

**TWENTY-EIGHTH REPORT
PUBLIC ACCOUNTS COMMITTEE
(1985-86)**

(EIGHTH LOK SABHA)

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

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



Presented in Lok Sabha on

Laid in Rajya Sabha on

**LOK SABHA SECRETARIAT
NEW DELHI**

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PART II

Minutes of the sittings of Public Accounts Committee (1984-85) held on 8-6-1984 (FN& AN) and of Public Accounts Committee (1985-86) held on 13-2-1986 (FN).

*Not Printed (one cyclostyled copy laid on the Table of the House and five copies placed in the Parliament Library.)

PUBLIC ACCOUNTS COMMITTEE
(1985-86)

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1. Shri N. N. Mehra—*Joint Secretary*
2. Shri K. H. Chhaya—*Chief Financial Committee Officer*
3. Shri Brahmanand—*Senior Financial Committee Officer.*

INTRODUCTION

1, the Chairman of the Public Accounts Committee, as authorised by the Committee, do present on their behalf this 28th Report of the Committee on Para 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 Report of the Comptroller and Auditor General of India for the year 1981-82, Union Government (Civil) was laid on the Table of the House on 15 April, 1983.

3. In this Report the Committee have adversely commented upon the delays in remission of Government dues on account of direct taxes and indirect taxes by nominated Public Sector Banks in the Government account. The Committee have found that the prescribed time limit of 7 days for transfer of day's collections at the receiving branches to the Focal Point Banks through respective designated link branches 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 Committee have concluded (1) that remission of amounts collected as Government dues in a very large number of cases is delayed, (2) that the delay ranges from a few days to a few months and (3) that the amounts involved are substantial.

4. The delay in remittance of Government dues by Public Sector Banks has been attributed by the Department of Economic Affairs to the circumstances beyond the control of the banks *viz.* 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 reasons, according to the Committee, can be said to be difficulties of a novel kind. The Committee have opined that these difficulties could easily have been overcome.

5. The Committee have been informed that the Government has decided to charge the concerned banks interest at the rate of 5 per cent per annum on the remittances to the Government which are delayed by more than one month.

6. The Committee have found that discrepancies in the inter-branch accounting procedures have resulted in sizeable arrears in reconciliation of accounts between the receiving banks and link branches. The Committee consider this as a grave situation and has urged the Government and the Reserve Bank of India to review the situation with the greater concern and urgency than they have done hitherto.

7. In this connection, the Committee have also drawn attention to certain specific areas of failures in implementation of procedures in regard to inter-branch transactions. The Committee have desired that the Reserve Bank of India/Banking Division should review the working of receiving/link branches on selective basis with a view to ascertaining the extent to which the prescribed procedures are being complied with.

8. 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 Bank Suspense' every month. 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 outstandings under PSB Suspense during each of the months of the period from 1980-81 to 1982-83 were inordinately large. Huge accumulations in the Suspense Head means delay in accounting of Government dues, and is fraught with possibilities of irregularities, frauds etc. The Committee have, therefore, emphasised 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.

9. According to the Committee, there can be no excuse whatsoever for the failure to reconcile accounts between various Public Sector Banks and the Government in regard to Government trans-

actions promptly. As it is, they have continuously been in arrears right from the inception of the scheme in 1976-77. The Committee have taken 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 have desired that the arrears in reconciliation of the accounts between various Public Sector Banks and Government accounts should be correctly ascertained and cleared expeditiously under a time-bound programme. The Committee have also desired 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.

10. The Committee have noted with approval various measures such as introduction of job cards, training programmes for staff etc. and would like to match its impact on the working of the scheme.

11. The Public Accounts Committee (1984-85) examined this paragraph at their sitting held on 8 June, 1984 (FN & AN). The Public Accounts Committee (1985-86) considered and finalised this Report at their sitting held on 13 February, 1986. The Minutes of the sittings form Part II* of the Report.

12. For reference, facility and convenience, the observation and 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 Appendix to the Report.

13. The Committee place on record their appreciation of the commendable work done by the Public Accounts Committee (1984-85) in taking evidence and obtaining information for the Report.

*Not printed. One cyclostyled copy laid on the Table of the House and 5 copies placed in Parliament Library.

14. The Committee would like to express their thanks to the officers of the Ministry of Finance (Department of Economic Affairs) for the cooperation extended by them in giving information to the Committee.

15. The Committee also 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;
20 February, 1986
Phalguna, 1907 (Saka).

E. AYYAPU REDDY,
Chairman,
Public Accounts Committee.

REPORT

DELAY IN REMITTANCE OF COLLECTIONS BY PUBLIC SECTOR BANKS

Audit Para

The schemes for the receipt of Government dues on account of direct taxes (including income tax) and indirect taxes by nominated public sector banks, in addition to Reserve Bank of India, State Bank of India, were introduced by the Government of India with effect from 1st April 1976 and 1st April 1977 respectively. A similar scheme for the receipt of sales tax dues by the branches of all public sector banks functioning at Delhi, New Delhi was introduced by the Delhi Administration with effect from 1st July 1979.

2. 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 (through the usual inter-branch account procedure of the bank) 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 Government account within the prescribed time limit of 3 to 7 days. The Reserve Bank emphasised (June 1981) that the days' collections at the receiving branches must reach the focal point bank through the respective designated link branches within a maximum of 7 days from the date of collection.

3. Test check conducted (September to December 1981 and April to August 1982) by Audit at 594 designated link branches of nominated public sector banks 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, as detailed below, thus depriving Government of their dues for long periods, affecting, *inter alia*, their ways and means position:

Sl. No.	Period of delay (Months)	Number of link branches involved	Number of cases	Year and amount involved		Regions/States in which delay occurred
				(Rupees	in lakhs)	
1978-79						
1	1-2	33	1,236	336	79	Andhra Pradesh, Assam, Delhi/New Delhi, Gujarat, Himachal Pradesh, Kerala, Madhya Pradesh, Meghalaya, Rajasthan and Tamil Nadu and Pondicherry.
2	2-3	14	563	108	11	
3	3-4	8	82	9	20	
4	Above 4	8	65	17	75	
TOTAL		63	1,946	471	85	
1979-80						
5	1-2	46	1,227	283	36	Andhra Pradesh, Arunachal Pradesh, Bombay, Delhi/New Delhi, Gujarat, Himachal Pradesh, Karnataka, Kerala, Madhya Pradesh, Meghalaya, Punjab, Rajasthan, Tamil Nadu and Pondicherry and Uttar Pradesh.
6	2-3	19	226	40	50	
7	3-4	9	67	64	23	
8	Above 4	13	104	167	16	
		87	1,624	554	25	
1980-81						
9	1 to 2	65	6,994	4,007	95	Andhra Pradesh, Assam, Bombay Gujarat Himachal Pradesh and Chandigarh, Karnataka, Kerala, Madhya Pradesh, Meghalaya, Punjab, Rajasthan, Tamil Nadu and Pondicherry and Uttar Pradesh.
10	2 to 3	64	1,578	1,705	92	
11	3 to 4	29	875	434	79	
12	Above 4	36	925	136	40	
TOTAL		233	10,372	6,286	06	
1981-82						
13	1 to 2	94	7,365	4,040	06	Andhra Pradesh, Assam, Bombay Delhi/New Delhi, Gujarat, Karnataka, Kerala, Madhya Pradesh, Meghalaya, Mizoram, Punjab, Rajasthan, Tamil Nadu and Pondicherry and Uttar Pradesh.
14	2 to 3	50	1,471	425	59	
15	3 to 4	36	597	383	34	
16	Above 4	31	969	116	72	
TOTAL		211	10,402	4,965	71	
TOTAL		594	24,344	2287	87	

4. Region-wise analysis of such delays in the case of some regions showed that the prescribed time limit of 3 to 7 days had not been generally adhered to by the designated link branches of the banks. Cases of delays upto 30 days numbering 39,532 involving amounts aggregating Rs. 245.39 crores, as detailed below, were noticed as a result of test check of the records of 504 banks relating to the period 1978-79 to 1981-82:—

Region	Total number link branches involved.	Total number of cases	Amount
			(Rupees in lakhs)
1. Andhra Pradesh	24	7,170	4023.45
2. Arunachal Pradesh	44	273	46.36
3. Assam	22	271	498.16
4. Bombay	4	15	22.16
5. Chandigarh	9	109	40.27
6. Delhi/New Delhi	59	19,387	13002.03
7. Gujarat	53	1,110	1867.65
8. Himachal Pradesh	5	51	49.20
9. Karnataka	25	66	68.81
10. Kerala	2	40	4.49
11. Madhya Pradesh	47	410	82.49
12. Meghalaya	32	527	27.51
13. Mizoram	5	29	0.49
14. Punjab	29	1,762	1063.48
15. Rajasthan	121	2,215	2686.63
16. Tamil Nadu and Pondicherry	13	5,822	954.73
17. Uttar Pradesh	10	275	101.16
Total	504	39,532	24539.07

5. *Non-introduction of special messenger system.*—For prompt credit to Government account of heavy receipts of the Government dues generally taking place in the last fortnight of the financial year, the designated link branches of the nominated public sector banks were required to introduce a special messenger arrangement

during the period 17 to 31st March each year so that the scrolls etc. were passed on along with the collections to the focal point banks on the very day of receipts from the public for being accounted for in the same financial year.

