Division, O.M. No. 35/3/86-B.O. III dated 29-8-1989]

Recommendation

The Committee, however, find that the prescribed time limit of 7 days has been adhered to more in violation than in compliance by the designated link branches of the banks. A test check conducted (September to December 1981 and April to August 1982) by Audit at 594 designated link branches of nominated public sector banks from 1978-79 to 1981-82 in different States revealed delays ranging from one to three months and above in remittance of collected amounts of Government dues of considerable magnitude to the focal point banks thus depriving Government of the amounts collected as their dues for long periods affecting *inter-alia* their

ways and means position. The total number of such cases during the said period in respect of 594 link branches numbered 24,344 and the amount aggregated to Rs. 122.88 crores. As a result of test check of the records of 514 link branches of banks relating to the period 1978-79 to 1981-82, 39,532 cases of delays upto 30 days were noticed in different regions aggregating to Rs. 245.39 crores. The region-wise analysis of such delays revealed that average number of cases of delay in link branches were quite high, in Andhra Pradesh 299, Delhi/New Delhi 328, Punjab 61, and Tamil Nadu and Pondicherry 448. In this connection, the Secretary, Department of Expenditure representing on behalf of Department of Economic Affairs stated during the evidence that 85 per cent of the tax collections were not remitted in seven days. This contradicts the claim of the Department of Economic Affairs (Banking Division) that major portion of the tax collection is credited to Government account within a time frame. The Committee therefore may fairly conclude (1) that remission of amounts collected as Government dues in a very large number of cases is delayed, (2) that the delays ranges from a few days to a few months and (3) that the amounts involved are substantial.

[Sr. No. 2 (Para 96) of Appendix I to 28th Report of the Public Accounts Committee (8th Lok Sabha)]

Action Taken

Though the conclusion of the Committee are not contested, it would appear that the statement attributed to the Secretary, Expenditure that 85% of the remittances are delayed seems to be not related to the generality of cases. The statement of Secretary (Expenditure) about the delay of more than 7 days in 85% cases actually related to branches outside the metropolitan cities and therefore reflect a small percentage of collections. In metropolitan towns more than 50% are remitted within 7 days as pointed out by the CGA himself during his oral evidence. It may also be submitted that there has subsequently been substantially a marked improvement in the matter of remittances especially in the last few months as a result of measures taken by the Government and the RBI. Some of the measures are introduction of job cards, levy of interest on delayed remittances, revised accounting procedures for CBEC Collections, joint studies/inspections of branches and organisation of workshop/seminars etc. In addition to the measures already taken as indicated above, a revised system of reporting/accounting and reconciliation of revenue receipts of

Central Board of Direct Taxes has also been introduced with effect from 1-10-1988 which is expected to further minimise the delays in remittances.

[Ministry of Finance, Department of Economic Affairs, Banking Division O.M. 35/3/86-B.O.III dated 29-8-1989]

Recommendation

The delay in remittances of Government dues by Public Sector Banks has been attributed by the Ministry of Finance to the circumstances beyond the control of the banks. These are stated to be staff agitations; delays in the postal transmission of credit advices; seasonal pressure of work particularly during June, September, December and March each year when people have to deposit advance taxes, lapses of bank staff; shortage of bank staff, and remoteness of some of the receiving branches. None of these can be said to be difficulties of a novel kind. They could have been overcome by increasing the period within which the sums collected had to be remitted. Instead of that the Reserve Bank allowed the time limit of a maximum of seven days to remain when the position was reviewed. It was in any case open to the Reserve Bank to go into each of these circumstances making it difficult for banks to remit the amounts collected to the focal centre in time. Moreover, problems such as staff agitations and lapses on the part of Bank staff are few and far between and could only explain delay of an exceptional nature in any one year. Shortage of staff cannot reasonably be advanced as one of the reasons for the delays. The concerned banks are remunerated by substantial payment by way of commission by the Government for undertaking this work of collection of revenues on their behalf. It was up to the banks to recruit whatever additional staff was needed. The Committee trusts that adequate remedial measures will now be initiated by the concerned Banks in this direction.

[Sr. No. 3 (Para 97) of Appendix I to 28th Report of the Public Accounts Committee (8th Lok Sabha)]

Action Taken

The Public Sector Banks are constantly being reminded by CGA to ensure prompt credit of Government receipts in various review meetings held with them. The cases of delay involving heavy amounts are being monitored in the CGA's Organisations. These are taken up with the banks for investigations and remedial measures taken wherever considered necessary.

Reserve Bank of India has on its part requested the banks to ensure that the workshops for the training of staff engaged on Government work are held more frequently and that shortage of staff should not come in the way of speedy remittances of credits.

Reserve Bank of India was advised to issue appropriate instructions to all the banks to ensure that the seven days period is strictly adhered to. Reserve Bank of India was also advised to instruct the banks to suitably

modify their existing procedures and systems and take such action as considered necessary to ensure that the time limit is adhered to invariably and non availability of staff should not result in delayed remittances. Reserve Bank of India has issued instructions to all public sector banks to strictly adhere to the time limit of 7 days notwithstanding the various difficulties such as shortage of staff, postal delays, remoteness of branches etc. A copy of Reserve Bank of India's circular letter No. GA. NB. 3136/GA.61(10)-Audit-Spl-87/88 dated 26-5-88 is enclosed (Annexure)

[Ministry of Finance, Department of Economic Affairs, Banking Division O.M. No. 35/3/86-B.O.III dated 29-8-1989]

ANNEXURE

Copy of Reserve Bank of India letter No.GA.NB. 3136/GA.64(10) Audit-Spl. 87-88 dated May 26, 1988.

1. The Managing Directors of State Bank of India and its Associates.
2. The Chairman and Managing Directors of 14 banks (nationalised in 1969)

Dear Sir,

Scheme for collection of Government dues by public sector banks — delayed credit to Government account

You may be aware that the Public Accounts Committee (1985-86) of 8th Lok Sabha had adversely commented in its 28th Report in the delays on the part of public sector banks in remitting Government dues (direct and indirect taxes) for credit to Government account. It has further observed in this connection that it is not satisfied with the reasons such as shortage of staff, postal delays, remoteness of branches, given for the delays. According to the Committee, shortage of staff cannot reasonably be advanced as one of the reasons for delay. Of late several instances have come to the notice of Government/Bank that the actual remittances of Government dues by the banks has been effected after an unduly long time. In view of the impact such delay will have on Government resources position, the Government of India, Banking Division desire that notwithstanding the various difficulties the banks may have, it should be ensured that the remittances reach the focal point banks within a period of seven days as stipulated in our circular GA.NB. No. 4056/GA. 64(10)-80/81 dated 18th June 1981. Any delays on the part of the banks will, therefore, be viewed seriously and banks would be required to pay interest on delayed credits.

2. We shall be glad if you will please issue strict instruction to your concerned branches in this behalf under advice to us.

3. Meanwhile please acknowledge the receipt.

Recommendation

Seasonal pressure of work during June, September, December, and March is also a weak excuse in face of the fact that there is a fairly even flow of receipts throughout the year except for March because the bulk of the Government revenue comes from indirect taxes. In so far as pressure during March is concerned, this could well be looked after by the Special Messenger System inducted into service during the last fortnight of the financial year.

[Sr. No. 4 (para 98) of Appendix I to 28th Report of Public Accounts Committee (8th Lok Sabha)]

Action Taken

It has been noticed that the flow of tax receipts throughout the year does not appear to be even. There is a pronounced trend of income tax etc. collections being higher in the months of June, September and December apart from the month of March. The RBI has been impressing upon the Public Sector Banks to introduce Special Messenger System during such periods when the pressure of work is more. Banks have also been advised to keep their counters open for more hours during the last few days of March every year.

Apart from the introduction of Special Messenger System in the second fortnight of March every year at the receiving/link branches of public sector banks, the focal point branches are also required to keep their books open till the next working day to ensure that the collection received from the designated branches are accounted for without delay and in any case, in the month of March itself. In addition to this, the major offices of Reserve Bank of India which account for maximum portion of tax collections are advised at the instance of Central Board of Direct Taxes to take appropriate measures so that major tax collections get accounted for in the same financial year.

In regard to collection of Central Board of Excise and Customs dues a scheme of one bank—one Collectorate has been introduced with effect from 1.4.1986. To apprise the staff of the changes brought out by the introduction of the revised scheme, RBI had, in collaboration with CBEC conducted seminars at different places. Similar seminars were arranged by banks at their branches. These have helped in creating awareness in the bank staff for speedy transfer of collections of Government accounts.

In the case of collections of C.B.D.T., Reserve Bank of India has in consultation with the C.B.D.T., introduced a revised accounting procedure with effect from 1.10.1988. Under the new procedure, the collecting branches of the concerned banks report the transactions alongwith supporting documents to the nodal branch of the bank set up at the centre of Zonal Accounts Office of C.B.D.T. The nodal branch, after consolidating all the transactions reported to it including its own collections, reports on

day to day basis to the Link Cell of the bank set up at Nagpur for direct settlement with the RBI, Central Accounts Section. The supporting documents viz. scrolls, challans etc. are sent by the nodal branch to the designated officers. The revised procedure, apart from eliminating certain tiers in the earlier procedure, would also ensure expeditious credit to Government accounts. The entire responsibility from the collection stage to the point of credit to the Government account and subsequent reconciliation of accounts is now assumed by the concerned bank. The revised procedure is expected to achieve prompt remittance of collections to Government account and early reconciliation of transaction.

