

**GOVERNMENT OF ASSAM
FINANCE (BUDGET) DEPARTMENT
DISPUR**

No.BB.78/2019/10

Dated Dispur, the 2nd June, 2020

From : Smti Purnima Hazarika Deori,
Under Secretary to the Govt. of Assam
Finance (Budget) Department.

To : All Treasury Officers,

Sub : **Recovery of penal interest from Agency Banks on delayed remittances into Government Account/double/erroneous payments.**

Sir,

In enclosing here with a letter No.TMC/3-4/PENALINTEREST/2019-20/927 dated 12/03/2020 along with enclosures received from the Accountant General, Assam which speaks for itself, I am directed to say that the AG, Assam has stated that "Memorandum of Instructions on accounting & Reconciliation-State Govt. transactions" issued by the RBI vide No.DGBA.GAD.1377/31.04.008/2002-03 dated 22.02.2003 & No DGBA,GAD. No. H-14061/31.04.008/2006-07 dated 21.03.2007 (Copy enclosed) mandates charging of Penal interest for delayed remittances from Agency Banks by the State Governments.

As per aforesaid instructions of RBI, the State Government has to claim interest on delayed credit at the rates and for the period as mentioned in para 5.11 (A) of the aforesaid RBI's instructions. Further, as per para 5.11 (B) of the aforesaid RBI's instructions, the Treasury/Sub-Treasury Officer on the basis of scroll/challans received from the receiving branch, shall keep a record of such cases daily of delay. After examining each and every case of delay, the Treasury/Sub-Treasury Officer shall claim interest as admissible under paragraph 5.11 (A) directly from the Link Cell of the concerned bank on a monthly basis. A copy of the reference made to the bank in this regard is also required to be sent to the Accountant General for keeping a watch on the recovery of the interest. Besides, penal interest is chargeable on delayed remittances on account of excess put through/double claims by Agency Banks in the Payment scrolls.

In view of the above, Treasury Officers are requested to introduce the above system and arrange to claim penal interest if any.

Enclo: As stated above.

Yours faithfully,

Sd/-

Under Secretary to the Govt. of Assam
Finance (Budget) Department.

Memo No. BB.78/2019/10 -A

Dated Dispur, the 2nd June, 2020

Copy to:

1. The Accountant General (A&E) Assam, with reference to letter No. TMC/3-4/PENAL INTEREST/2019-20/927 dated 12/03/2020 for kind information.
2. The Director of Accounts and Treasuries, Kar Bhawan, Guwahati-6 for kind information and necessary action.
3. ☒ Finance (eGU) Department for uploading the letter in Finance Department's website.

By Orders etc.,

Prasanna
02-8-2020

Under Secretary to the Govt. of Assam
he Finance (Budget) Department.



सत्यमेव जयते

*DA (Assam)
Dispur, Assam
14/5/2020*

BY SPECIAL MESSENGER

(3)

महालेखाकार (ले. एवं हं) का कार्यालय, असम
OFFICE OF THE ACCOUNTANT GENERAL (A&E) ASSAM
मैदामगांव, बेलतला, गुवाहाटी - 781 029
MAIDAMGAON, BELTOLA, GUWAHATI - 781 029

No.TMC/3-4/PENALINTEREST/2019-20/927

Date: March 12, 2020

To,

Joint Secretary to the Govt. of Assam,
Finance (Budget) Department,
'Janata Bhawan', Dispur,
Guwahati - 781 006.

12 MAR 2020

12 MAR 2020

Sub: Recovery of penal interest from Agency Banks on delayed remittances into Government Account/double/erroneous payments.

Sir,

With reference to the subject cited above and in continuation to this office letter No.TMC/3-4/PENAL INTEREST/2019-20/608 dated 11.12.2019, I am to state that "Memorandum of Instructions on Accounting & Reconciliation - State Govt. transactions" issued by the RBI vide No. DGBA.GAD.1377/ 31.04.008/2002-03 dated 22.02.2003 & No. DGBA.GAD. No. H-14061/31.04.008/ 2006-07 dated 21.03.2007 (copies enclosed) for charging of penal interest for delayed remittances from Agency Banks by the State Governments.