6. Test check of the records of 371 designated link branches of the banks located in various States including Delhi|New Delhi region revealed that the relevant instructions were not strictly followed by the designated link branches. This resulted in the credits for collections in 12,644 cases involving Rs. 68.24 crores being afforded to the Government account in the next financial year as shown below: -

Number of States involved	Months and year of collection	Month and year of remittance	Amount
(Rupees in crores)			
5	March 1978	April 1978	2.15
9	March 1979	April 1979	9.20
11	March 1980	April 1980	15.03
1	March 1980	April 1980	0.02
	January 1981	May 1981	
	February 1981	Sept. 1981	
72	March 1981	April 1981	18.56
8	March 1982	April 1982	23.28
TOTAL			68.24

Non-remittance delays in remittance of collections to the Reserve Bank

7. (a) The designated link branches of the banks have to scrutinise the scrolls/challans received from the collecting branch and to ascertain whether the amount of the remittance sent by the collecting branch and to the link branches tallies with the deposits made by the assesseees as per challans/scrolls. The discrepancies, deficiencies, if any, are required to be settled expeditiously with the collecting branches. Test check of the records of ten designated link branches covering 25 collecting branches located in Andhra Pradesh, Delhi/New Delhi, Karnataka, Rajasthan and Tamil Nadu regions showed that no action was taken to settle the discrepancies|

deficiencies that came to light. Failure to take action resulted in collections totalling Rs. 7.27 lakhs arising during the period April 1976 to March 1982 remaining unremitted to the Reserve Bank.

(b) Test check of the consolidated scrolls| registers for 1981-82 of three link branches of the banks located in New Delhi revealed that credits aggregating Rs. 10.16 lakhs received from 30 collecting branches in Delhi|New Delhi were written back|deleted for want of supporting receipt scrolls|schedules|challans etc. No further information| particulars as to when these credits were again received back from the collecting branches and deposited with the Reserve Bank could be furnished to Audit (June 1982).

8. Delays in preparation of consolidated scrolls. Test check covering the period upto March 1982 in respect of 39 link branches of the banks in the Punjab and Uttar Pradesh regions disclosed that in the cases of 11 link branches, delays ranging from 1 to 2, 2 to 3 and above 4 months (involving amounts of Rs. 20.26 lakhs, Rs. 0.24 lakh and Rs. 0.33 lakh respectively) 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 receipt to the Government account. In the case of one link branch in the Karnataka region, the scrolls for the whole of each month (during December 1979 to April 1981) were being consolidated and sent to the focal bank in the subsequent month resulting in corresponding delay of 1 to 2 months in crediting receipts aggregating Rs. 40.82 lakhs to the Government account.

9. Non-observance of prescribed procedure regarding allotment of running serial numbers on the scrolls. In terms of the Memorandum of Instructions regarding acceptance of the Government dues and their remittance to the focal point banks, the receiving branches authorised to received the Government dues from the public, are required to give a running serial number extending to a financial year on each scroll with separate running numbers being given for every type of receipt. The link branches of the banks are also required to follow a similar procedure.

10. Scrutiny of records of 357 banks in Delhi|New Delhi, Andhra Pradesh, Chandigarh, Gujarat, Punjab, Meghalaya, Rajasthan and Tamil Nadu showed that the procedure for giving running serial number on each scroll was not adopted by most of the receiving and link branches with the result that the designated link branches could not trace out the missing scrolls, if any, along with the amount

of the draft so collected. There was generally no system of reconciliation between the figures of the Government dues as collected by the receiving branches and those received and remitted by the link branches to the Reserve Bank. The banks could not, therefore, ensure that collections made by their receiving branches were actually received by them and remitted to the Reserve Bank in all the cases.

[Para 33 of the Report of the C & AG of India for the year 1981-82, Union Government (Civil).]

11. The total number of branches of Public Sector Banks as on 31 March, 1984 are as under:

(a) State Bank of India	6,584
(b) Associated Banks of SBI	3,094
(c) Nationalised Banks	22,453
Total:	32,131

12. Total number of branches authorised to collect Government dues and the total number of designated link branches are as under:

	Receiving Branches	Link Branches
(a) For Direct Taxes	5,045	1,165
(b) For Indirect taxes	8,436	1,294
(c) For both Direct and Indirect taxes	5,100	97

13. Briefly, there are three stages of the transactions involved in the procedure followed for deposit of money by the public in the various banks and their eventual credit to the Government account:

(i) *Deposit of the amount at one of the banks and the accounting thereof at that level:*

The payments are made by a person into an authorised branch of the public sector banks through the challans and date of receipt of money is stamped on the challans by the cashier of the bank. The transactions arising at each branch are recorded in a daily scroll which are numbered serially for each financial year.

Each day, the net effect of the transactions taking place at each branch/bank is worked out and got adjusted with the nominated 'Link branch' of the bank. (One branch has been nominated as the Link branch for each city for each Public Sector Bank). The daily scrolls are sent by the collecting branch to the Link branch at this stage alongwith the supporting documents (Challans etc.).

(ii) *Procedure at the Link bank:*

The Link bank prepare the daily scrolls for its own branch. Thereafter, a summary statement is prepared incorporating the details of amounts received and paid by each branch/bank including its own branch. The net position emerging at this stage is passed on to a 'Focal Point Bank' for adjustment with the Government. This Focal Point Bank is either a branch of the Reserve Bank of India if one exists at that Station or a branch of the State Bank of India. At this stage also, the supporting documents are sent to the Focal Point Bank.

(iii) *Adjustment of transactions to Government account by the Focal Point Bank*

- (a) If the Focal Point Bank happens to be a branch of Reserve Bank of India, the net amount received by it from all link banks gets adjusted to Government account on the same day through Reserve Bank of India, CAS (Central Accounts Section) Nagpur. A statement incorporating the total amount adjusted along with a summary of transactions adjusted with various Link banks alongwith supporting documents etc. is sent to the Pay and Accounts officers concerned for accounting purposes as well as for reconciliation with the banks.
- (b) If the Focal Point bank happens to be a branch of the State Bank of India, the net effect of transactions is passed on to the Government Accounts Section of the State Bank of India, Bombay which in turn, after further consolidation sends it to Union Ministry's Accounts Link Office of State Bank of India at New Delhi. There after, the total net effect gets adjusted with the Reserve Bank of India. New Delhi.

The Focal Point bank of State Bank of India sends the scrolls received from all Link banks, including the scrolls from SBI branches under its control to the Pay and Accounts Officer, to whom it is attached. This Pay and Accounts Officer is in a position to check the date of receipt of money from the date stamped on the challan by the cashier of the receiving bank and the date on which it is scrolled by the branch bank, passed on by the Link Bank and finally accounted for by the focal point bank. Incidentally, this sort of consolidation at three stages is adopted, as it will be difficult for any Central authority to correspond with all the branch banks in case of mistake in the scrolls prepared by them. Because of the division of responsibility in the manner indicated above, the Link Bank is in a position to pursue with the branch banks any mistakes in the scrolls.

On receipt of the scrolls from the Focal Point bank, the Pay and Accounts Officer adjusts the amounts shown in the challans to the appropriate receipt head of Account in Government by contra debit to a Suspense Head '858—Suspense—Public Sector Bank Suspense'. Adjustment to the Suspense Head is resorted to by the Pay and Accounts Officer, as the amount received/paid by the Focal Point Bank does not form part of the Government cash balance until the amount is passed on to the Reserve Bank of India, New Delhi and finally gets merged with the cash balance of Government.

Reserve Bank of India (Central Accounts Section), Nagpur, which receives the credits accounted for by all the Focal Point banks of Reserve Bank of India, as well as credits adjusted by Reserve Bank of India, New Delhi with reference to the final adjustment memo received from SBI (UMAIO) in the case of transactions accounted by all the Focal Point banks of SBI all over India, sends a cash account to the Principal Accounts Officer of Central Board of Direct Taxes or Central Board of Excise and Customs, as the case may be, indicating the details of such amounts adjusted to their account during the month. In support of this cash account, a datewise statement of amount received from each Focal Point bank is also given. In the case of Focal Point banks of SBI, the State Bank of India also furnishes the details of amount adjusted each month PAO-wise as well as Focal Point bank-wise. The totals of

these statements will always agree, providing thereby that the Focal Point bank-wise break up of the amounts furnished by the State Bank of India and the actual amount adjusted by Reserve Bank of India to Government accounts are the same. The Principal Accounts Officer of CBDT/CBEC, who get details of amount adjusted by their PAOs under their control, will examine to what extent these amounts have been finally adjusted against the cash balance of Government, with reference to the details received with the cash account sent by the RBI (CAS), Nagpur. The amount adjusted by the RBI (CAS), Nagpur will be cleared from the Suspense Head by the Principal Accounts Office and any balance remaining under that Suspense Head will indicate the extent to which the amount reported by Focal Point banks as collected on behalf of the Government have not reached Government account till that time through the Reserve Bank of India."

Delay in remittance by banks to focal point bank

14. It is seen from audit para that receiving branches of the Public Sector Banks of Government dues are required to transfer their daily collections 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, the total amount received from receiving branches within the prescribed time limit of three to seven days. The Reserve Bank emphasised (June 1981) that the days' collections at the receiving branches must reach the focal point bank through the respective designated link branches within a maximum of seven days from the date of collection.