[Ministry of Finance, Department of Economic Affairs, Banking Division O.M. No. 35/3/86-B.O. III dated 29.8.1989]

Recommendation

Reasons such as postal delays and remoteness of Bank branches etc. are also not cogent. The Ministry have contended that while in the big metropolitan cities of Madras, Bombay, Calcutta and Delhi and the State Capitals which have Reserve Bank branches, it is possible to carry out the adjustments within 7 days time, in remoter areas, such as Arunachal Pradesh, it would take much more time as there are no means to conveying information through telex and the facilities of Posts and Telegraphs have to be resorted to. The Committee regretfully note that the limit of 7 days is not being strictly adhered to even in big metropolitan cities which have receiving bank branches, link branches and focal point banks at the same place. A test check of the records of 504 banks, region-wise, relating to the period 1978-79 to 1981-82 revealed 19,387 cases of delays upto 30 days.

[Sr. No. 5 (Para 99) of Appendix I to 28th Report of Public Accounts Committee (8th Lok Sabha)]

Action Taken

A revised procedure has been introduced with effect from 1.4.1986 for collection of receipts of excise and customs by only one bank in one collectorate. Under this scheme, the collecting branches remit the transactions to nominated focal point branches of the same bank for immediate credit to Government balances. A quick study of the working of the new procedure has revealed that it has quickened the process of remittance of CBEC receipts. The revised procedure is being constantly monitored by the CGA's organisation by holding meetings and seminars with all the banks involving bank officers at the grass root level so as to ensure smooth working of the revised procedure. A revised accounting procedure for collection of direct taxes has been introduced with effect from 1.10.1988. The scheme has been formulated without reducing the number of receiving branches as their reduction would have inconvenienced to tax payers. It is expected that this scheme will succeed to a large extent the matter of rapid remittances, prompt accountal and reconciliation of direct taxes

collections. In the case of remote branches there is bound to be some delay but these are also being attempted to be reduced. Reserve Bank of India has been asked to look into this aspect and evolve suitable remedial measures.

[Ministry of Finance, Department of Economic Affairs, Banking Division O.M. No. 35/3/86-B.O. III dated 29.8.1989]

Recommendation

The Committee are informed by the Department of Economic Affairs that several other measures have also been initiated by them with a view to avoiding delays in remittance of collections by public sector banks. These include training programmes undertaken by Reserve Bank of India for the benefit of staff members of public sector banks to improve their conceptual skills for handling this work. A workshop on government and Bank accounts was arranged by Reserve Bank of India in October, 1983 for the benefit of representatives of Banks. Reserve Bank of India has also been writing from time to time to the Chairman and Managing Directors of public sector banks impressing upon them the need to improve their handling of Government work. The Committee welcome the measures and hope that these programmes will be made sufficiently wide-ranged and arranged on regular basis periodically. A refresher course or orientation programme for personnel at senior levels might also be held from time to time to ensure overall efficiency and introducing best possible procedures.

[Sr. No. 6 (Para 100) of Appendix I to 28th Report of Public Accounts Committee (8th Lok Sabha)]

Action Taken

The Reserve Bank of India (RBI) and the public sector banks are seized of the importance of handling Government transactions promptly and they are organising orientation programmes for their branches handling Government transactions. Some of the banks have organised joint training programmes which are attended both by the officers of the banks as also officers from Government side so that there could be a free interaction between two sides to sort out the difficulties in handling of Government transactions in general and prompt remittance of receipts in particular. These have proved to be quite effective. The SBI have already organised three seminars of this type and the Bank of Baroda two workshops. Some banks are organising workshops to review the working of the new system of collection of receipts of customs and excise. The Bank of Baroda, Punjab National Bank and Indian Bank have taken a lead in this behalf. Programmes are being organised by the SBI on regional basis in which the concerned PAOs of CBEC and Focal Point Managers of Public Sector banks will participate. Reserve Bank of India has also been arranging training programmes/refresher courses etc. for the dealing officials as well as the personnel at senior level of the public sector banks involved in Government work. From 1985 onwards Reserve Bank of India has

conducted 13 programmes covering 277 participants. Government accepts the recommendations of the Committee for conducting training programmes on regular basis and for conducting refresher course and orientation programmes for senior level officers. Reserve Bank of India had been instructed *vide* Government's d.o. letter No. 35/3/86-B.O. III dated 5.1.87 to ensure conducting of such programmes by banks. All the Public Sector Banks handling various Govt. schemes are having their own training programme for the staff members. Reserve Bank has advised the public sector banks in this regard *vide* its circular letter No. GA.NB No. 3277/GA 64(10)-Audit-SPL-88/89 dated 19.5.1989. (Not enclosed).

[Ministry of Finance, Department of Economic Affairs, Banking Division, O.M. No. 35/3/86-B.O.III dated 29-8-1989].

Recommendation

The Committee note with approval Government's decision to charge the concerned banks interest at the rate of 5% per annum on the remittances to the Government which are delayed by more than one month.

[Sr. No. 9 (Para 103) of Appendix I to 28th Report of Public Accounts Committee (8th Lok Sabha)]

Action Taken

A sum of Rs. 5,01,891.50 has been recovered from Bank of Baroda towards interest for delay in remittance of direct taxes collections.

[Ministry of Finance, Department of Economic Affairs, Banking Division O.M. No. 35/3/86-B.O. III dated 29.8.1989]

Recommendation

104. In regard to inter-branch accounts of the Public Sector Banks, the Committee on Papers Laid on the Table of Rajya Sabha have in paras 28 to 31 of their Eighth Report on Nationalised Banks, expressed distress over the fact that a large number of items of accounts in respect of all the public sector banks had been left unreconciled, incomplete, unscrutinised and in arrears for several years. Some of the Public Sector Banks had not even been able to give the particulars of the number of branches or the amounts involved in the items in which reconciliations/adjustments were in arrears. The Committee find that discrepancies in the inter-branch accounting procedures have resulted in sizeable arrears in reconciliation of accounts between the receiving banks and link branches. Total number of outstanding entries in respect of all public sector banks stood at 323.35 lakhs amounting to Rs. 200169.05 crores in 1982 and 307.35 lakhs involving Rs. 168565.26 crores in 1983. The Committee consider that this reveals a grave situation.

105. Various reasons have been assigned by the Ministry for the present state of the inter-branch accounting of the Banks. The Committee have been informed in this connection that the Reserve Bank of India have

issued a circular to the executives of all banks expressing their concern over this matter and reiterated the need for their reviewing the position from time to time. Reconciliation of inter-branch accounts, is of the greatest importance and the Government and the Reserve Bank of India should view the situation with much greater concern and urgency than they have done hitherto.

[Sr. No. 10 and 11 (Para No. 104 and 105) of Appendix I to 28th Report of the Public Accounts Committee (8th Lok Sabha)]

Action Taken

The continuing arrears in the reconciliation of inter-branch accounts and follow up and adjustment of the outstanding entries has been a matter of concern to the Government as well as Reserve Bank of India. Under the present accounting system followed in banks, there is an inherent time lag ranging from three months to six months between the date of inter-branch transaction and its reconciliation. Government and Reserve Bank of India have been urging the banks from time to time to make effective and sustained efforts to keep this area of work upto date by streamlining their systems and procedures in this regard. The need for clearing the arrears within a time bound programme is also urged on the banks. Banks have been asked to take various special steps like posting of additional staff in critical areas, periodical monitoring of progress of reconciliation of outstanding entries at various levels, constitution of special teams to go into specific areas, branches etc. Many banks have started using in house computers for this purpose. Some banks entrust this work to outside computer agencies also, for speeding up the work. Accordingly, the banks have been evolving suitable time bound programmes for this purpose and they have also started introducing mechanisation and use of computers wherever feasible depending upon the volume of work and the constraints faced by them. In many cases the work of matching is being entrusted to external computer agencies. The progress made by the banks in complying with this time bound programme is being constantly watched by the Reserve Bank of India on the basis of periodical statement/notes received from the banks. The matter is also taken up with the banks at the highest level wherever it is observed that the progress made is tardy. Reserve Bank of India has also evolved a practice of having a dialogue with the Heads of Reconciliation Departments of banks in order to ascertain the real constraints faced by them in this regard. The progress made in this regard is also discussed by Governor, Reserve Bank of India during his discussions with the Chairman of the concerned bank while discussing the Annual Action Plans. The progress made by the banks is also reviewed in the quarterly meetings taken by Finance Minister with the Chief Executives of the banks.

As a result of the various steps taken by the banks at the instance of the

Government and Reserve Bank of India, the banks are now fully conscious of the need for liquidating the arrears and by and large most of the banks have progressively reduced the outstanding entries especially those relating to the period upto 1980.

