

GOVERNMENT OF INDIA  
MINISTRY OF FINANCE  
DEPARTMENT OF EXPENDITURE  
CONTROLLER GENERAL OF ACCOUNTS  
FINANCE ACCOUNTS SECTION  
GROUND FLOOR, MAHALEKHA NIYANTRAK BHAVAN  
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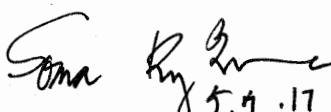
Dated: 5/7/2017

**OFFICE MEMORANDUM**

The Comptroller & Auditor General in its Report No. 34 of 2016 on the Union Government Accounts 2015-16 has observed at Para 2.5.3 that there were several cheques which remained unpaid for more than six months. Citing Rule 47(2) of the Receipts & Payments Rules, it has recommended that such cheques may be reversed and cancelled. Extract of the observation is enclosed for ready reference.

Outstanding 'Cheques & Bills' has always remain an area of major concern in so far as the quality of accounts is concerned and it is being raised with the concerned Pr. Accounts Offices every year during review of their respective material of Finance Accounts. It is also being pointed out by the accredited Audit Officer of the concerned Ministry/Department in its report.

In view of the above, it is requested that the outstanding balances under the Major Head '8670-Cheques & Bills' may be got reviewed and all the outstanding cheques that remained unpaid for more than six months, may be got cleared in a time bound manner. The progress report may also be furnished to this office positively by 31.07.2017 for appraisal of CGA.

  
5.7.17  
Jt. Controller General of Accounts

To,

1. Pr. Chief Controller of Accounts, MEA/MHA/CBDT/RTH
2. Chief Controller of Accounts, Department of Supply

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PPS to CGA

In six cases, Major Head 6002 (S.No. 17-21), the adverse balance was due to exchange rate variation and would be liquidated as per the codal provision. Rest included pre-departmentalised period (two cases) which had been taken up with the concerned Ministry/Department to take necessary action to liquidate the adverse balances. However, this needs to be addressed through a time bound initiative.

### 2.5.3 Outstanding balances under the head 'Cheques and Bills'

This head is an intermediary accounting head for initial record of transactions which are eventually to be cleared. Under the scheme of departmentalization of accounts, payment of claims against Government is made by Pay and Accounts Offices of different Ministries/Departments by cheques drawn on branches of RBI or accredited banks.

When claims are preferred in the appropriate bill form to the PAO/Departmental officer, the payment is authorized through issue of cheques after exercising the prescribed checks and recording of pay order. At the end of each month, the major head '8670 – Cheques and Bills' is credited by the total amount of the cheques delivered during the month. On receipt of Date-wise Monthly Statements (DMS)/Monthly Statement of Balances from Public Sector Banks/(CAS) RBI, Nagpur, showing the payments made by them against the cheques issued, the head '8670-Cheques and Bills' is minus credited and credit is afforded to the Suspense Head '8658.108-PSB Suspense' / '8675.101-Deposits with RBI-Central Civil', as the case may be.

In the Finance Accounts for 2015-16, large balances were lying outstanding under various minor heads of 'Cheques and Bills' as detailed in **Table 2.11**.

**Table 2.11: Outstanding balances under the head 'Cheques and Bills'**

(₹ in crore)			
8670.101	Pre-audit Cheques	Credit	0.42
8670.102	Pay and Accounts Office Cheques	Credit	7671.62
8670.103	Departmental Cheques	Credit	1064.42
8670.104	Treasury Cheques	Credit	4.62
8670.105	IRLA Cheques	Credit	0.59
8670.106	Telecommunication Accounts Office Cheques	Credit	910.69
8670.107	Postal Cheques	Credit	12626.62
8670.108	Railway Cheques	Credit	4872.47
8670.109	Defence Cheques	Debit	60.24
8670.110	Electronic Advices	Credit	30.31
8670.111	Pay and Accounts Offices Electronic Advices	Credit	1914.84
8670.112	Principal Controller of Communication Accounts Offices Electronic Advice	Credit	39.48
8670	<b>Cheques and Bills (Total)</b>	<b>Credit</b>	<b>29075.84</b>

Rule 45 of Central Government Account (Receipts and Payments) Rules, 1983 envisages that a cheque shall be payable at any time within three months after the date of issue. Further, Rule 47(2) envisages that cheques remaining

unpaid for a period of six months after the month of their issue and not surrendered for renewal are to be reversed and cancelled by minus crediting '8670-Cheques and Bills' and minus debiting the functional major/minor head to which the expenditure was originally debited and amount is to be written back in the accounts.

Such large outstanding amounts under different minor heads reflect that accounting authorities are not taking necessary action as required to be taken under the rules. To the extent the amounts are outstanding under the 'Cheques and Bills', the Government cash balance stands overstated and reflects erroneous position.

Test check in the Principal Accounts Offices showed that 808 cheques amounting to ₹ 12.44 crore in Ministry of External Affairs, 521 cheques amounting to ₹ 1.56 crore in Department of Supply, 406 Cheques amounting to ₹ 105.42 crore in Ministry of Road Transport and Highways, 13,355 cheques amounting to ₹ 20.53 crore in CBDT and 691 cheques amounting to ₹ 0.69 crore in Department of Economic Affairs (Ministry of Finance) remained unpaid for more than six months.

Total outstanding balance under the Head-8670- 'Cheques and Bills' stood at ₹ 29,075.84 crore (credit) as on 31 March 2016. Efforts are therefore required on the part of the concerned PAOs of the Ministries/Departments to carry out reconciliation with the banks.

#### **2.5.4 Non-crediting of amount to the Security Redemption Fund**

The Union Government had invested ₹ 9,996 crore in the rights issue of the State Bank of India (SBI) in the financial year 2007-08. Instead of cash draw down, the Government created a liability in the Public Account by issuing special securities (under the MH 8012.00.120-Special Securities issued to Nationalized Banks). These securities were to be redeemed on a future date by creation of a 'Security Redemption Fund', by transferring funds from the Consolidated Fund of India (MH 3465.01.797-Transfer to Reserve Fund) to the Public Account.

Scrutiny of the Finance accounts revealed that during the years 2008-09 to 2015-16, a sum of ₹ 625 crore each year had been booked as expenditure on account of contribution to the Security Redemption Fund. The amount of ₹ 5,000 crore<sup>11</sup> should have been credited to the Security Redemption Fund in the Public Account with the sole purpose to retire the special securities of ₹ 9,996 crore to SBI on some future date. However, an amount of ₹ 5,000 crore was lying under a suspense head till date.

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<sup>11</sup> ₹ 625 crore each year accumulated over a period of eight years (2008-09 to 2015-16) works out ₹ 5,000 crore.