15. Audit para points out that the prescribed time limit of 3 to 7 days had not generally been adhered to by the designated link branches of the banks in transmission of total amount received from receiving branches. 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 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 as detailed below:

Year	No. of cases	No. of link branches involved	Amount in lakhs of Rupees
1978-79	1946	63	471.85
1979-80	1624	87	564.25
1980-81	10372	233	6286.06
1981-82	10402	211	4965.71
Total:	24344	594	12287.87

16. Region-wise analysis of the records of 504 banks relating to the period 1978-79 to 1981-82 revealed 39,532 cases of delays upto 30 days involving amounts aggregating Rs. 245.39 crores. Average number of cases of delays per link branch in the different states were as under:

Sl. No.	Region	Total number of link branches involved	Total number of cases	Average number of cases/link branch
1.	Andhra Pradesh	24	7,170	299
2.	Arunachal Pradesh	44	273	6
3.	Assam	22	271	12
4.	Bombay	4	15	4
5.	Chandigarh	9	109	12
6.	Delhi/New Delhi	59	19,987	328
7.	Gujarat	53	1,110	21
8.	Himachal Pradesh	5	51	10
9.	Karnataka	25	66	3
10.	Kerala	2	40	20
11.	Madhya Pradesh	47	410	9
12.	Meghalaya	32	527	17
13.	Mizoram	5	29	6
14.	Punjab	29	1,762	61
15.	Rajasthan	121	3,215	18
16.	Tamil Nadu and Pondicherry	13	5,822	448
17.	Uttar Pradesh	10	275	28
TOTAL:		504	39,532	

17. During evidence the Committee enquired about the percentage of money usually remitted within seven days. The Controller General of Accounts stated:

“At least 55 per cent to 60 per cent are remitted within seven days.”

The Secretary, Department of Expenditure, added:

“We did a sample check of January, February and March. Within ten days, slightly over 50 per cent was collected.”

18. On being pointed out that target had been fixed up for the money to be remitted to Government Account within seven days, the witness stated:

“We try our very best to stick to this target.”

19. On being pointed out that 85 per cent of the dues was not remitted in seven days, the witness replied:

“That is obvious.”

However, he added further that:

“Our norm is 100 per cent. Seven days is the ceiling. If the receiving branch, the link branch and the central bank, viz. RBI are there in the same place, we can do it in forty-eight hours.”

20. The Committee desired to know the reasons for delays in remittance of Government money by Public Sector Banks. In a note furnished to the Committee, the Department of Economic Affairs, (Banking Division) have *inter alia* stated:

“While the major portion of tax collection is credited to the Government account within a time frame laid down by the Reserve Bank of India, instances of delays on the part of branches of banks in crediting tax collections to Government account have come to notice. In some cases these delays are caused by circumstances beyond the control of the banks, e.g. staff agitations, delays in the postal transmission of credit advices, seasonal pressure of work particularly during the months of June, September, December and March each year when people have to deposit advance taxes etc. Delays are also sometimes caused by lapses on the part of bank staff. Reserve Bank of India takes a very

serious view of such delays, and the banks take action against erring staff members under their rules."

21. When pointed out that there had been delays upto four months even in case of Delhi Bank branches which were just one per cent of the total number, the Secretary, Department of Expenditure stated:

"That is true. It is a fact of life. But when you talk of one per cent, what is this one per cent? Is it thousands or tens of thousands of cases? We have to relate it to the number of cases where there is delayed remittance."

22. In this connection, the representative of the Reserve Bank of India, stated as follows:

"As the Secretary mentioned, bulk of the collections are mostly in the large cities and towns, which are normally cleared within 3 to 7 days. In the mofussil delays occur because they have to be finally collected by the State Bank of India. But, progressively, over the years the delay factor has come down."

The Secretary, Expenditure added later:

"When I use the word 'remote' don't take it to mean that I refer to places like Arunachal Pradesh, etc. What I am comparing is cities and rural areas."

23. He added further:

"The point is that in the audit para specific instances have been listed out. It is one thing to talk of instances. It is another thing to talk of amount. What I am saying as if you are talking of the various items, the items are quite consistent with what I have said earlier. If you take totality then it constitutes small amount, may be less than 1 per cent of the total remittances made. The remoteness is one of the reasons amongst other reasons."

24. The Controller General of Accounts pointed out as follows:

"According to the survey done by the State Bank of India 83-85 per cent of collection is in 100 or 50 branches. The rest of the branches collect only 15 per cent."

25. When asked if any study had been made as to where the delay was maximum, the Secretary, Expenditure stated:

"We have not made any such study, it is very difficult also."

He promised, however, to carry out a sample audit in this connection and analyse where the delays were taking place and the amount that was involved in such delays.

26. The Committee desired to know the extent upto which the lapses on the part of the Bank Staff were responsible for delays in crediting tax collections to Government account. Department of Economic Affairs (Banking Division) have stated in reply in a note:

"No cause-wise data in respect of delayed credits is maintained by the RBI. Whenever such cases are reported to RBI, the matter is brought to the notice of the Head Office of the concerned bank for remedial action. In cases involving lapse on the part of staff of the banks action against erring staff members is to be taken by the concerned bank as per their rules.

27. During evidence the Committee desired to know whether the delay in remission of money to link branch, to focal point bank and finally to Government account was due to negligence, inefficiency or indifference of the staff, the Executive Director of Reserve Bank of India stated:

"The banks are sometimes not in a position to put adequate number of staff during the tax collection period as a result of which there is some amount of accumulation. Since the branches are performing multi-purpose functions one person would be doing both paying and receiving. So, there is the problem of balancing at the end of the day; and till the books are balanced, they would not like to send the scroll out. We have been writing to the bank that they should pay prompt attention to this. There is lack of availability of staff. When new branches are opened, there is rotation of staff and so they do not have the total picture of the Government work."

28. The Committee enquired whether the banks get anything in return for handling Government business. Department of Econo-

mic Affairs (Banking Division) have stated in a note:

"Banks are paid commission for undertaking Government work at the following rates:

	Rate
1) State Bank of India and 14 nationalised banks	9.25 paise per Rs. 100/- of turnover
2) State Bank of Bikaner & Jaipur	17.16 Do.
3) State Bank of Hyderabad	13.06 Do.
4) State Bank of Indore	19.79 Do.
5) State Bank of Mysore	22.69 Do.
6) State Bank of Patiala	10.17 Do.
7) State Bank of Saurashtra	12.76 Do.
8) State Bank of Travancore	8.89 Do.

29. The Department of Economic Affairs (Banking Division) have stated in a note that the total amount paid to Public Sector Banks as Commission for handling Government dues during the period 1980-81 to 1983-84 was as under:

Year	Crores of Rs.
1980-81	56.10
1981-82	79.16
1982-83	82.28
1983-84	93.93

30. On being pointed out during evidence that the Banks should have recruited enough staff to handle the transactions particularly in view of considerable amount of commission received by them from the Government, the Executive Director of RBI stated:

"That is why we have been emphasising periodically the need to increase the staff.....But one difficulty which, at some point of time, some banks have indicated to us is like this. Supposing, even if I make an arrangement for extra staff at the Parliament Street Branch, the public goes to the Chandani Chawk Branch where there is no staff. That way, there is a handicap. Where arrangements are made to deploy additional staff, the public does not go there, but they go to some other branches where there is no arrangement for additional staff."

31. The Controller General of Accounts added in this connection:

"Government work is increasing by about 25 per cent a year. Even in my own Department we start looking for a man. It takes a year or so, as the procedure itself is such. Sometimes, when we call him, he might have been absorbed somewhere else."

The Secretary, Department of Expenditure intervened to say:

"I assure you that the shortage of staff will not be taken as an excuse. The additional posts are created whenever the volume of work is increased."

32. As regards the seasonal pressure of work during June, September, December and March as brought out in a note furnished to the Committee, the Secretary, Expenditure stated during evidence that:

"I have got the figures for 1982-83. I may say that the flow is fairly even except for March."

He also confirmed that the bulk of revenue came from indirect taxes.

33. The Secretary, Department of Expenditure stated in this connection during evidence as under:

"In the big metropolitan cities of Madras, Bombay, Calcutta and Delhi and the State capitals, where the Reserve Bank has offices, it is possible to carry out the adjustments within 7 days' time. But, when we go to the remoter areas, it would take much more time. If somebody deposits money in some branch of the bank in Arunachal Pradesh where there is no means of conveying information through telex, where posts and telegraphs have to be resorted to, the time taken would be more than ten days; it would be one month."

34. It has, however, already been seen from the audit para that the time limit of seven days was not being strictly followed even in big cities having receiving branch, link branch and the focal point bank at the same place. For example, a test check of the records of 504 banks, region-wise, relating to the period 1978-79 to 1981-82 has revealed that there were 19,387 cases in Delhi/New Delhi involving 59 link branches where there was delay upto 30 days in remission of Government dues to the tune of Rs. 130.02 crores.

35. In regard to postal delays, the Committee expressed the view during evidence that since the Postal Authorities are also a Government machinery, the matter might be discussed with them with a view to minimising the delay in postal transmission of credit advices. To this, Secretary, Department of Expenditure stated:

“We are not responsible for the postal delays. I have also complaints about postal delays. So we will bring it to the notice of the postal authorities.”