As per the latest information available with the Reserve Bank of India, the position of unadjusted / outstanding entries and amounts involved therein is as under:—

	No. of entries (in lakhs)	Amount in- volved (Rs. in crores)
A. Position of entries upto 31.12.86 and outstanding as on 31.12.1986.	410.50	345751.63
B. Position of entries upto 31.12.86 and outstanding as on 31.12.1987.	138.02	140694.11

It may be seen from the above, that there has been a reduction to the extent of 66.4% in outstanding entries and 59.3% in the amount involved during the period of 1 year from 31st December, 1986 to 31st December, 1987. The special efforts taken by the banks will continue so long as all the outstanding entries are cleared and the current work is not allowed to fall in arrears in future.

[Ministry of Finance (Department of Economic Affairs Banking Division) O.M. No.35/3/86-B.O.III dated 29-8-1989]

Recommendation

At the same time, the Committee would like to draw attention to certain specific areas of failures in implementation of the procedures in regard to inter-branch transactions. These are:—

- (i) the procedure for giving running serial number of each scroll has not been adopted by most of the receiving and link branches with the result that the designated link branches are unable to trace the missing scrolls, if any, along with the amounts collected. There was generally no system of reconciliation between the figures of Government dues as collected by the receiving branches and those received and remitted by the link branches to the Reserve Bank. The Bank, had, therefore no means of satisfying themselves that collections made by their receiving branches were actually received by them and remitted to the Reserve Bank in all the cases.
- (ii) Delays ranging from one to as many as four months and more have occurred in the preparation of consolidated scrolls by the link branches for submission to the focal point banks resulting in

corresponding delay in crediting the receipts to the Government account.

- (iii) No action was taken to settle the discrepancies/deficiencies that came to light in link branches resulting in collections remaining unremitted to the Reserve Bank.
- (iv) Credits received in link branches from collecting branches were written back/deleted for want of supporting receipt scrolls/schedules/challans etc.
- (v) Heavy receipts of Government dues have generally been taking place in the last fortnight of the financial years. Instructions were not being strictly followed with regard to the introduction of a special messenger arrangement during the period from 17th to 31st March every year to ensure the passing on of scrolls etc. along with the collections in the designated link branches of the nominated public sector banks to the focal point banks on the very day of receipts from the public.

[Sr. No. 12 (para 106) of Appendix I to 28th Report of the Public Accounts Committee (8th Lok Sabha)]

Action Taken

A Working group on Government Accounts consisting of officials of Reserve Bank of India, concerned Government Departments and officials of some major public sector banks was set up in March 1984 by Reserve Bank of India to study the various areas of failures in implementing the procedure prescribed under different schemes for collection of Central Government revenues. The working Group was asked to review the network of branches engaged in the collection schemes of Central Board of Direct Taxes/Central Board of Excise and Customs and lay down norms for addition/deletion of branches from the existing lists and also to review the system of reporting and accounting of Government transactions under different schemes by the agency banks besides other terms of reference assigned to the Group. The conclusion of the Working Group after detailed study was that the failure in specific areas in the implementation of the prescribed procedures in handling Government transactions can be ascribed mainly to the spurt in tax collections at specified periods of the year, large overall increase in the tax collections, large expansion in the network of branches of banks attending to this work and complex nature of the system as it has evolved over the years. To overcome the problem, and to bring about improvement in the systems and procedures in the area of conduct of Government business, the Working Group recommended *inter-alia*, for (a) rationalisation of the branch network of banks engaged in revenue collection and (b) decentralised system of reporting and accounting under collection schemes of C.B.D.T. and C.B.E.C. For C.B.E.C. Schemes, the Working Group has also recommended "One Bank-One Collectorate" with a provision of special agency arrangements at Centres

where the nominated bank does not have a branch. The various recommendations of the Working Group in respect of C.B.E.C. Schemes have been accepted and the revised procedure has also been introduced with effect from 1.4.1986. Under this procedure, the link branch system has been dispensed with and the collecting branches send their collection direct to the nominated focal point branch of the same bank who consolidate and remit the funds to RBI's Central Accounts Section at Nagpur. In the revised procedure, giving of running serial numbers to each scroll had been made part of the procedure itself. The review of the C.B.E.C. Schemes undertaken recently covering the performance of the public sector banks during the first two years of operations *viz.* 1986-87 and 1987-88 reveals that the revised procedure is working quite satisfactorily. The proportion of the delayed remittances has come down substantially and the accounts for the month are reconciled by the 7th of the succeeding month.

For accounting and reporting of collections pertaining to direct taxes, the RBI has, in consultation with the Central Board of Direct Taxes, introduced a revised procedure with effect from 1-10-1988 (copy enclosed). Under the new procedure, the collecting branches of the concerned banks report the transactions alongwith supporting documents to the nodal branch of the bank set up at the centre of Zonal Accounts Office of C.B.D.T. The nodal branch, after consolidating all the transactions reported to it including its own collections, reports on day to day basis to the Link Cell of the Bank set up at Nagpur for direct settlement with the RBI, Central Accounts Section. The supporting documents *viz.* scrolls, challans etc. are sent by the nodal branch to the designated officers. The revised procedure, apart from eliminating certain tiers in the earlier procedure, would also ensure expeditious credit to Government accounts. The entire responsibility from the collection stage to the point of credit to the Government account and subsequent reconciliation of accounts is now assumed by the concerned bank. The revised procedure is expected to achieve prompt remittance of collections to Government account and early reconciliation of transactions.

Reply to para No. 98 may also please be seen.

[Ministry of Finance, Department of Economic Affairs, Banking Division O.M. No. 35/3/86-B.O. III dated 29-8-1989]

Recommendation

The Committee regret to have to observe the general non-compliance of prescribed procedures laid down with a view to ensuring regular and timely remittance of collection to Govt. accounts: The Committee understand that Reserve Bank had issued a general circular in June, 1983 to all public sector banks handling Government work enjoining strict compliance with the requirement of giving separate running numbers to the scrolls for each accounting year, of preparing consolidated scrolls in respect of tax

collections in time and of establishing a special messenger system in the latter part of March every year. Although over 2 years have elapsed since these instructions were issued, the Committee consider that the Reserve Bank of India/Banking Division should review the working of the various receiving/link branches on a selective basis with a view to ascertaining the extent to which the prescribed procedures are being complied with. The Committee would like to be apprised of the findings of this review and any consequential action taken by the Government.

[Sr. No. 13 (Para 107) of Appendix I to 28th Report of Public Accounts Committee (8th Lok Sabha)]

Action Taken

Right from the inception of the scheme for entrustment of Government work to nationalised banks, Reserve Bank of India has initiated a number of measures with a view to ensure prompt credit of taxes to Government account and also to ensure that banks follow the procedure prescribed by the Government in the conduct of Government work. The first and foremost among these measures is the inspection of branches of Public Sector Banks participating in the scheme for acceptance of income and other direct taxes. The inspection of public sector banks conducting the Government work is done by the RBI regularly right from the inception of C.B.D.T. revenue collection scheme. At present above 10900 (end 1985) branches are required to be inspected through 29 inspection teams of 13 offices of Reserve Bank of India. RBI have inspected 19314 branches during the year 1983-84 to 1987-88. RBI have inspected each of the branches on two or more occasions. So far the inspections was done by the Reserve Bank of India on *ad-hoc* basis at the instance of Government of India as it was envisaged that Government themselves will take over the work in course of time. However, considering the distinct advantages in continuance of inspection by RBI itself, it has been decided that the inspections will continue to be carried out by RBI on regular basis, as also by CGA's office.

Apart from the revenue collection scheme of C.B.D.T. and C.B.E.C. the inspection also covers other Government transactions *viz.* pension payment, departmentalised Ministries Account, etc. As mentioned earlier, the inspection teams during this inspection see that the collections made by banks on behalf of Government are passed on promptly for credit to Government account through proper channel. The inspection teams also ensure that proper procedure is followed in conduct of Government work. Report on irregularities observed during the course of inspections is submitted to the respective branches and necessary follow-up action is taken to obtain the compliance reports from the banks. If compliance reports are not forthcoming inspite of two reminders, the matter is taken up with the Head Offices of the concerned banks. With a view to improving the position regarding receipt of compliance, a new procedure

has been introduced. As per the revised procedure inspecting officials of RBI also furnish a list of defects/irregularities to the concerned branch and get the minor defects rectified on the spot and also advise the branch to initiate immediate action for rectification of other defects. CAG's Office have also been associating their inspecting teams with Reserve Bank of India in select cases and holding discussions with concerned banks' officials jointly. The inspections have proved to be helpful in educating the banks in procedural aspects of Government accounting and the number of irregularities has evidently shown a declining trend. These inspections are supplemented by the dealing bank's own audit. RBI has been urging banks to adopt special messenger system in March every year.

[Ministry of Finance, Department of Economic Affairs, Banking Division O.M. No. 35/3/86-B.O. III dated 29-8-1989]

Recommendation

The Committee are informed that the adjustment of the net effect of payments made by the general public etc. in the Govt. account is carried out at the stage where the Focal Point Bank happens to be a branch of the Reserve Bank of India. The adjustment is, however, delayed further if the State Bank of India has been named as the Focal Point Bank since the net effect is passed on to the Bombay Office first and then to the Delhi Office and only thereafter adjusted with the Reserve Bank of India. The Controller General of Accounts has suggested the cutting out of one of the stages authorising special branches at Bombay, Calcutta, Madras, Bangalore and Ahmedabad to receive the daily advices and effect cash settlement with the Reserve Bank of India. The coordinating and reporting functions would continue with the Government Accounts Section Bombay and Union Ministries Accounting Liaison, New Delhi. The State Bank of India is stated to have accepted this in principle and it is being implemented in stages. The Committee consider this to be a step in the right direction and hope that this will reduce the time lag involved in adjustment of the net effect of payments in Government account. The Committee would, however, emphasise the importance of speedy implementation. They would like to be apprised of the progress made in this regard.