As per aforesaid instructions of RBI, the State Government has to claim interest on delayed credit at the rates and for the period as mentioned in Paragraph 5.11 (A) of the aforesaid RBI's instructions. Further, as per Paragraph 5.11 (B) of the aforesaid RBI's instructions, the Treasury/Sub-Treasury Officer on the basis of scrolls/challans received from the receiving branch, shall keep a record of such cases of delay. After examining each and every case of delay, the Treasury/Sub-Treasury Officer shall claim interest as admissible under Paragraph 5.11 (A) directly from the Link Cell of the concerned bank on a monthly basis. A copy of the reference made to the bank in this regard is also required to be sent to the Accountant General for keeping a watch on the recovery of the interest. Besides, penal interest is chargeable on delayed remittances on account of excess put through/double claims by Agency Banks in the Payment Strolls.

In view of above, you are requested to intimate this office whether such delayed remittances by the Agency Banks are being watched and penal interest are being claimed by the Treasuries of the State from the Banks, if not, please issue instructions to all the TOs to introduce the above system and arrange to claim penal interest, if any.

Encl: As stated above.

Yours faithfully,

(Signature)

(K.C.NAG)

Sr. Accounts Officer/TMC

On Receipt of Memorandum of Error along with the documents listed above from the Sub-Treasury / Treasury, the branch should immediately rectify the irregularity pointed out therein after checking the documents and make necessary correction in the scroll and the Pass-Book under proper authentication. The entries may also be authenticated by the Sub-Treasury / Treasury in the Pass-Book. In the computerized environment necessary rectifications may be made with adequate safeguards.

5.10 At the close of business each day, an advice bearing separate serial number showing the aggregate Receipts and Payments of the day on State Government account is to be sent to the Link Office by fax / telex / telegram / e-mail by the Agency Bank branch. **The transactions should be reported on daily basis and there should not be bunching of two to three days transactions or reporting only once or twice in a month.**

5.11 A. The Working Group felt the need for introducing an element of **accountability among the Agency Banks for prompt credit to Government Account by charging appropriate interest for delayed credit.** It has been decided that henceforth State Government may claim interest for delayed credit of collections as under :

a) **Interest of two percentage points above the Bank Rate as notified by Reserve Bank (DGBA) based on Bank Rate prevailing as on May 1, and November 1, may be charged on delayed receipts of Rs. 10 lakhs and above,** if the period of delay exceeds the prescribed time for crediting such transactions. The prescribed period at present is 10 days for normal branches (within same municipal limits) and 15 days for the branches situated in far-flung areas.

b) The period for the above purpose will be counted from the date of receipt at the receiving branch till the date of its credit to State Government account at Public Accounts Department, Reserve Bank of India. Interest will be calculated for the period starting from the date of the receipt as per challan in case of cash/transfer transaction or date of realization of cheque in case of clearing instruments by the receiving branch to the date preceding the date of settlement by the bank Link Cell with Reserve Bank of India Offices.

(An Acc RBI Guideline)
B. The procedure for recovery of this penal interest by State Government from the Agency bank is as under:

a) The Treasury/Sub-treasury Officer on the basis of scrolls/challans received from the receiving branch, keep a record of such cases of delay. He may examine in detail each and every case of this nature and find out the stage i.e. receiving branch or Link Cell where the delay has occurred. **He will claim interest on all such transactions of Rs. 10 lakhs and above and raise demand for payment of interest directly from the Link Cell of**

**Department of Government and Bank Accounts
(Government Accounts Division)****Memorandum of Instructions on Accounting and
Reconciliation - State Government transactions**

In terms of provisions of Sections 20, 21 and 21A of the Reserve Bank of India Act, 1934 the RBI acts as banker to the Central and State Governments. The Reserve Bank of India (RBI) provides to the Central and State Governments a full range of banking services such as acceptance of monies on Government account, Payment / withdrawal of funds and collection and transfer of funds throughout India. The work of actual Receipt and Payment of monies on behalf of State Governments is carried out at Offices of RBI and its Agency Banks authorized to conduct Government Business on its behalf as per provisions of RBI Act, 1934.