(1) *Inspection of Branches of Public Sector Banks*

36. As regards the other steps taken by the Government to avoid delay in remittance of collections by public sector banks, the Department of Economic Affairs (Banking Division) have *inter-alia*, stated in a note:

“Reserve Bank of India has instituted a system of inspection of branches of the public sector banks, right from the inception of the collection schemes. The main objective of these inspections has been to educate the staff of public sector banks in conduct of Government business as well as the scrutiny of such transactions. The findings of the inspections are brought to the notice of the Head Offices of the banks and follow up action is taken with a view to remove shortcomings or deficiencies observed by RBI's inspectorate. So far RBI have inspected the majority of the branches of banks conducting Government business on as many as three occasions. RBI have also been conducting training programmes for the benefit of staff members of public sector banks with a view to improve their conceptual skills for handling this work.

To improve the efficiency of the staff, RBI has been emphasising that the banks impart training to a larger number of staff members. A workshop on Government and Bank accounts was also arranged by the Reserve Bank of India on October 25 and 26, 1983 which was attended by the representatives of banks. In this workshop it has *inter alia* been reiterated that earnest steps are taken by the Public Sector Banks to improve and quicken the process of handling Government receipts for prompt credit to Government account.

At the instance of Reserve Bank of India, various public sector banks have made their own arrangements to train

their staff. Reserve Bank of India has 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."

37. During evidence the Committee desired to know whether branches of all the banks were inspected by RBI every year. In reply, Secretary Department of Expenditure stated:

"No, the RBI conducts inspection in respect of Government accounts. They will confine to the inspection of Government account."

38. On being asked whether there were any branches which have not been inspected by Reserve Bank of India so far, the Department of Economic Affairs (Banking Division) have stated in a note:

"Under the collection schemes, all branches of the nominated public sector banks are generally authorised by Central Board of Excise and Customs (CBEC)/Central Board of Direct Taxes (CBDT) to collect the direct and indirect taxes. With the expansion of branch network, the number of branches handling Government work keeps on increasing from time to time. There is, therefore, a possibility that few recently authorised branches of the banks might not have been inspected by the staff of Reserve Bank of India. It is not possible to indicate the number of branches which have not been inspected on a particular date.

Inspection is done on decentralised basis through the regional offices of Reserve Bank of India where the details on inspection findings are maintained on the basis of quarterly summary of findings received by the Reserve Bank of India. It may be stated that the period of delay generally ranges from one week to one month. No specific periodicity of inspection has been prescribed."

39. When enquired whether there had been any improvement in the handling of Government work by the public sector banks as a result of these inspections and training, the Department of Economic Affairs (Banking Division) have stated in a note:

"There has been improvement in the banks' handling of Government work as evidenced by 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-month period ended February 1983."

40. The Committee enquired about the shortcomings, noticed as a result of the inspections of public sector banks carried out by RBI and the remedial action taken by the Government in pursuance thereof. In reply, the Executive Director of RBI stated:

"Whenever the branches are inspected, we send the memo to the Branch immediately. May be in some cases it is delayed transfer, in some cases wrong calculation or sometime we find minor procedural lapses. As we said we have not gone only once, over the years we have almost gone round three times to see that the system improves. The real difficulty is that the same staff do not necessarily remain in the same branch and in the same desk. In order to avoid difficulties and the staff not being in a position to understand them, the job cards have been devised and even a new person will be able to follow the instructions."

41. In this connection, the Department of Economic Affairs (Banking Division) have stated:

"The Reserve Bank of India with the active involvement of some of the public sector banks has taken up the work of preparation of job cards in respect of important Government transactions. With the aid of these job cards, the handling of Government transactions by the staff of the banks are expected to improve.....job cards in question cover the main areas of Government transactions and enumerate in a sequential order the steps to be taken by the banks' staff in dealing with the transactions. They also highlight the important points to be kept in mind by attending to Government work. Availability of instructions in a simple and concise form at the respective desks is expected to enable the staff of the banks to perform their jobs more efficiently. Job cards are also expected to enable the banks to cope with the problems arising out of seasonality of Government work which requires induction of additional staff who may be new to the work."

42. In reply to a question as to whether any improvement has been noticed in the handling of Government transactions by the Staff

after the introduction of job cards, the Department of Economic Affairs clarified in a note thus:

“As the Job Cards have been recently introduced are in the process of being introduced, it is too early to make an assessment of improvements, if any, in the handling of Government account after their introduction.”

Penal interest

43. The Committee desired to know whether it was not necessary or justified to make provision for levy of interest/penalty for the delayed remittances. The Department of Economic Affairs (Banking Division) have

“The question of imposing penal interest on bank for delayed credits was examined at the initial stages of introduction of the scheme itself and it was not considered desirable to adopt such a measure. It was felt that when the public sector banks undertake payment on behalf of Government, there is bound to be some time-lag and settlement of their claims for reimbursement and Government may not be inclined to consider granting of any compensation to them.

This issue has been re-examined in detail recently by the Reserve Bank of India and in their opinion imposition of penal interest on banks for delayed credits will not provide a lasting solution to the problem. As the Central Bank, RBI have placed more reliance on effecting improvements in the system and procedure of the banks to ensure optimal efficiency in their working rather than imposing penalties in cases of defaults and lapses.”

44. During evidence the Committee enquired whether Government agreed in principle that penal interest should be imposed on the delayed remittances of Government dues by Public Sector Banks. The Secretary, Department of Expenditure replied in the affirmative.

45. When asked whether any penal interest had been charged so far, the Secretary, Department of Expenditure replied during evidence:

“The question of levying interest on the amounts due to Government for delays in remittances had been under consideration for some time. There have been dialogues with

the Reserve Bank. The Reserve Bank, in the initial stages, was reluctant to agree to this because they wanted to go through a process of persuasion and education rather than start levying penal interest. We did not want to take such a step right in the beginning. But when we found that things were not improving, very recently a decision has been taken that a certain rate of interest will be levied on delayed remittances by banks. We have taken a decision very recently in consultation with the Reserve Bank and the Reserve Bank in turn has consulted the banks."

46. In a note furnished sub-sequently, the Department of Economic Affairs (Banking Division) have stated:

"It has been decided that where the credits are delayed beyond one month, the bank concerned may be charged interest @ 5 per cent per annum."

Inter-branch reconciliation

47. Audit para points out that in accordance with the Memorandum of Inspections 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 through the inter-branch account procedure of the bank to their designated link branches. As regards the inter-branch accounts of the public sector banks, the Committee on Paper laid on the Table of the 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 have been left unreconciled, incomplete, unscrutinised and in arrears for several years. Some of the public sector banks could not even give the particulars of the number of branches or the amounts involved in the items in which reconciliations/adjustments were in arrears.

48. The Committee desired to know the reasons for such a sorry state of affairs in regard to maintenance of accounts of public sector banks. The Department of Economic Affairs (Banking Division) have stated in reply in a note as follows:

"The rapid growth of banks, particularly after nationalisation, in terms of volume and nature of transactions and expansion of branch network, has added to the strain on the system of maintenance of books of accounts of reconciliation of inter-branch accounts. Manual handling of work

relating to reconciliation of accounts posed problems due to the enormity of the entries. Delay in introduction of computers and mechanical aids has, to some extent, contributed to the accumulation of arrears in reconciliation of outstanding entries. Banks are now paying greater attention to balancing of books and reconciliation of accounts."

49. In a note subsequently furnished to the Committee, the Department of Economic Affairs (Banking Division), have *inter-alia* explained the following measures which have been taken by them to improve the position regarding reconciliation of inter-branch accounts:

"In May, 1983 Reserve Bank of India have issued a circular to the executives of all banks expressing its concern over this matter and reiterating the need for their making a review from time to time of the position of reconciliation of inter-branch accounts, follow up of outstanding entries, review of the existing systems and procedures, etc. to consider whether any change is called for to improve the position. Reserve Bank of India have also asked banks to place a review note each half-year before their Boards of Directors. The Bankers Training College has held a workshop in November, 1983 for the Incharge of Reconciliation Department of banks, at which an action plan was drawn up for banks to follow with a view to accelerating the pace of reconciliation inter-branch accounts. Of late, Reserve Bank of India have instituted a system of having dialogues with the operational heads of Inter-branch Reconciliation Department of banks. During the discussions the opportunity was taken to advise the banks of the need for streamlining their systems and procedures in regard to accounting inter-branch transactions so as to eliminate duplication|redundant procedure to achieve quick processing in tune with the system adopted by well-managed banks. Also, at the discussions with the representatives, a specific programme is drawn up for elimination of old outstanding entries within a specific time-bound schedule so that substantial reduction is effected by June|December 1984."

50. When asked about the present position regarding reconciliation of inter branch accounts of public sector banks, the Department

of Economic Affairs (Banking Division) have stated in a note as under:

“The total number of outstanding entries in respect of all public sector banks which stood at 323.35 lakhs in 1982 has come down to 307.35 lakhs in 1983 showing a nominal decline of 5 per cent. During the same period the amount involved has been reduced from Rs. 200169.05 crores to Rs. 168565.26 crores registering a decline of 15.8 per cent.”