[Sr. No. 14 (Para 108) of Appendix I to 28th Report
of Public Accounts Committee (8th Lok Sabha)]

Action Taken

Under the revised system introduced for C.B.D.T. and C.B.E.C. revenue collection schemes, the focal point stage has been eliminated and the tiers of link branch and the focal point bank have culminated into new focal point branch of the same bank at collectorate Headquarters level in the case of CBEC Scheme and in Nodal branch of the same bank in the case of C.B.D.T. Scheme. With this, 2-3 tiers involved in the case of State Bank of India focal branch in the erstwhile system have been further reduced. Previously from focal point branch of SBI the transactions were

being reported to SBI, GAD (Bombay) SBI, UMALO (ND), New Delhi and then to RBI, CAS, Nagpur. All these tiers have been eliminated. So far, as SBI branches receiving these dues are concerned, they will directly report the transactions to their focal point/nodal branch in case of C.B.E.C./C.B.D.T. and from there it will be reported to their GAD in Bombay from where they will be reported to their GALO at Nagpur for direct settlement with RBI, CAS Nagpur. With this, early settlement of transactions is expected. It is submitted that the whole collection procedure in case of direct and indirect taxes has been revised to eliminate the age old tiers of link/focal point branches for transmission of funds to Government account. Each of the public sector bank has now established a Link Cell at Nagpur for direct settlement of Government transactions with Reserve Bank of India. This apart, in case of State Bank of India, operations have been computerised at their specially designed Government Accounts Department, Bombay. The revised procedure is expected to result in quicker remittances. A copy of the revised accounting system for direct taxes collections is enclosed.

[Ministry of Finance, Department of Economic Affairs, Banking Division O.M. No. 35/3/86-B.O. III dated 29-8-1989]

Recommendation

According to the existing procedure, the amounts received by Focal Point Banks but not credited to Government account are booked in Principal Account Office under Suspense Head—Public Sector, Banks Suspense every month. The amounts are cleared from the Suspense Head by the principal Accounts Office on the basis of the monthly advice received from the Reserve Bank of India regarding the settlements made by the Headquarters of the Public Sector Banks concerned. Thus, a review of this Suspense Head enables the review authorities to know the total amount still in the pipeline and not adjusted in Government account. The Committee are constrained to point out that the outstanding under PSB Suspense during each of the months of the period from 1980-81 to 1981-82 were inordinately large. The largest outstanding amount in a month during 1980-81, 1981-82, and 1982-83 was respectively Rs. 1138.93 crores (Dr.) in February 1981, Rs. 2169.62 crores (Dr.) in August 1981 and Rs. 3252.67 crores (Dr.) in December, 1982.

[Sr. No. 15 (Para 109) of Appendix I to 28th Report of Public Accounts Committee (8th Lok Sabha)]

Action Taken

Some transactions in the monthly accounts remain outstanding in the suspense account awaiting adjustment till cash balance report of RBI is received. This is an unavoidable period required for transmission of information and its adjustment. At the end of the year, however, the accounts are kept open for final closing and the balances under suspense get cleared to a substantial extent. The problems of reducing balances

under PSB Suspense is being tackled from various directions. Periodical review meetings are being taken by the CGA and a special drive has been launched in each Ministry to clear balances under PSB suspense. To accelerate the pace of settlement, a Consultant was appointed to get over the problem. As an outcome of this drive, considerable improvement has been reported by various CAs/CCAs in the settlement of PSB Suspense which will be reflected in finalised Finance Accounts for 1988-89.

To streamline the system further, a revised procedure for reporting, accountal and reconciliation of expenditure accounts has been introduced with effect from 1-5-1989. Under this scheme, the procedure has been simplified by eliminating certain intermediate banking reporting channels for expeditious rendition of accounts to RBI and to the Government of India. On stabilization of this scheme, substantial balances arising under PSB suspense are expected to be cleared during the same month of account. A copy each of the booklet containing revised procedure for SBI and other Public Sector Banks is enclosed.

[Ministry of Finance, Department of Economic Affairs, Banking Division O.M. No. 35/3/86-B.O. III dated 29-8-1989]

Recommendation

The Committee feel that there is considerable time lag between the deposits made by assesseees in banks and their eventual credit in Reserve Bank of India/Government Accounts and final adjustments in Pay and Accounts Office. Huge accumulations in the Suspense Head means delay in accounting of Government dues, and is fraught with possibilities of irregularities, frauds etc. The Committee would, therefore, like to emphasise the need to ensure the crediting of the amounts collected at the earliest possible moment and to maintain the balance at the minimum level under this head. To achieve this end, Government should devise necessary measures for ensuring timely credit of Government dues by Public Sector Banks to Reserve Bank of India, the prompt submission of credit advices by Reserve Bank of India to Pay and Accounts Office; and the speedy reconciliation of the balances/dues under the head PSB Suspense at the Ministry's end. There can be no excuse whatsoever for the failure to reconcile accounts between various Public Sector Banks and the Government in regard to Government transactions promptly. As it is they have continuously been in arrears right from the inception of the scheme in 1976-77. In so far as State Bank of India is concerned, the respective number of items pertaining to the years 1976-77 and 1977-78 yet to be reconciled are stated to be 7 and 97. The corresponding figures for the years 1978-79, 1979-80, 1980-81, 1981-82 and 1982-83 are 3904, 4035, 7202, 4869 and 7011 respectively. The Department of Economic Affairs have stated in this connection that it had not been possible to identify the amounts involved in these cases. As regards other Public Sector Banks the number of items under reconciliation are not readily available with the

Ministry. The Committee take a very serious view of the inability expressed by the Ministry even to give particulars of the number of items yet to be reconciled in respect of all the Public Sector Banks and the amount involved therein. Evidently the Ministry has not made any serious effort to monitor reconciliation of arrears. The Committee would like the arrears in reconciliation of the accounts between various Public Sector Banks and Government accounts to be correctly ascertained and cleared expeditiously under a time bound programme. They would also like to be apprised of the latest position in this regard. The Committee consider that a serious attempt should be made to fix responsibility for the existing most deplorable state of affairs in a matter of such financial significance.

[Sr. No. 16 (Para 110) of Appendix I to 28th Report of Public Accounts Committee (8th Lok Sabha)]

Action Taken

Prior to departmentalisation of Accounts, the SBI was the only public sector bank handling Government transactions on behalf of the Reserve Bank of India, and Accountant Generals were discharging the dual functions of maintaining the accounts of the Government of India and audit thereof. All the transactions handled by the various branches of the SBI and reported to the Accountant Generals (through treasury schedules) were directly taken to the head "875—Deposit with R.B." and eventually transferred to the Head "899—Cash balance" without reference to the amount actually settled with the Reserve Bank of India. In the new accounting procedure introduced at the time of departmentalisation of accounts, this draw back was sought to be removed by the introduction of the Suspense Head "PSB—Suspense". Replacement of the traditional treasury system of payments by entrusting the work entirely to the SBI and other 14 Public Sector Banks was a major decision involving a revolutionary change in the field of Government Accounting. No capsule formula or ready made accounting procedure was then available. A procedure was evolved by taking all relevant factors into consideration. This procedure has been streamlined by removing the defects and lacunae through continuous review and constant monitoring. All those officers who were associated from time to time in evolving a workable accounting procedure had tried their best to make it fool-proof and simplified. Need for fixing individual responsibility is, therefore, not considered.

A time bound programme has been drawn up by the CGA in consultation with the SBI for bringing the reconciliation upto date. The reconciliation upto 1981-82 is to be completed by the end of 1986-87. The account for the first four years are almost reconciled except in case of revenue transactions. Receipts on account of direct and indirect taxes pass through focal point branches of Reserve Bank of India and State Bank of India and as such so far as the revenue receipts are concerned, these appear in the outstanding reconciliation with the SBI only. In case of other

Government transactions reconciliation of accounts with other banks is being closely monitored by the CGA.

The latest position of reconciliation of PSB Suspense in respect of revenue accounts of CBDT/CBEC as intimated by the State Bank of India is as under:—

Period of Transaction		Position			Remarks
1976-77			Reconciled.		
1977-78	Total No. of A/cs	No of A/c reconciled	No. of A/cs yet to be reconciled		
CBEC	10,088	4652	5436		
CBDT	5,460	3028	2432		Upto March, 1978 SBI, Umalo was handling both revenue and expenditure accounts of CBDT and CBEC.
(Amounts in crores)					
April 1978 to August 1981	Net amount settled	Feed back received for	Amount reconciled	% of reconciliation to feed back received	
CBEC	15,273	5634	4938	87.65%	
CBDT	3,477	1272	1012	79.56%	Reconciliation is done on the basis of feed back received.
September 1981 to March 1986	Net amount settled	Amount reconciled	% of reconciliation		
CBEC	36,843	28,423	77.31		
CBDT	8,049	7,356	91.39		Reconciliation is done on the basis of automatic put through
Upto May, 1989					

Total reconciliation of the amounts pertaining to CBEC revenue account in respect of SBI as well as other Public Sector Banks has been done insofar as the period from 1-4-1986 is concerned.