2. While the Principal Government Deposit Accounts of State Governments are maintained at Central Accounts Section (CAS) of RBI at Nagpur, the Regional Offices of RBI maintain subsidiary accounts, which are in the nature of Transitory Account. Till 30th September 1987, the accounts were wholly centralized at Central Accounts Section, Nagpur. Due to the centralized reporting / accounting procedure followed by the Reserve Bank, State Governments were facing problems relating to reconciliation of accounts, MIS reporting etc. A comprehensive review by a High Level Committee led to the introduction of "Scheme for Partial Decentralization" for reporting and accounting of State Government Transactions with effect from 1st October 1987, with the following features:

- The Office of RBI in the State Headquarters (or nearest to the State Headquarters) would account for the State Government transactions reported by Agency Banks and maintain in this regard, detailed subsidiary accounts of the transactions.
- The branches of Agency Banks conducting State Government work would report the transactions of the States effected by them, to their Link Office at the State Headquarters (or nearest to the State Headquarters) on daily basis. The latter would report the transactions to the RBI Office, Public Accounts Department (PAD) at that centre for accounting and settlement.
- PAD would advise the daily balance of the State Government in their books at the end of each day to Central Accounts Section (CAS), Nagpur to enable them to work out the overall balance position of the State Government which would be intimated by them along with the details of other transactions to the office of the RBI in the State Head Quarters for transmission to the State Government. The Principal Government Deposit Accounts of the State Governments would, however, continue to be maintained at CAS.



भारतीय रिज़र्व बैंक
RESERVE BANK OF INDIA
www.rbi.org.in

RBI/ 2007/291

March 21, 2007

DGBA. GAD. No. H- 14061/ 31.04.008/ 2006-07

The Chairman & Managing Director/ Managing Director
All Public Sector Banks (excluding IDBI Bank Ltd.)

Dear Sir,

**Maintenance of State Government Accounts
- Recovery of Interest on delayed remittances
(State Government Transactions)**

Please refer to our circular DGBA. GAD. No. 1377/ 31.04.008/ 2002-03 dated February 22, 2003 wherein our instructions regarding the implementation of the recommendations of the Working Group on "Accounting and Reconciliation of State Government Transactions" were conveyed to Banks. In partial modifications of the instructions contained in para 5.11 (A) and 5.11 (B) of the "Memorandum of Instructions" forwarded with our circular referred to above, we advise as under:

2. With a view to bringing in uniformity in time-frame for reporting both Central and State Government Transactions to the Reserve Bank, it has been decided with the approval of Comptroller and Auditor General of India that the existing procedure applicable to Central Government transactions, as explained below, may also be made applicable to State Government transactions.

(a) **Local Transactions** - wherever the collecting bank branch and the focal point branch of the bank are in the same city/agglomeration, the settlement of transaction with RBI shall be completed within T+3 working days (where T is the day when money is available to the bank branch). For calculating the working days, the RBI calendar will be followed.

(b) **Outstation Transactions** - wherever the collecting bank branch and the focal point branch of the bank are in different cities/agglomeration, the settlement of transaction with RBI shall be completed within T+5 working days (where T is the day when money is available to the bank branch). For calculating the working days, the RBI calendar will be followed.

सरकारी और बैंक लेखा विभाग, केन्द्रीय कार्यालय, भायखला ऑफिस बिल्डिंग, 4 थी मंजिल, मुंबई सेन्ट्रल रेलवे स्टेशन के सामने, भायखला, मुंबई-400 008

Department of Government & Bank Accounts, Central Office,
Opp. Mumbai Central Railway Station, Byculla, Mumbai - 400 008.
Telephone : (022)23084121, Fax No. (022) 23000 370/2301 6072/2301 0095, e-mail :
cgmicdabaco@rbi.org.in

the concerned bank on a monthly basis. A copy of the reference made to bank in this regard will be sent to the Accountant General of the concerned State Government who will also keep watch on the recovery of the interest.

b) Once the responsibility for delay is fixed/established, interest for the relevant period should be paid by the Agency bank to the State Government within a period of two weeks from the date of receipt of such establishment.