51. Some of the instances where the prescribed procedure have not been followed by receiving as well as designated link branches resulting in non-remittance|delays in remittance of collection to Government accounts have been pointed out in audit para and are discussed below:

(i) *Non-observance of prescribed procedures allotment of running serial numbers on the scrolls*

52. According to audit para the scrutiny of records of 357 banks in Delhi|New Delhi, Andhra Pradesh, Chandigarh Gujarat, Punjab, Meghalaya, Rajasthan and Tamil Nadu showed that the procedure for giving running serial number of each scroll was not adopted by the most of the receiving and link branches with the result that the designated link branches could not trace out the missing scrolls, if any, alongwith the amount so collected. There was generally no system of reconciliation between the figures of the Government dues as collected by the receiving branches and those received and remitted by the link branches to the Reserve Bank. The banks could not, therefore, ensure that collected made by the receiving branches were actually received by them and remitted to the Reserve Bank in all cases.

53. The Committee enquired about the circumstances under which the prescribed procedure of giving a running serial number of each scroll could not be followed by the Public Sector Banks. While admitting the lapse in this regard, the Department of Economic Affairs (Banking Division) have stated in a note:

“This is primarily a deviation from the prescribed procedure and instructions have been issued by the Reserve Bank [vide letter No. G.A.)NB) No. 2720|GA. 64 (10-Audit-82|83] datd 13-6-1983 to banks to carefully follow the procedure. These omissions have been noticed by the Pay and Accounts Officers also and matter had been taken up by the Government with the Reserve Bank of India/State Bank of India centrally.”

(ii) *Delays in preparation of consolidated scrolls in link branches*

54. Audit para points out that a test check covering the period upto March 1982 in respect of 39 link branches of the banks in the Punjab and Uttar Pradesh regions disclosed that in the cases of 11 link branches, delays ranging from 1 to 2, 2 to 3 and above 4 months (involving amounts of Rs. 20.26 lakhs, Rs. 0.24 lakh and Rs. 0.33 lakh respectively) 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 receipt to the Government account. In the case of one link branch in the Karnataka region, the scrolls for the whole of each month (during December 1979 to April 1981) were being consolidated and sent to the focal bank in the subsequent month resulting in corresponding delay of 1 to 2 months in crediting receipts aggregating Rs. 40.83 lakhs to the Government account.

55. The Committee desired to know the action taken by the Government against the concerned defaulting banks. The Department of Economic Affairs (Banking Division) have stated in reply in a note as under:

“Instances quoted above i.e. delay in preparation of consolidated scrolls by the link branches is certainly a deviation from the prescribed procedure. Reserve Bank of India have been emphasising on the banks to avoid such delays which affects the way and means position of the Government. Action in respect of violation of the prescribed procedure can however be taken by the banks according to their rules. Specific instances, wherever brought to the knowledge of Reserve Bank are taken up with the concerned banks for remedial action.”

(iii) *Discrepancies/deficiencies noticed in designated link branch*

56. Audit para points out that test check of the records of ten designated link branches covering 25 collecting branches located in Andhra Pradesh, Delhi/New Delhi, Karnataka; Rajasthan and Tamil Nadu region showed that no action was taken to settle the discrepancies/deficiencies that came to light. Failure to take action resulted in collections totalling Rs. 7.27 lakhs arising during the period April 1976 to March 1982 remaining unremitted to the Reserve Bank. The Committee desired to know whether any action was taken to settle the discrepancies noticed by designated link branches. The Department of Economic Affairs (Banking Division) have inter-alia stated in a note as under:

“Reserve Bank has also taken up the matter with the concerned banks and replies from some of the banks have been received.....Reports from remaining banks are still awaited. Reserve Bank of India is pursuing the matter vigorously with the concerned banks.”

57. From the details given in a statement furnished to the Committee by the Department of Economic Affairs (Banking Division) in this connection it is seen that information has been received by the Banking Division in respect of few cases only involving amount to the tune of Rs. 1.15 lakhs out of the total of Rs. 7.27 lakhs mentioned above. Out of this 1.15 lakhs, Rs. 1.06 lakhs was remitted to the focal point banks after delays ranging upto 10 months and the remaining amount Rs. 0.80 lakhs (deposited in November 1981) remains unremitted to Reserve Bank of India/State Bank of India as a result of non-settlement of discrepancies.

(iv) Writing Back/Deletion of Consolidated Scrolls

58. Audit para further points out that a test check of the consolidated scrolls/registers for 1981-82 of three link branches of the banks located in New Delhi revealed that credits aggregating Rs. 10.16 lakhs received from 30 collecting branches in Delhi/New Delhi were written back/deleted for want of supporting receipts scrolls/schedules challans etc.

59. The Committee enquired why the credits not supported by receipt scrolls/challans etc. were written back without further enquiry. The Department of Economic Affairs (Banking Division) have stated in a note as under:

“Copy of individual audit report is generally sent to the concerned bank for compliance by the concerned Accountant General. It is expected that necessary action must have been taken by the concerned banks. Reserve Bank of India has also, however, taken up the matter with concerned bank and replies have been received so far from some of the banks.”

The Department has added:

“The instances quoted in audit para in this regard are primarily a deviation from the prescribed procedure and Reserve Bank has issued a general circular to all public sector banks handling Government work regarding strict compliance with the requirement of establishing a special messenger

system in the latter part of March every year, giving separate running numbers to the scrolls for each accounting year and preparations of consolidated scrolls in respect of tax collections in time."

60. From the details given in a statement furnished to the Committee by the Department of Economic Affairs (Banking Division) in this connection it is seen that information has been received by the Banking Division in respect of cases involving amount to the tune of Rs. 6.66 lakhs only out of the total of Rs. 10.16 lakhs mentioned above, Rs. 6.66 lakhs were remitted to Reserve Bank of India after delays ranging upto 5 months.

(v) *Non-introduction of special messenger system*

61. It is seen from the audit para that for prompt credit to Government account of heavy receipts of the Government dues generally taking place in the last fortnight of the financial year, the designated link branches of the nominated public sector banks were required to introduce a special messenger arrangement during the period from 17 to 31 March every year so that the scrolls etc. were passed on along with the collections to the focal point banks on the very day of receipts from the public for being accounted for in the same financial year.

62. Test check of the records of 371 designated link branches of the banks located in various States including Delhi/New Delhi region revealed that the relevant instructions were not strictly followed by the designated link branches. This resulted in the credits for collections in 12,644 cases involving Rs. 68.24 crores collected in the month of March every year from 1978 to 1982 being afforded to the Government account in the next financial year.

63. During evidence the Committee enquired why these 68.24 crores were not credited in Government account in the same financial year. To this the Secretary, Department of Expenditure replies;

"You are correct Sir. This amount should have been credited in the same year."

64. When asked about the reasons due to which the prescribed special messenger system could not be introduced, the Department of Economic Affairs (Banking Division) have clarified the position in a note thus:

“Special messenger system is introduced at the Receiving branches/link branches of public sector banks handling tax collection work in the second half of March every year.

Under the special messenger system the link branch of a bank has to send the scrolls and challans in respect of tax collections to the Focal Point banks daily through a special messenger. The idea behind introducing this measure is to ensure that tax collections made during the later part of the financial year are booked in the Government account before the books are closed.

At times, banks find it difficult to transmit these documents on the same day as envisaged in the Special Messenger System, due to difficulties such as shortage of staff, transport problem etc. Instructions have, however, been issued by the Reserve Bank of India vide letter No. GA. (NB) No. 2720, GA. 64(10) Audit. 82/83 dated 13-6-1983 to banks to meticulously follow the procedure in future. It is understood that the Special Messenger System has worked to a highly satisfactory degree in annual closing month of the year i.e., 1982-83.”

Cutting out procedural stage

65. The Department of Economic Affairs (Banking Division) have stated in a note, furnished in March, 1984, as under:

“The eventual adjustment of the net effect of payments made by the general public, etc. are entered into the Government account at the third stage where the Focal Point Bank at each station 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 Office of the Controller General of Accounts has taken up with the State Bank of India the desirability and need for cutting out one stage whereunder the Focal Point Bank transmits the net effect of the transactions to Bombay first, which again gets transferred to Delhi. One stage of transfer of accounts can be and should eliminated.”

The Committee desired to know whether the suggestion of the Office of Controller General of Accounts had since been accepted and

implemented. In a note furnished subsequently, in this regard, the Deptt. of Economic Affairs (Banking Division) in February 1985 explained the position thus:

“A working group was set up consisting of officers from the Government side and the State Bank of India to go into the system of reconciliation and to expedite the clearance of arrears in this respect. The proposal regarding cutting out one of the stages, whereunder the Focal Point Bank transmits the net effect of the transactions to the Government Accounts Section (GAS), Bombay first, which again gets transferred to State Bank of India (SBI), Union Ministries Accounting Liaison Officer (UMALO), Delhi who carrying out the adjustments with the Reserve Bank of India, was also discussed in detail. It has been recommended by this group that the State Bank of India may consider decentralisation of functions of the Government Accounts Section/ Union Ministries Accounting Liaison Office by 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 continuing with the Government Accounts Section, Bombay and Union Ministries Accounting Liaison, New Delhi. The State Bank of India have accepted this in principle and it is being implemented in stages.”

Public Sector Banks Suspense Account

67. The amount kept under Public Sector Banks-Suspense' is the unadjusted amount from out of what is booked to this head by the Pay and Accounts Officers based upon the scrolls and challans rendered by the dealing bank branch. The amounts are cleared from the suspense head by the Principal Accounts Office on the basis of monthly advice received from the RBI regarding the settlements made with the headquarters of the public sector bank concerned.