Under the revised system of reporting/accounting and reconciliation of revenue receipts of C.B.D.T. by public sector banks introduced from 1-10-1988 the reconciliation of PSB Suspense is being done on monthly basis regularly. Every effort is also being made to clear "PSB Suspense" in the same month. If there are still discrepancy left then they are also settled through personal contacts with the nodal Bank branch in the following month. All transaction of CBDT Revenue account in the Public Sector Banks (other than SBI) have been fully reconciled with the amounts remitted by them to RBI, C.A.S., Nagpur from 1-10-1988 to 30-6-1989.

[Ministry of Finance, DEA, Banking Division, O.M. No. 35/8/86-B.O. III. dated 29-8-1989]

Recommendation

The Committee find that the age-wise break up of the figures under PSB "Suspense" i.e. the amount in the suspense account remaining unreconciled for more than 3 months, 6 months, one year and above is not being maintained by the Ministry. According to the Department of Economic Affairs, the adjustments carried out in a month may include transactions not only for that month but for earlier months and in stray cases for earlier years as well. Unless these adjustments are posted against all these months in respect of each Pay and Accounts Office, it will not be possible to work out an age-wise analysis manually. This, according to the Department involves stupendous task. Things should not have been allowed to get into this stage. The least they could now do is to evolve a procedure to work out atleast a year-wise analysis. The Committee are of the view that age-wise analysis will be necessary for proper monitoring of adjustment of Government dues. They would suggest that if it is not possible to work out an age-wise analysis manually, the feasibility of introducing computers for this purpose should be explored so as to keep track of the old outstanding entries in the PSB Suspense.

[Sr. No. 17 (Para 111) of Appendix I to 28th Report of Public Accounts Committee (8th Lok Sabha)]

Action Taken

Government have decided to introduce Voucher Level Computerisation (VLC) throughout the Departmental Accounting Organisation. Due to constraints of hardware availability and trained staff, the progress in computerisation has been somewhat slow so far. However, CGA is vigorously pursuing the project of full scale computerisation. Several steps have already been taken in the recent past. An elaborate training scheme has been in operation since November, 1988. It is proposed to train two to three junior officers in each PAO over the next two years. Provision of

hardware is also being pursued in consultation with NIC. Wherever, possible steps towards computerisation of accounts have already been initiated. It is anticipated that by the end of the current financial year, most of the PAOs who have access to hardware, would be initiated into VLC.

Once accounts at the PAOs level are placed on the computer, tagging of outstanding transactions under Suspense Head would be very greatly facilitated, as complete details of every transaction would be available from the data stored in the computer. However, balances generated prior to computerisation will continue to be monitored and tackled manually, for which vigorous steps are being taken by the CGA. The outstanding balances under PSB suspense are now being cleared by a special drive which is being monitored by the CGA. For the purpose of effective monitoring, outstanding balances have been grouped in two blocks i.e. those relating to period prior to 1986-87 and those for 1987-88. As a result of this drive, significant clearance of old balances has already taken place and the drive for further improvement is continuing.

[Ministry of Finance, DEA, Banking Division O.M. No. 35 / 3 / 86-B.O. III, dated 29-8-1989]

Recommendation

Insofar as the reconciliation between departmental figures and accounts figures are concerned, the Committee are informed that there is no unreconciled amount between departmental figures and account figures relating to the Central Board of Direct Taxes for the accounts upto 1981-82. However, the work of reconciliation in this respect in regard to the Central Board of Excise and Customs upto 1981-82, has not been completed in respect of 9 out of 25 Collectorates. In fact, in one Collectorate, the work is stated to have been completed only upto March, 1979 and in another upto March 1978 only. In yet another Collectorate, the work of reconciliation of Central Excise Revenue figures was yet to be taken up from 1977-78. The Committee are unhappy over the inordinate delay in completion of the reconciliation work between departmental figures and accounts figures. The Department of Economic Affairs have stated in this connection that the Collectorates have been directed by the Board to complete the reconciliation for the past period urgently. The Committee would like this work to be completed within a time frame. They would also like to be informed of the latest position in regard to reconciliation of work in respect of both Central Board of Direct Taxes and Central Board of Excise and Customs revenue figures.

[Sr. No. 18 (Para 112) of Appendix I to 28th Report of Public Accounts Committee (8th Lok Sabha)]

Action Taken

On account of re-organisation of the Collectorates in the Central Excise and Customs Department, the number of collectorates have now become 32.

The latest position regarding the period upto which the departmental reconciliation had been done by the various collectorates is indicated below:—

No. of collectorates	Period upto which reconciliation completed
1	Upto 8 / 88
1	Upto 7 / 88
6	Upto 6 / 88
10	Upto 5 / 88
1	Upto 4 / 88
7	Upto 3 / 88
1	Upto 10 / 87
1	Upto 8 / 87
1	Upto 7 / 87
1	Upto 6 / 87
1	Upto 3 / 85
1	Reconciliation work taken up from 1.10.1984 (from 1.10.84 to 1986-87 reconciliation is under progress.)

It would thus be seen that most of the collectorates have disposed of the arrears which otherwise were pending for many years, except two collectorates which are making efforts to complete the reconciliation work as early as possible.

[Ministry of Finance, Department of Economic Affairs, Banking Division O.M. 35 / 3 / 86-B.O III 29-8-1989]

Recommendation

The Committee are given to understand that the Central Board of Excise and Customs had attempted a review of system of collection of Government dues in a limited departmental context which was discussed during the conference of the collectorates of Customs and Central Excise. At this conference, it was felt that the use of micro-computers could be considered first on a pilot basis in some major collectorates. For this, a group of officers was appointed by the Board to examine the feasibility of introducing the micro-computers to compile the revenue accounts. Consequent upon the receipt of the Report of this group, the Government approved the experimental introduction of computers in two Central Excise Collectorates at New Delhi and Bangalore in the first phase. According to the Department of Economic Affairs (February 1985), the system is expected to start on an experimental basis in these two

collectorates very soon and based on the results of the experiment, computers will be installed in other Collectorates. The Committee would like to be informed of the improvements brought out by the introduction of this scheme.

[Sr. No. 19 (Para 113) of Appendix I to 28th Report of Public Accounts Committee (8th Lok Sabha)]

Action Taken

To start with the micro-processors were installed on experimental basis in the Collectorates of Customs and Central Excise at Delhi and Bangalore. The experience having been a success, the micro-processors were installed in 12 more Collectorates in the IIInd phase in March, 1985. In the third phase, 17 more Collectorates have been computerised in December, 1985. Thus except Goa which is a small Collectorate, micro-processors have been installed in all The Central Excise Collectorates.

A large number of reports are being generated by the computers, all of them have been found very useful either from accounting angle or for management purpose.

One of the reports generated by the computer is a "Statement of delayed remittances" of Central Board of Excise and Customs revenues. This statement contains complete valuable data about the transactions which have been delayed within a particular month. Such data was not available under the manual accounting system when neither the Government nor the Banks had any effective control over the delays. The number of transactions was so enormous that any effective manual holding was not possible. There was no monitoring system as no worthwhile data regarding the delayed transactions was available. With the help of the report on delayed remittances, as generated by the computer, the delays on the part of Public Sector Banks are being taken up with the concerned banks to avoid such delays in future. The action in such monitoring is so fast that the management of a bank is aware of the delayed transactions by the middle of the next month.

Another important statement generated by the computer is "Assessee-wise Statement" detailing the deposits made by the assessees. This statement consolidates all the transactions of an assessee at one particular place giving all necessary details as to the number and date of challans, amount deposited, date of credit by the Bank etc. This statement has facilitated the reconciliation of the department figures of revenue (based on returns received from the Range Officers) with the account figures.

[Ministry of Finance, Department of Economics Affairs, Banking Division O.M. No. 35/3/86—B.O. III dated 29-8-1989]

Recommendation

The conference of Collectors of Customs and Central Excise had also suggested that it would facilitate quick compilation and reconciliation of duty payments if departmental treasuries are set up in all Collectorate Headquarters. They had pointed out that this alternative could be considered in the place of the present system of collection through Nationalised Banks in view of the enormous problems being faced in reconciliation. This recommendation of the conference was examined by a Working Group of Officers comprising of five Collectors and Chief Controller of Accounts. This working Group in its report has observed that the existing reconciliation process is unduly complex, cumbersome loaded with scriptary work and needs to be changed. Further according to this group as an alternative to the present procedure a simplified accounting procedure based on the range-one collecting bank and one focal point bank for one Collectorate be adopted. It has also been suggested by this group that as a long term solution, the revenue reconciliation and accounting may be computerised. The report of this Working Group is stated to be under consideration of the Central Board of Excise and Customs. While the Committee would like the suggestion in regard to computerisation of revenue reconciliation and accounting on long term basis to be given due consideration they are unable to see the wisdom of the suggestion for one-range-one collecting banks and one focal point bank for one Collectorate'. In view of the Committee this will be a retrograde step as, apart from other reasons, this arrangement will put the public at large to great inconvenience.