c) Payment of interest will be made by the bank to the State Government by means of a bank draft drawn on any of their branches at the station of the Link Office favouring the State Government concerned.

d) In case bank fails in making payment of penal interest within the above specified period the RBI reserves its discretion/right to debit the bank's account in its books and credit State Government account pursuant to the Principal-Agency relationship.

e) Although the interest will be charged on the remittances of Rs. 10 lacs and above delayed beyond a period of 10 days (including Sundays and Holidays) for normal branches (within same Municipal limits) and 15 days for the branches situated in far-flung areas, it is not the intention to allow the banks longer time to transfer the revenue receipts and the banks should note to observe the current instructions on the subject under which a maximum period of 5 days for local transactions and 9 days for outstations transactions (including Sundays & Holidays) is permitted for the purpose. All efforts should, therefore, be made by the Agency banks to credit the tax collections to Government account on a day-to-day basis.

- 5.12 At the end of each month, the branch should prepare the **Date-wise-Monthly Statement (DMS)** in the prescribed form given overleaf, in five copies (for submission to Treasury) and in six copies (for submission to Sub-Treasury), based on the entries in Pass-Books as verified and certified both by the branch and Sub-Treasury / Treasury. The DMS should not contain corrections or alterations. All the copies of DMS should be duly signed by an authorized official of the branch. The generation of DMS on computer is recommended. **DMS has to be submitted to the Sub-Treasury / Treasury not later than first working day of the succeeding month to which they relate.** The statements submitted to the Sub-Treasury / Treasury will be scrutinized and two copies thereof will be returned within 2 days from the date of its Receipt from the branch, with a certificate to the effect that it has been checked and found to be correct.

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Endt. DGBA. GAD. No. H.

/ 31.04.008/ 2006-07 of date

Copy forwarded for information and necessary action to:

14066 (i)

14067 (ii)

14068 (iii)

14069 (iv)

14070 (v)

✓ The Director (Accounts), Office of the Comptroller and Auditor General of India, 10, Bahadur Shah Zafar Marg, New Delhi - 110 002, with reference to his letter No. 76. ACIII/CFR- ROB/ 425-2006 dated February 14, 2007.
The State Finance Secretary, All State Governments
All Accountant Generals
The Regional Director, Reserve Bank of India, Public Accounts Department, Ahmedabad/ Bangalore/ Bhubaneswar/ Bhopal/ Chandigarh/ Chennai/ Guwahati/ Hyderabad/ Jaipur/ Kanpur/ Kolkata/ Mumbai-Fort/ Nagpur/ New Delhi/Patna/ Thiruvananthapuram
The General Manager, Central Accounts Section, Reserve Bank of India, Additional Office Building, East High Court, Nagpur - 440001

(A. S. Kulkarni)
Deputy General Manager

(c) In case of both the local and outstation transactions, the put through date, i.e. the date of settlement with the RBI shall be kept outside this time limit of T+3 and T+5 working days, respectively.

(d) Delayed period interest shall be imposed on the banks for the actual delayed period and not from the date of transaction. In other words, the 'delay period' calculation will start from the day following the prescribed put through date.

(e) The period of delay in respect of transactions of Rs.1 lakh and above shall attract delayed period interest at Bank Rate + 2%.

(f) For transactions below Rs.1 lakh each, the delayed period interest shall be levied at the Bank Rate for delays up to 5 calendar days and at the Bank Rate + 2% in case of delays above 5 calendar days for the full period of delay.

(g) The above instructions at para 4 (a) to (f) shall also be applicable in respect of Non-Tax and all other Government receipts.

(The Bank Rate will be the rate notified by the RBI from time to time as applicable at the time of transaction).

3. The revised procedure will come into effect from April 1, 2007. The procedure for claiming/ recovering of delayed period interest will remain unchanged and it will be charged irrespective of the amount of remittance involved in a particular transaction.

4. You may bring the revised procedure to the notice of your branches accredited to conduct State Government transactions and advise them to strictly adhere to the prescribed time schedule for reporting State Government transactions.

5. All the State Governments are being advised about the revised procedure.

Yours faithfully,

Sd/-
(M. T. Varghese)
General Manager

For Bank Rate