68. The following note furnished by the Department of Economic Affairs (Banking Division) indicates the amount in Suspense Account as on 30 June, 30 September, 31 December and 31 March during the years from 1980-81 to 1982-83 and also the highest amount in the Suspense Account at the end of any one month during these years:

"The closing balances under PSB Suspense at the end of accounts of last three years are as under:

<u>1980-81</u>	<u>1981-82</u>	<u>1982-83</u>
2,27,83,97,540	13,03,99,132	80,17,01,466
(Dr.)	(Dr.)	(Cr.)

The approximate balances at the end of June, September, December and March for the last three years are shown as under:

<u>Year</u>	<u>June</u>	<u>September</u>	<u>December</u>	<u>March</u>
	(In Crores of Rupees)			
1980-81	467.89 (Dr.)	481.92 (Dr.)	733.68 (Dr.)	220.83 (Dr.)
1981-82	1536.06 (Dr.)	1660.82 (Dr.)	601.87 (Dr.)	83.04 (Dr.)
1982-83	909.16 (Dr.)	2488.79 (Dr.)	3253.67 (Dr.)	80.17 (Cr.)

Highest amount outstanding under PSB Suspense at the end of any month during each year.

<u>Year</u>	<u>Month in which out- standing</u>	<u>Progressive amount in crores of Rs.</u>
1980-81	February 1981	1138.93 (Dr.)
1981-82	August 1981	2169.62 (Dr.)
1982-83	December 1982	3252.67 (Dr.)

69. When asked whether the Government have analysed the causes for accumulation of such huge amounts in the Suspense Account viz., 2169.62 crores in August 1981 and Rs. 3252.67 crores in December 1982, the Department of Economic Affairs (Banking Division) have *inter alia* stated in a note:

"Due to time lag involved transactions for a month or so awaiting adjustment in accounts pending receipts of the cash balance reports of the RBI generally remain outstanding in the Suspense Account. At the end of the year, however, as the accounts are kept open for a few months after the close of the year, the balances under Suspense get substantially reduced and are a true reflection of the state of settlement of dues between the Government and the Public Sector Bank. It will be noted that the balance

at the end of the financial year 1980-81 was Rs. 220.83 crores (Dr.) at the end of 1981-82 was only Rs. 83 crores (debit) whereas at the end of the financial year 1982-83 it was Rs. 80 crores (credit). The balances at the end of the months of February 1981, August 1981 and December 1982 were largely due to transactions awaiting account adjustment. The huge balance at the end of December 1982 was result of special exercise undertaken during last days of December 1982 to introduce special messenger system of remittance of tax collections from collecting branches to Focal Point Branches and from Focal Point Branches to the Reserve Bank of India, where it was not a RBI branch. Though the receipts were credited to the Government account in the same month of December itself, the account adjustments could be carried out only in subsequent months on receipt of supporting documents by the Accounts Officers."

70. The Committee desired to know the steps taken for tightening the procedure to avoid accumulation in the Suspense Account. The Department of Economic Affairs (Banking Division) have stated in a note:

"The Principal Accounts Offices review the balance in the Suspense Head "858-Suspense Public Sector Banks Suspense" every month as this gives them an indication of the amounts not adjusted through the Focal Point banks. In the office of the Controller General of Accounts, such a review is conducted quarterly through a special reporting system devised by the CGA's Organisation and reports on these cases of bank reconciliation are received from each Principal Accounts Office. Where these reports do not show a good picture, the Controllers of Accounts concerned are called for discussion in the CGA's Organisation and the position is reviewed. The verifications at the P&AO's level and the CCA's (Chief Controller of Accounts) level together enable a watch to be kept on the actual delay arising in credit in tax recoveries collected by public sector banks into Government account. Audit parties of the Chief Controller of Accounts, Central Board of Excise and Customs, while inspecting the Pay and Account Offices, review cases of delays. Serious cases of delays reported by the PAOs and the internal Audit parties are referred by the CCA to the Central Office of

Reserve Bank of India for taking up with the banks through their head offices for remedial measures. Such delays noticed by the departmental officers of the Central Board of Direct Taxes are also taken up with the Reserve Bank of India; State Bank of India, for issuing necessary instructions and avoidance of such delays in future. The Reserve Bank of India has again in June 1983 issued instructions to all public sector banks handling Government dues collections, to avoid delay on their part."

71. The Committee desired to know the number of cases year-wise from 1976-77 still to be reconciled and the amount involved therein together with the reasons for the delay in their reconciliations. In a note furnished in this regard, the Department of Economic Affairs (Banking Division) have *inter-alia* stated as under:

"Position of un-reconciled accounts—year-wise pertaining to the State Bank of India".

Year	No. of items to be reconciled	Receipts	Payments	
1976-77	43*	3,97,548	116,10,328	*Since reduced to 7
1977-78	529@	1,23,34,601	2,23,87,774	@Since reduced to 97
1978-79	3909			It has not been possible to work out the amount involved.
1979-80	4035			
1980-81	7202			
1981-82	4869			
1982-83	7011			

"The number of items under reconciliation in respect of other public sector banks is not readily available. Such cases are, however, not quite large."

72. In reply to a question the Department of Economic Affairs have stated that age-wise break up of the figures under "Public Sector Banks—Suspense" i.e. the amount in the suspense account remaining unreconciled for more than 3 months, 6 months, 1 year and above is not available. When questioned as to how in the absence of such statistics a watch on the old outstanding entries was kept with a view to clearing them expeditiously, the Department have explained in a note as under:

"The accounting of the receipts|expenditure to the head 'Public Sector Bank Suspense' is done on receipt of bank

scrolls supported by paid cheques or copies of challans. The suspense is cleared by contra debit/credit to the Head of account "RB Deposits" on receipt of intimation from the Reserve Bank of India about cash settlement affected by the various public sector banks. In the accounts maintained in the principal accounts offices, the opening balances at the beginning of the year, and transactions for each month are added together in the BROADSHEET of PSB Suspense and the clearance in the month is shown separately. Thus, outstandings under Public Sector Bank Suspense at the end of each month are being worked out. However, 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 PAO it will not be possible to work out an age-wise analysis manually. This involves stupendous task and it has not been possible to arrive at a correct 'age-wise' analysis. A procedure to work out analysis at least year-wise is under examination and will be intimated to the Lok Sabha secretariat when evolved."

73. When asked to state whether continuance of a large amount in the Suspense Account could not help cover irregularities, frauds, etc. in the Banks, the Department of Economic Affairs have explained the position in a note:

"The size and age of the outstanding under this head cannot in the normal course be taken to denote frauds or deliberate irregularities. Further as the suspense figure represents amounts remaining unadjusted from the transactions reported by the public sector banks itself, error or connivance by the officials of public sector banks would be necessary in any such irregularity. Other safeguards against this exist in the prescribed procedure of checking of documents in the Pay and Accounts Office."

Reconciliation between Departmental and Accounts figures

74. The Committee desired to know whether the reconciliation between the departmental figures and the accounts figures was regularly carried out. In a detailed note furnished in this regard the Department of Economic Affairs (Banking Division) have *inter-alia* explained the position thus:

"In so far as Central Board of Excise and Custom is concerned, the position with regard to reconciliation between the Departmental figures and accounts figures is as under:

The adjustments of receipts collected by Banks in Government accounts are based on the challans received by the PAOs' from the Banks. The accounting procedure also provides for a challan-wise reconciliation of the revenue receipts booked by the Pay and Accounts Officers with those reported through monthly statements submitted to the Collectorate Headquarters by the Departmental Officers (i.e. the Range Officers/Suptds. of Customs) based on the duplicate copies of the challans submitted by Assesseees in support of the payment of duties as claimed in their monthly returns rendered to these revenue officers. The detailed reconciliation challan-wise is carried out by the Departmental Chief Accounts Officers in the Collectorates. All cases of challans indicated by the assesseees in their returns but not received by the PAOs from the banks and *vice-versa* would thus come to notice enabling the PAOs and Revenue officers to trace the missing challans. Registers to watch the settlement of such differences to be maintained by the departmental Chief Accounts Officers and by the PAOs have been prescribed and for reports to be made by them to the Collector in this regard. The Chief Accounts Officer similarly reconciles figures of refunds and duty draw-back based upon the statements received from the Departmental Officers authorising such payments and the figures booked by the PAOs in the Accounts. The reconciliation and the clearance of differences is a continuous process. However, there are arrears in the reconciliation work and the steps needed to clear the arrears and measures to speed up the reconciliation are under consideration."

75. In so far as Central Board of Direct Taxes is concerned, the position is stated below:

"As per existing procedure the amounts of the scrolls of various direct taxes are booked initially in accounts under the minor head "Receipts awaiting transfer to other minor heads" under the respective major heads namely 'Corporation tax', 'Income-tax' etc. On receipt of the detailed accounts which are compiled by the designated officer of

the department, showing the amount under various minor, sub-detailed heads of accounts, the amounts lying in the minor head "Receipt awaiting transfers" are cleared by the Zonal Accounts Officers and the amounts are booked under final heads of accounts. In this process, the amounts booked by our Zonal Accounts Officer initially in his accounts is reconciled with the amount which is accounted for by the designated officer in their detailed revenue accounts. As a result of this reconciliation the amount lying under the head 'Receipt awaiting transfer' at the end of the year is ultimately cleared, making the head 'Receipts awaiting transfer' nil. Thus, there are no un-reconciled amounts between the Departmental figures and the account figures for the accounts upto 1981-82. Further, Government orders provide that the credit of tax payments to the assessee can be given only on the basis of bank copy of challan or entry in the bank scroll. This provision acts as a safeguard to ensure that all amounts are credited to Government account by the Public Sector Banks. It is further reported by the Controller General of Accounts that amounts received by focal point bank but not credited to Government account are booked in the Principal Accounts Office under Suspense Head—'858 Suspense Public Sector Banks Suspense' every month. This is cleared as and when these amounts are deposited. Thus, a review of these suspense heads enable the reviewing authorities to know the total amounts still in the pipeline and not adjusted in Government Accounts."