[Sr. No. 20 (Para 114) of Appendix I to 28th Report of Public Accounts Committee (8th Lok Sabha)]

Action Taken

The computerisation of revenue accounts in all the Central Excise Collectorates was completed by the end of 1985 (Except Goa Collectorate which is very small and computerisation was not considered necessary).

The other recommendation viz "One Range-One Collectorate-One Focal Point Bank" had not been approved by the Board for implementation. In its place a new scheme "One Bank-One Collectorate" was approved which has been implemented w.e.f. 1.4.1986.

The computerisation of Revenue accounts has yielded excellent results. Amongst a large number of reports, the report on "delayed remittances" generated by the computer has been found extremely useful for tackling the old pending problem of delayed remittances. This statement contains full details of all the transactions which have been delayed in a particular month and is available expeditiously i.e. by the 10th of the following month. The statement is sent to the Chief Executive of the bank for urgent action; and quite often seminars were organised in the concerned area

where the field Managers of the Bank, responsible for collection were also invited to participate. The local problems were discussed to thrash out the difficulties. With this statement being available with the Board as well as with the Bank, the percentage of delayed remittances started dwindling down very fast. Habitual defaulting branches are specifically segregated for an urgent thrust to avoid such delays.

The new scheme via "One Bank-One Collectorate" introduced w.e.f. 1.4.1986 has helped considerably in many ways resolving all the problems of accounting, reconciliation settlement etc. The scheme also gave a further boost to the efforts to avoid delay in remittances. In other words the project of computerisation followed by the scheme of "One Bank-One Collectorate" has resolved the problem of delayed remittances almost totally. To have an idea of the efficacy of these steps it is mentioned that as against 40% of revenue delayed in October, 1984, the percentage of delay has come down to one percent in the month of August 88. A financial review analysing the cost-benefit ratio, was undertaken sometime back when it was found that the expeditious movement of revenues, cutting down the delays in remittances, has resulted in a gain of Rs. 36 crores per year to the Govt. as against the total investment of approximately Rs. One crore in the project of computerisation.

Apart from the excellent achievements in the area of expeditious remittances of revenues, the project of computerisation has resolved considerably the problem of reconciliation between the departmental figures and the figures booked by the Pay and Accounts Officer. The main problem in effecting the reconciliation was to locate the corresponding entries for each challan in the compilation sheet of the PAO. This task was very time consuming and difficult as the date of the challan and the date in which the entry was incorporated in the compilation sheet of the PAO always varied. The process of reconciliation was complex, cumbersome, time consuming and loaded with scriptory work. This problem has been resolved by the computer by generating an assessee-wise statement which consolidates all the transactions pertaining to an assessee at one place. A reconciliation between the statement received from the Range Officer for each assessee and the assessee-wise statement generated by the computer has facilitated the reconciliation work saving time and energy considerably.

Further, the new scheme of "One Bank-One Collectorate" has totally resolved the problem of reconciliation with the banks. Whereas nearly 700 Datawise Monthly Statements were being received under the old system, under the new scheme only 76 statements are required—thus reducing much scriptory work and handling of documents etc. This was possible because the number of focal point Banks, responsible for accounting and reconciliation was reduced from 600 approximately to 38. The 3 tier system prevailing in the field was reduced to two tier by eliminating the link branch concept. Thus nearly 1500 link branches operating under the old system have been abolished. The reconciliation is on day-to-day basis

between each PAO and the focal point bank. This has been possible as one PAO is dealing with only one Focal Point Bank which is situated very close to Pay & Accounts Officer's Office, thus providing excellent rapport between the two. While day-to-day reconciliation is effected for daily scrolls, monthly reconciliation for each PAO is generally over by 10th of the following month. The monthly statements are received very promptly and there is no monthly statement (DMS) which remains wanting. The reconciliation for the entire country for the entire month, is done by the Principal Office, i.e. Chief Controller of Accounts, Central Board of Excise & Customs at the Headquarters and achieved by 20th of the following month. The reconciliation has been designed in such a manner that it takes care of reconciliation not only between the PAO and the bank concerned but also with the Reserve Bank of India for the credits given to Govt. cash balances. The achievement has been excellent as the reconciliation is complete and no discrepancy, even of a paise, is pending for the period after 1.4.1986.

The new scheme has also facilitated capturing expeditiously all the information relating to various transactions for accounting purposes. As a result not only large amounts are credited promptly to the major head of account the information relating to collections in a month is available for the entire country as fast as by the 3rd of the following month. This information has been found very useful by the Board.

Prompt remittances of collections of revenues, immediate accounting of the same, prompt receipts of complete documents, efficient reconciliation etc. have also resolved the problem of the operation of the Head "Public Sector Bank-Suspense". Under the new scheme the debits to "PSB Suspense" are generally cleared during the same month. As a result there has been no addition, whatsoever, to the P.S.B. suspense head for the revenue transactions arising on or after 1.4.1986.

The new scheme has resulted in streamlining the entire system as a result of which work load has been reduced on the banks, on the PAOs and in the Principal Office of the Chief Controller of Accounts, CBEC. The new scheme is quite dynamic in the matter of revenues being collected by banks as it has only four stages as against 7 stages obtaining in the old scheme for the travel of revenues from the collecting point to the ultimate credit to Government cash balances. It may be pertinent to mention that the subject matter for discussion before the PAC was the delays in remittances of revenue only in the sector from collecting point to the focal point bank. The new scheme has taken care of the movement of revenue not only from the point of collection to focal point banks but also in the sector from Focal Point Banks to Government cash balances. Such a situation was not available in the old system.

[Ministry of Finance, DEA Banking Division O.M. No. 35/3/86-
B.O.III dated 29-8-1989]

Recommendation

The Committee are of the view that the work relating to the review of the procedural aspects of collection, accounting and reconciliation of revenue receipts of Government needs to be thoroughly overhauled with a view to simplifying it. In this connection, the Committee understand (February, 1985) that a Working Group under the Chairmanship of the Chief Accountant, Reserve Bank of India and comprising senior officials of Government of India, Reserve Bank of India and Public Sector Banks (including State Bank of India) has been constituted to review the procedural aspects of Government accounts. On receipt of the Report of this Working Group, Government also propose to set up a Standing Committee to review the procedure on an on-going basis to suggest suitable improvements.

The Committee hope that the Standing Committee will be set up without delay if it has not already been set up.

[Sr. No. 21 (Para 115) of Appendix I to 28th Report of Public Accounts Committee (8th Lok Sabha)]

Action Taken

As mentioned in reply to para 108, a revised procedure has been introduced in respect of collection of receipts relating to customs, central excise and direct taxes. The revised system for collection of customs and central excise receipts has been introduced from 1.4.1986 and for collection of direct taxes from 1.10.1988. These procedures were based on the recommendations of the Working Group under the Chairmanship of the Chief Accountant, Reserve Bank of India. The revised procedure under the Central Board of Excise and Customs scheme has been greatly successful in prompt remittances of revenues collections to Government accounts and expeditious reconciliation of accounts. The revised procedure under the Central Board of Direct Taxes scheme which has been recently introduced is expected to substantially speed up remittance of Government dues and their final and early accountal.

In compliance of the recommendations of the Public Accounts Committee, Government have set up a Standing Committee under the Chairmanship of Controller General of Accounts to review the procedural aspects of collections, accounting and reconciliation of revenue receipts of Government on an on-going basis for suggesting suitable improvements etc. It is expected that once the revised scheme recently introduced in the C.B.D.T. is stabilised, further improvements and simplifications, which are called for, will be considered by the Standing Committee.

[Ministry of Finance, Department of Economic Affairs, Banking Division O.M. No. 35/3/86-B.O.III dated 29-8-1989]

Recommendation

The Committee are surprised that Government Directors, whose job is to provide liaison between the Government and the banks in addition to being members of the top management board dealing with important matter, have failed to perform any role, in the matter of monitoring the remittance of receipts by banks on behalf of the Government and their transmission to the government account. In the Committee's view the Government Directors should be able to provide a useful channel for watching Government's interests in this behalf. The committee agree to the suggestion of the Secretary, Expenditure that a procedure should be evolved whereby the respective banks would submit periodical Reports to the Board of Directors for their scrutiny who in turn would submit Reports to the Government on the progress achieved. The committee desire that a suitable mechanism for monitoring remittance of Government revenues and their accounting should be set up without delay.

[Sr. No. 22 (Para 116) of Appendix I to 28th Report of the Public Accounts Committee (8th Lok Sabha)]

Action Taken

Government Directors have been appointed on Boards to see that Government policies are properly implemented by the bank on which he has been nominated as a Government Director. His primary responsibility is to see that the bank adopts policies develops systems, evolves procedures and practices and functions in a manner conducive to healthy growth of the constitution and to ensure that the bank is run on sound lines. Day to day activities of the bank is the responsibility of the management and is not normally put up to the Board. The Comments of the Committee have been noted with care. In view of these unsatisfactory position brought out by the Committee and the seriousness of the matter, banks have been advised to devise a suitable format for monitoring/reporting to the Board the progress achieved by the bank in remitting and accounting of the Government dues collected by the bank. These reports are now required to be placed before the Board of Directors every quarter. A consolidated report indicating the position is also required to be sent to the Government. The report should also indicate the progress made on inter-branch reconciliation. A copy of the formats devised by the banks for the purpose is enclosed. A copy of Ministry's letter No. 35/3/86-B.O.III dated 17.9.1986 is enclosed. Banks have again been advised to ensure that these reviews are carried out regularly so that progress is maintained. Reserve Bank of India has also advised the banks that internal Auditors of the banks may be entrusted with the responsibility of verifying that Government funds are quickly transferred by the branches for credit to Government account and also that the government work under various Schemes is being conducted by them in accordance with the prescribed procedure and instructions. The inspection machinery at the banks'

regional and divisional level has also been asked to look into these aspects during their inspection of the branches.