76. The Committee referred to the statement mentioned above that 'Government orders provided that the credit of tax payments to the assessee could be given only on the basis of bank copy of the challans or entry in the bank scroll' and desired to know whether an assessee could on production of the challan meant for him get the credit of tax payment. The Department of Economic Affairs (Banking Division) stated in a note that:

"An assessee can get credit for tax payments on production of his copy of the challan subject to the following conditions:

- (i) If the payment was made before coming into force of the Scheme of Acceptance of Direct Taxes by Public Sector Banks in addition to the Reserve Bank of

India, credit can be given if there is some evidence in the departmental record of the receipt of tax.

- (ii) If the payment was made after the introduction of the Scheme of acceptance of direct taxes by Public Sector Banks, the credit can be given after properly verifying the payment from the Receipt scrolls of the branch of the Bank concerned."

77. The Committee desired to know the total amount of collections not so credited to the Government since the introduction of the revised system. The Department of Economic Affairs (Banking Division) have stated in a note:

"In so far as C.B.E.C. is concerned as the work of reconciliation of Revenue Receipt is presently at different stages in various collectorates, it is not possible to indicate at this stage the total amount of collection not credited to Government. In so far as C.B.D.T. is concerned, there is no unreconciled amount between the Department figures and the account figures for the accounts up to 1981-82."

78. Later, asked to indicate the latest position regarding the period up to which the departmental reconciliation had been done by the various Collectorates, the Department of Economic Affairs have furnished the following information:

PERIOD FOR WHICH COMPLETED			
3	Collectorates	Upto	3/84
3		Upto	12/83
2		Upto	8/83
1		Upto	7/83
1		Upto	6/83
6		Upto	3/83
1		Upto	3/81
1		Upto	3/79
1		Upto	3/78
2		for	1982-83
1		for	1981-81 and 1981-82
1			76% of work done
1			61% of work done Upto 3/82

In a Collectorate, the work of reconciliation of Central Excise Revenue figures is to be taken up from 1977-78."

79. When asked about the number of unreconciled entries in respect of receipts of Government dues in the nominated public sector banks including State Bank of India till 31 December, 1982, the Department of Economic Affairs (Banking Division) have been stated in a note:

“As would be seen from the above that the work relating to the reconciliation is at different stages in different collectorates; some of the Collectorates have not reached up to 31-12-1982. It is, therefore, not possible at this stage to indicate the number of un-reconciled entries for this period. However, the Collectorates have been directed by the Board to complete the reconciliation for the past periods urgently and to work, as stated above is at different stages of completion.”

Review of the system

80. The Committee enquired whether the system of Collection of Government dues through Public Sector Banks was ever reviewed since its introduction. In a detailed note furnished in this regard, the Department of Economic Affairs (Banking Division) have *inter alia* explained the position thus:

“The system of collection of Government dues through public sector banks has been reviewed from time to time by the concerned departments as well as the Reserve Bank of India.

In February 1978, Central Board of Direct Taxes brought to the notice of Reserve Bank of India certain instances of delays. The Reserve Bank of India in turn issued instructions to the various Bank authorities for the avoidance of such delays.

The working of the scheme was reviewed in 1980 and certain other deficiencies and defects were brought to the notice of Reserve Bank of India for corrective action in November, 1980.

The Board has been receiving letters containing complaints and suggestions from individuals and organisations regularly regarding the working of the scheme. These complaints and suggestions are being brought to notice of the Reserve Bank of India from time to time who in turn issued suitable instructions to the Banks in the matter. Separate coloured challans were also introduced for different Direct Taxes.

Central Board of Excise and Customs has also attempted a review in a limited departmental context, which was discussed during a recent conference of the Collectors of

Customs and Central Excise and certain recommendations have been made by the conference in this regard including the alternative of enlarging direct departmental collection of receipts in selected places through departmental treasuries. The matter is under examination.

The Reserve Bank of India organised a workshop on October 25 and 26, 1983. The workshop was attended by the senior officers of Reserve Bank of India, representatives from selected public sector banks including State Bank of India and senior officers from Organisation of the Controller General of Accounts and Comptroller and Auditor General of India. The consensus of opinion in this workshop was that proper and efficient training programmes should be introduced for the officers who have been training staff in various banks, so that the availability of trained manpower for handling Government transactions could be increased at various levels. It was also suggested that a Standing Committee consisting of representatives of the Ministry of Finance (Controller General of Accounts) Reserve Bank of India, State Bank of India and a few leading public sector banks could review the procedure periodically and suggest improvements. The Governor of the Reserve Bank of India in his inaugural address, stressed the need for a change in approach by the banks to imbibe a spirit of oneness with the Govt. in their operations rather than continuing the old client banker relationship."

81. The Committee desired to know the recommendations made at the Conference of Collectors of Custom and Central Excise which attempted a review of system of collection of Government dues in a limited departmental context. Explaining the position in this regard, the Department of Economic Affairs (Banking Division) have stated in a note as under:

"In regard to the reconciliation of receipts between the Chief Accounts Officer and the Pay and Accounts Officer, the Group was of the view that the magnitude of the work of comparison and compilation called for use of micro-computers. It was felt that the use of micro-computer could be considered, first on a pilot basis in some major Collectorates like Bombay, Delhi and Madras. Based on

the experience gained, extension of the use of micro-computers in other Collectorates should be considered. It would facilitate quick compilation and reconciliation of duty payments if Departmental Treasuries are set up in all Collectorate Head Quarters. These treasuries may also be provided with modern facilities to compile and process duty payments. 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.

As regards the recommendations regarding the use of micro-computers for compilation of Accounts and for reconciliation with the Departmental figures, a group of officers appointed by the Board, is examining the feasibility of introducing the micro-computers to compile the revenue accounts and also to prepare the system report for experimental introduction in two Collectorates. The group is expected to submit its report shortly.

The other recommendation of the Conference regarding the alternative procedure for collection etc. is being examined by the working group of officers comprising of 5 collectors and the Chief Controller of Accounts."

82. When asked whether the Report of the Group set up to examine the feasibility of introducing the micro-computers to compile the revenue accounts had since submitted the Report the Department of Economic Affairs (Banking Division) have stated in a note furnished in February, 1985:—

"The Group of Officers appointed by the Board to examine the feasibility of introducing micro-computers to compile the revenue accounts had submitted their report (in January 1984) which was accepted by the Government of India. While approving the report of the Group in principle to introduce Computers in all the Collectorates of Central Excise, the Government approved the experimental introduction of the System in two Central Excise Collectorates at New Delhi and Bangalore in the first phase. The order for the supply of the equipment has been placed by the D.G.S & D. and the delivery and installation of the equipment in the two Collectorates are likely to be completed by the firm shortly. The system on experimental basis is expected to start in these two Collectorates very soon. Based on the results of the experiment, computers would be installed in other Collectorates."

83. In reply to a question as to whether the recommendations made by the Working Group comprising of 5 Collectors and the Chief Controller of Accounts have since been received by the Board, the Department of Economic Affairs have stated in a note:

"The Working Group constituted by the Board to study the reasons for delay in reconciliation of the revenue receipts of Central Excise had gone into the question of simplification of the procedure of collection, accounting and reconciliation. The summary of the recommendations made by the Working Group (March 1984) is given below:

- (i) The existing reconciliation process is unduly complex, cumbersome, loaded with scriptory work and needs change.
- (ii) As an alternative to the present procedure is simplified accounting procedure based on "one range—one collecting bank" and "one focal point bank for one Collectorate" be adopted.
- (iii) As a long term solution the revenue reconciliation and accounting may be computerised.
- (iv) The reconciliation for the past periods may be done on the basis of a prescribed test audit or percentage check in those collectorates where reconciliation has fallen in arrears."

84. When asked about the action taken or proposed to be taken on these recommendations, the Department of Economic Affairs have explained in a note as under :

"The report of the Working Group is under consideration of the Board (Central Board of Excise and Customs) and their decisions are likely to be available shortly...."

85. The Committee drew the attention of the Department of Economic Affairs (Banking Division) to a statement by them in an earlier reply that a workshop organised by the Reserve Bank of India on October 25 and 26, 1983, it was also suggested that a Standing Committee consisting of representatives of the Ministry of Finance (Controller General of Accounts) Reserve Bank of India and a few leading public sector banks could review the procedure, periodically and suggest improvement and desired to

know whether such a Standing Committee had been appointed. The Department of Economic Affairs replied in a note:

“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 five public sector Banks (including State Bank of India) has been constituted to review the procedural aspects of Government account. Two meetings of the Working Group have been held so far. The Working Group has not yet met its final recommendations. On receipt of report of the Working Group, it is proposed to set up a Standing Committee to review the procedures on an on-going basis, to suggest suitable improvements.”

86. With a view to eliminating delays involved in remittances of receipts and adjustments thereof to Government Accounts the C&AG made the following suggestions during evidence:

“I have some simple suggestions to make. It pertains as to at what stage did it come to the notice of the Controller General (Accounts) or the Committee. I find the test check was conducted in September-December 1981. But it is immaterial from remedial angle. Now, there are three parties involved in this. On one side, it is the banking system which requires improvement, etc. You have mentioned about it. But I think it is a very long term and a very distant remedy. Of course, it will help in this. The other party involved is the Income-tax Department and the Controller General (Accounts) and to that extent they both are combined in that direction and at that stage if the P.A.O. is instructed to note where there is significant delay, I think you can ensure monitoring within the Government itself. Because it is the responsibility of the Controller General of Accounts and of the Income-tax Department that the money comes to the Government at the earliest. So, it is the question of improving the system from within apart from improving the efficiency of the banks. I think this is a very simple suggestion and a little bit of clarifications and instruction to the Pay and Accounts Officer that he should take note of the delays and bring to the notice of Controller General of Accounts all the bad cases will have to be issued.”

87. The Controller General of Accounts states in this connection that:

“These instructions exist. The delays are brought to the notice of the banks and if the banks fail to respond to the Controller of Accounts, after that we take up the matter with the Chairmen of the Banks. We continuously get this information. The instructions do exist and the cases of delays are continuously being monitored.”

88. The Secretary, Expenditure stated in this connection as follows:—

“I think that your suggestion is that we should strengthen this and it should not be pursued in a routine way but it should be brought to the notice of P.A.O. at the very early stage. We will go into the question and see that attention is paid especially in this direction where heavy amounts are paid by the public. We will look into it and see how best we can do the system of P.A.O.'s.”

Role of Directors

89. The Committee desired to know the role of Government Directors in monitoring the instructions issued by Reserve Bank of India. The Committee enquired whether it was not the duty of the Government Directors of the Public Sector Banks to see that the instructions given by the Reserve Bank of India or the Government were really implemented and if they were not being implemented, to ensure that they were all implemented. Secretary, Department of Expenditure stated in reply as follows:

“The Reserve Bank issues numerous circulars and it is not possible for the Government Directors to go through all the instructions contained in the circulars. We can tell the public sector banks that they should put up a sort of summary reports to the Board periodically as to how efficiently they are handling Government transactions and whether there are any delays in remittances etc. The banks handle millions of transactions and the Government Director cannot be knowing everything of what is happening in the bank. But we can definitely prescribe some sort of a Report by the Management to the Board of Directors about the efficacy with which they are conducting the Government accounts. So far as Government transactions are concerned, we will try to strengthen the scrutiny by the Directors of the manner in which the public sector banks are functioning. I think that would be a useful suggestion.”

90. He added:

"First of all, they have to be viewed as Members of the top management board of the bank. In addition to that, they also serve to communicate to the bank what Government thinking is in various matters. They also report back to the Government the various developments that take place in the Board meeting. They function as a sort of liaison between the two, apart from serving as members of the top management board dealing with the important matters. They are as much Directors as Government officers. It serves the interests of the banks as well as the Government. There is no essential conflict between the two roles."

91. The Committee enquired whether the Directors had mentioned in their Reports anything about the lapses of banks in not entering the amounts to the Government account, the Secretary, Department of Expenditure replied as follows:

"If you consider every mistake as a lapse, it is physically impossible for either the bank management or the Directors to report each of the matter or Directors to take cognizance of it. But it is necessary for the directors to know whether a particular system or scheme is working well. The Chairman-cum-Managing Director is to report to the Board of Directors and submit various reports regarding the functioning of the bank. The Directors themselves may ask for the various reports."

"... I think, it is a good idea if we tell the Government Directors to keep also an eye on the manner in which the scheme is going on. We can do this by prescribing a sort of return or information to be submitted by bank managers and included in the agenda papers once in six months or so, so that the Government Directors may know well. This may be relating to delay in transactions or mis-classified transactions and things like that."

Public complaints

92. While drawing attention of the witnesses during evidence to the public complaints 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

desired to have their views in this regard. The Secretary, Department of Expenditure, stated in reply:

"Let us concede that we would not like our clients to be put to any unnecessary inconvenience. Anyway, we will look into the cases which you have mentioned. I would also try to see whether we can issue some sort of a public notice inviting suggestions as to the difficulties faced by the paying public in that regard."

The Executive Director, Reserve Bank of India added:

"We are trying to reshuffle the whole thing and see whether the existing structure is optimal or not."

93. The Committee enquired why the complaints were pouring in despite the increase in number of branches of Public Sector Banks during last few years. To this, the Secretary (Department of Expenditure) stated:

"There has been a considerable step-up in revenue also in these years. The increase in the number of receiving points is definitely much more than the increase in revenue."

94. On being pointed out that there were considerable delays in remission of Government dues despite the increase in number of receiving points, the Secretary (Department of Expenditure) explained:

"We are conscious of it, and because of this in the last two years, there have been determined efforts made by the Government and the RBI and the banks to see that these delays are cut out. We have succeeded considerably in this. But I do not say that all defects have been eliminated. Our effort would always be to try to improve."

95. 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 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.

96. 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 504 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 delays 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 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 delay ranges from a few days to a few months and (3) that the amounts involved are substantial.

97. The delay in remittance 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 bank to remit the amounts collected to the focal centres 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 trust that adequate remedial measures will now be initiated by the concerned Banks in this direction.

98. 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.

99. 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 seven days' time, in remoter areas, such as Arunachal Pradesh, it would take much more time as there are no means of conveying information through telegraph and the facilities of posts and telegraphs have to be resorted to. The Committee, regretfully note that the limit of seven 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.

100. 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 these 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.

101. 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.

102. 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.

103. 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.

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 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.

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 should view the situation with much greater concern and urgency than they have done hitherto.

106. 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 banks 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 receipt 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 year. 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.

107. 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 collections to Government 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 later part of March every year. Although two 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 Government.

108. The Committee are informed that the adjustment of the net effect of payments made by the general public etc. in the Government 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.

109. 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 Bank Suspense' every month. The amounts are cleared from the Suspense Head by the Principal Accounts Office on the basis of 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 outstandings 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.

110. 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 adjustment 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. Insofar as State Bank of India is concerned, the respective numbers 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.

111. 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 in to this stage. The least they could now do is to evolve a procedure to work out at least 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.

112. 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. 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.

113. 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 a conference of the Collectors 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-

114. 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 scriptory work and needs to be changed. Further according to this group as an alternative to the present procedure a simplified accounting procedure based on one 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 bank and one focal point bank for one Collectorate'. In the view of the Committee this will be a retrograde step as, apart from other reasons, this arrangement will be put the public at large to great inconvenience.

115. 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.

116. 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 matters, have failed to perform any role in the matter of monitoring the remittance of receipts by banks on behalf of 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.

117. The Committee are given to understand that the assesses 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.

NEW DELHI;

20 February, 1986

1 Phalguna, 1907 (Saka)

E. AYYAPU REDDY,

Chairman

Public Accounts Committee.

APPENDIX

APPENDIX

Statement of Observations/Recommendations

Sl. No.	Para No.	Ministry/Department Concerned	Observations/Recommendations
1	2	3	4
1	95	Economic Affairs (Banking Division)	<p>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 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</p>

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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.

2 96 Economic Affairs (Banking Division)

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 5/4 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 delays in link branches were quite high in Andhra Pradesh 299, Delhi/New Delhi 328, Punjab 61, and Tamil Nadu and Pondicherry 448. In this con-

nection, the Secretary, Department of Expenditure representing on behalf of Department of Economic Affairs stated during 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 delay ranges from a few days to a few months and (3) that the amounts involved are substantial.

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Do.

The delay in remittance 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 bank to remit the

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amounts collected to the focal centres 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 trust that adequate remedial measures will now be initiated by the concerned Banks in this direction.

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4 98 Economic Affairs
(Banking Division)

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.

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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 seven days' time, in remoter areas, such as Arunachal Pradesh, it would take much more time as there are no means of conveying information through telex and the facilities of posts and telegraphs have to be resorted to. The Committee, regretfully note that the limit of seven 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.

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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 these 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

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might also be held from time to time to ensure overall efficiency and introducing best possible procedures.

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Economic Affairs
(Banking Division)

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.

- 8 102 Do. 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.
- 9 103 Do. The Committee note with approval Government's decision to charge the concerned banks interest at the rate of 5 per cent per annum on the remittances to the Government which are delayed by more than one month.
- 10 104 Do. 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.

11 105 Economic Affairs (Banking Division)

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 should view the situation with much greater concern and urgency than they have done hitherto.

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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 seroll 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 banks 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 delays in crediting the receipt 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 year. 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 nomi-

nated public sector banks to the focal point banks on the very day of receipts from the public.

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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 collections to Government 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 later part of March every year. Although over two 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 Government.

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The Committee are informed that the adjustment of the net effect of payments made by the general public etc. in the Government 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.

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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 Bank Suspense' every month. The amounts are cleared from the Suspense Head by the Principal Accounts Office on the basis of 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 outstandings 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.

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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 adjustment 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

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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 numbers 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.

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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.

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on one 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 bank and 'one focal point bank for one Collectorate'. In the 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.

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Do.

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 for such complaints are justified and take suitable steps to advise the public of their rights and the bank employees of their duties.