[Ministry of Finance, Department of Economic Affairs, Banking Division O.M. No. 35/3/86-B.O.III dated 29-8-1989]

Recommendation

The Committee are given to understand that the assessee depositing Government dues in Public Sector Banks often complain that branches of Public Sector Banks authorised to collect Government dues generally insist on tax payers to open an account to deposit the money and sometimes even insist that the client should bring cash instead of cheque. The Committee would like Government to enquire how far such complaints are justified and take suitable steps to advise the public of their rights and the bank employees of their duties.

[Sr. No. 23 (Para 117) of Appendix I to 28th Report of the Public Accounts Committee (8th Lok Sabha)]

Action Taken

General instructions have been issued by Reserve Bank of India vide Circular No. NB. No. 2589/GA. 64(10)-80/81 dated 19.3.81 to all the public sector banks not to insist on the assessee for opening accounts with them and to accept Government revenue in the form of cash and cheques/drafts. Specific provisions have been made in the Memorandum of Procedure for dues tendered in cash and by cheque. Individual complaints as and when received from Central Board of Excise and Customs and Central Board of Direct Taxes as well as from public and other institutions are also taken up by the RBI with the head office of the concerned banks for necessary action.

With a view to highlight the importance of timely transfer of tax collections by banks to Government account and to ensure that correct procedures including that the banks do not insist on assessee for opening of accounts or for depositing tax dues either in cash or cheque are being followed by the banks, RBI has asked vide its circular dated 30.8.1986 (copy not enclosed) its various offices to conduct adhoc inspections of the branches of the Public Sector Banks. Adhoc inspections carried out by Reserve Bank of India's offices revealed that generally there were no complaints regarding bank branches refusing to accept dues tendered by cheques.

[Ministry of Finance, Department of Economic Affairs, Banking Division O.M. No. 35/3/86-B.O.III dated 29-8-1989]

CHAPTER-III

RECOMMENDATIONS AND OBSERVATIONS WHICH THE COMMITTEE DO NOT DESIRE TO PURSUE IN THE LIGHT OF THE REPLIES RECEIVED FROM GOVERNMENT

-NIL-

CHAPTER-IV
RECOMMENDATIONS AND OBSERVATIONS REPLIES TO
WHICH HAVE NOT BEEN ACCEPTED BY THE COMMITTEE AND
WHICH REQUIRE REITERATION

-NIL-

CHAPTER-V

RECOMMENDATIONS AND OBSERVATIONS IN RESPECT OF WHICH GOVERNMENT HAVE FURNISHED INTERIM REPLIES

Recommendation

The Committee note that the Reserve Bank of India has also instituted a system of inspection of branches of public sector banks with a view to educating their staff in the conduct of government business as well as to carry out a scrutiny of such transactions. The Reserve Bank of India is stated to have inspected a majority of the branches conducting government business on as many as three occasions. According to the Department of Economic Affairs (Banking Division) there has been improvement in the banks' handling of government work as a result of the inspections and trainings conducted by Reserve Bank of India. As a result of all these steps, some improvement has been achieved, and there has taken place a decline in the incidence of delayed credits routed through the branches of State Bank of India from about Rs. 1162 crores in 1980-81 to about Rs. 47 crores in the eleven months period ended February, 1983. These figures however, pertain only to the branches of the State Bank of India. The Committee suggest that an indepth comparative study of the performance of the State Bank of India branches vis-a-vis other Authorised banks should be made to decide upon measures which are most likely to minimise delays in credit transfers.

[Sr. No. 7 (Para 101) of Appendix I to 28th Report of the Public Accounts Committee (8th Lok Sabha)]

Action Taken

Reserve Bank of India has already initiated steps to implement the Committee's suggestions to make an in-depth comparative study of the performance of SBI branches and other banks. With a view to ensuring prompt credit of taxes to Government account and also to ensuring that banks follow the procedure prescribed by the Government in the conduct of Government work the RBI undertakes inspection of public sector banks conducting Government work. The RBI has so far inspected 19314 branches during the years 1983-84 to 1987-88. This has brought about commendable improvements in the functioning of bank branches. It has been noticed from the recent reports received from the offices that the irregularities in following the prescribed procedures under revenue collection schemes of CBEC and CBDT have been considerably reduced while the delays in remittance/accounting have come down considerably.

The revised procedure introduced under CBEC scheme with effect from 1.4.1986 has been greatly successful in achieving the desired results, vis.

prompt credit of revenue collection to Government account and expeditious reconciliation of accounts. The performance of the public sector banks during the first two years of the operation of the scheme i.e. 1.4.1986 to 31.3.1987 and 1.4.1987 to 31.3.1988 was recently reviewed. It is observed that the delayed remittances which were 11.07% of the total collections during the year ended 31.3.1987 came down to only 3.46% during the year ended 31.3.1988. The detailed comparative figures of delayed remittances during the year 1986-87 and 1987-88 in respect of Central Board of Excise and Customs, month-wise is given in the enclosed statement. Delayed amounts have been further reduced to almost 1% during the subsequent months.

In addition to inspections being undertaken by the RBI, CGA has also commenced inspections, on test check basis, of banks with effect from November, 1987. So far, 65 Bank branches of 17 Public Sector Banks including State Bank of India has been inspected. One hundred and one Inspection Reports have already been issued, pertaining to delays in remittances and other mistakes connected with Direct and Indirect taxes. These Inspection Reports are being pursued.

The results of the inspections of the Public Sector Banks handling Government transactions, by the CGA would be intimated to the Public Accounts Committee in due course.

[Ministry of Finance, Department of Economic Affairs, Banking Division O.M. No. 35/3/86-B.O.III dated 29-8-1989]

Consolidated Statement of Delayed Remittances in 31 Collectorates excluding Goa during 1986-87 and in 32 Colectorates during 1987-88 (Includes Goa Colectorate)

Month	Net Revenue	Amount delayed (Rs. in crores)	Percentage
April 1986	803.72	137.47	17.1
May 1986	1152.77	273.05	23.69
June 1986	1095.66	230.79	21.06
July 1986	1201.78	193.07	16.07
August 1986	1061.77	147.19	13.86
September 1986	1206.06	143.69	11.91
October 1986	1207.38	112.60	9.33
November 1986	1137.80	105.27	9.25
December 1986	1235.64	60.98	4.94
January 1987	1250.88	97.96	7.83
February 1987	1207.02	46.83	3.88
March 1987	1844.13	44.98	2.44
Total	14404.61	1593.88	11.07

Month	Net Revenue	Amount delayed (Rs. in crores)	Percentage
April 1987	978.92	24.31	2.49
May 1987	1155.20	39.95	3.47
June 1987	1309.51	75.55	5.77
July 1987	1434.05	101.88	7.10
August 1987	1256.69	30.44	2.43
September 1987	1355.50	26.05	1.93
October 1987	1332.39	82.68	6.24
November 1987	1311.32	26.82	2.06
December 1987	1444.13	32.85	2.29
January 1988	1406.98	64.09	4.58
February 1988	1551.00	40.00	2.59
March 1988	2015.00	29.00	1.45
Total	16550.69	573.73	3.46

Recommendation

Introduction of job cards, at the instance of the Reserve Bank has admittedly been of value. The job cards cover the main areas of government transactions and enumerate in a sequential order steps to be taken by banks' staff in dealing with the transactions. They also help the banks in coping with problems arising out of seasonality of Government work.

[Sr. No. 8 (Para 102) of Appendix I to 28th Report of the Public Accounts Committee (8th Lok Sabha)]

Action Taken

The Office of CGA, during test check inspection of Public Sector banks handling Government transactions, (besides inspections by RBI) looks into, among other matters, the state of maintenance of Job Cards and brings to the notice of the Banks all cases of defaults and omissions. Test checks conducted so far by the CGA have revealed that there is considerable scope for improvement in maintenance of Job Cards. Steps taken to improve the maintenance of Job Cards will be intimated to the committee in due course.

[Ministry of Finance, Department of Economic Affairs, Banking Division O.M. No. 35/3/86-B.O.III dated 29-8-1989]

NEW DELHI;

SONTOSH MOHAN DEV,
Chairman,
Public Accounts Committee

August 24, 1990

Bhardra 2, 1912 (S)

APPENDIX

SUMMARY OF CONCLUSIONS/RECOMMENDATIONS

Sl. No.	Para No.	Ministry/Deptt. Concerned	Recommendations/Conclusions
1	2	3	4
1	8	Ministry of Finance (Deptt. of Economic Affairs) (Banking Division)	In their original report the Committee had <i>inter-alia</i> desired that an in-depth comparative study of the functioning of the State Bank of India Branches vis-a-vis other authorised banks may be made to decide upon measures which were most likely to minimise delays in credit transfers. Some steps have reportedly been initiated by the Reserve Bank of India in implementation of the committees suggestion. The Committee, have, however not been informed as to what actually has been done in this regard and whether any comparative study has been undertaken or not.

The committee desire that, since significant improvement was achieved in reducing the incidence of delayed credits in the State Bank of India Branches as a result of specific measures taken, the efforts made in other public sector banks should also be evaluated systematically to assess the efficacy of these measures and for taking further remedial measures. The Committee would like to be apprised of the outcome of the comparative study within three months.

1	2	3	4
2	11	Ministry of Finance (Deptt. of Economic Affairs) (Banking Division)	<p>The Committee note from the Ministry's action taken note that out of 410.5 lakhs entries involving an amount of Rs. 3,45,751.63 crores outstanding as on 31.12.1986, 138.02 lakh entries involving a sum of Rs. 140694.11 crores remained outstanding even after a year on 31.12.87. The Committee considers this reply evasive as these figures do not give an idea about the net reduction effected in the outstanding entries.</p> <p>The committee observe that the figures of 138.02 lakh entries involving a sum of Rs. 1,40,694.11 crores are stupendous considering the total deposits in the banking system in the country as a whole. Such a huge amount of un-adjusted/outstanding entries only reflect on the poor state of affairs in the banking system. The Committee desire that the work relating to clearance of outstanding entries should be carefully monitored at appropriate level and a time-bound programme should be laid down for clearing the backlog.</p> <p>The Committee also desire that the entire question of continuing arrears in the work relating to reconciliation of inter-branch accounts of the public sector banks may be remitted to a High Powered Committee for making suitable recommendations for clearing the backlog as also for ensuring that there is always concurrent adjustments so that the accumulation of outstanding entries would not arise. The precise action taken in this regard may be intimated to the Committee within three months.</p> <p>The continuation of the old practices makes a mockery of the very concept of accounting which is not complete upto</p>

1	2	3	4
			<p>100% in any Nationalised Bank, let alone the State Bank of India. Some methods must therefore be evolved to complete the work relating to reconciliation of accounts in all banks and in all branches within a time-bound programme.</p>
3	<p>14 Ministry of Finance (Deptt. of Economic Affairs) (Banking Division)</p>		<p>The Committee are deeply concerned to note that even by 1989, the reconciliation has been completed only upto the year 1976-77 and that thousands of accounts for the years 1977-78 onwards are yet to be reconciled. It is needless to point out that progress in reconciliation of accounts of the CBEC and CBDT is tardy and slow. The Committee cannot but emphasise that there is urgent need for taking steps to ensure that the work relating to reconciliation of accounts is brought upto date. There is also need for evolving procedures so that the monthly reconciliation work is not allowed to accumulate and create future problems. The Committee would like to be apprised of the precise action taken in this behalf within three months.</p>
4	<p>17 —do</p>		<p>The Committee note that reconciliation between departmental figures and Accounts figures has not been completed in most of the collectorates and the period upto which reconciliation has been completed varies from collectorate to collectorate. It is noted from the data produced by the Ministry that in one collectorate reconciliation has only been completed upto March 1985. In another collectorate the work from 1.10.84 to 1986-87 is under progress. In the Committee's view, this is not a satisfactory situation and concerted efforts are required to be made to complete the reconciliation work which is still pending. The Committee would like that the progress as on 31.3.1990 may be intimated to them.</p>

regarding Delay in remittances of collections by Public Sector Banks.

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3. The Committee authorised the Chairman to finalise these draft reports in the light of verbal changes and minor modifications/amendments arising out of factual verification by the audit and present the Reports to the House.

The Committee then adjourned

ANNEXURE II

AMENDMENTS/MODIFICATIONS MADE BY THE PUBLIC ACCOUNTS COMMITTEE IN THEIR DRAFT REPORT ON ACTION TAKEN ON 28TH REPORT (8TH LOK SABHA) RELATING TO DELAY IN REMITTANCES OF COLLECTIONS BY PUBLIC SECTOR BANKS

1	2	3	4
<i>Page</i>	<i>Para</i>	<i>Line</i>	<i>Amendments/Modifications</i>
5	8	3	<i>Substitute</i> "Functioning" <i>For</i> "Performance"
5	8	21	<i>For</i> "in due course" <i>Substitute</i> "within 3 months"
9	11	1	<i>Delete</i> the words "details given in"
9	11	6-8	<i>Substitute</i> "The Committee consider this reply evasive as these figures do not give an" <i>For</i> "During the same period.....do not given an"
9	11	10-16	<i>Substitute</i> "The Committee observe that the figures of 138.02 lakh entries involving a sum of Rs. 1,40,694.11 crores are stupendous considering the total deposits in the banking system in the country as a whole. Such huge amounts of unadjusted/outstanding entries only reflect on the poor state of affairs in the banking system. The Committee desire that the work relating to clearance of outstanding entries should be carefully monitored at appropriate level and a time-bound programme should be laid down for clearing the backlog. The Committee also desire that the entire question of continuing arrears in the work relating to reconciliation of inter-branch accounts of the public sector banks may be remitted to a High Powered Committee for making suitable recommenda-

1	2	3	4
			<p>tions for clearing the backlog as also for ensuring that there is always concurrent adjustments so that the accumulation of outstanding entries would not arise. The precise action taken in this regard may be intimated to the Committee within three months.</p> <p>The continuation of old practices makes a mockery of the very concept of accounting which is not complete upto 100% in any Nationalised bank let alone the State Bank of India. Some methods must therefore be involved to complete the work relating to reconciliation of accounts in all banks and in all their branches within a time bound programme".</p> <p><i>For</i> The progress of clearance appears to beage-wise details (of the outstandings).</p>
14	14	last line	<i>Insert</i> "within three months" at the end.
17	17	14	<i>Substitute</i> "Progress" <i>For</i> "Position"

LIST OF AUTHORISED AGENTS FOR THE SALE OF LOK SABHA
SECRETARIAT PUBLICATIONS

Sl. No.	Name of Agent	Sl. No.	Name of Agent
ANDHRA PRADESH		UTTAR PRADESH	
1.	M/s. Vijay Book Agency, 11-1-477, Mylargadda, Secunderabad-500 361.	12.	Law Publishers, Sardar Patel Marg, P.B. No. 77, Allahabad, U.P.
BIHAR		WEST BENGAL	
2.	M/s. Crown Book Depot., Upper Bazar, Ranchi (Bihar).	13.	M/s. Madimala, Buys & Sells, 123, Bow Bazar Street, Calcutta-1.
GUJARAT		DELHI	
3.	The New Order Book Company, Ellis Bridge, Ahmedabad-380 006. (T. No. 79065)	14.	M/s. Jain Book Agency, C-9, Connaught Place, New Delhi, (T. No. 351663 & 350806)
MADHYA PRADESH		15.	M/s. J.M. Jaina & Brothers, P. Box 1020, Mori Gate, Delhi-110006 (T. No. 2915064 & 230936).
4.	Modern Book House, Shiv Vilas Place, Indore City. (T. No. 35289).	16.	M/s. Oxford Book & Stationery Co., Scindia House, Connaught Place, New Delhi-110001. (T. No. 3315308 & 45896)
MAHARASHTRA		17.	M/s. Bookwell, 2/72, Sant Nirankari Colony, Kingsway Camp, Delhi-110 009. (T. No. 7112309).
5.	M/s. Sunderdas Gian Chand, 601, Girgaum Road, Near Princes Street, Bombay-400 002.	18.	M/s. Rajendra Book Agency, IV-DR59, Lajpat Nagar; Old Double Storey, New Delhi-110 024. (T. No. 6412362 & 6412131).
6.	The International Book Service, Deccan Gymkhana, Poona-4.	19.	M/s. Ashok Book Agency, BH-82, Poorvi Shalimar Bagh, Delhi-110 033.
7.	The Current Book House, Maruti Lane, Raghunath Dadaji Street, Bombay-400 001.	20.	M/s. Venus Enterprises, B-2/85, Phase-II, Ashok Vihar, Delhi.
8.	M/s. Usha Book Depot, 'Law Book Seller and Publishers' Agents Govt. Publications, 585, Chira Bazar, Khan House, Bombay-400 002.	21.	M/s. Central News Agency Pvt. Ltd., 23/90, Connaught Circus, New Delhi-110 001. (T. No. 344448, 322705, 344478 & 344508).
9.	M & J Services, Publishers, Rep- resentative Accounts & Law Book Sellers, Mohan Kunj, Ground Floor, 68, Jyotiba Fuele Road Nalgaum, Dadar, Bombay-400 014.	22.	M/s. Amrit Book Co., N-21, Connaught Circus, New Delhi.
10.	Subscribers Subscription Services India, 21, Raghunath Dadaji Street, 2nd Floor, Bombay-400 001.	23.	M/s. Books India Corporation Pub- lishers, Importers & Exporters, L-27, Shastri Nagar, Delhi-110 052. (T. No. 269631 & 714465).
TAMIL NADU		24.	M/s. Sangam Book Depot, 4378/4B, Murari Lal Street, Ansari Road, Darya Ganj, New Delhi-110 002.